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14 Boundary Bay Capital, LLC

15 **UNITED STATES BANKRUPTCY COURT**
16 **CENTRAL DISTRICT OF CALIFORNIA**
17 **SANTA ANA DIVISION**

18 In re
19 BOUNDARY BAY CAPITAL, LLC, a
20 California limited liability company,
21 Debtor-in-Possession.

Case No. 8:11-bk-14298-RK

Chapter 11

**DISCLOSURE STATEMENT DESCRIBING
CHAPTER 11 PLAN**

Disclosure Statement Hearing

DATE: October 6, 2011
TIME: 11: 00 a.m.
PLACE: Courtroom 5D
411 W. Fourth St.
Santa Ana, CA 92701

Plan Confirmation Hearing

DATE:
TIME:
PLACE: Courtroom 5D
411 W. Fourth St.
Santa Ana, CA 92701

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1 Boundary Bay Capital, LLC, debtor and debtor-in-possession ("Debtor"), provides
2 this *Disclosure Statement Describing Chapter 11 Plan* (the "Disclosure Statement") to
3 creditors, pursuant to § 1125 of the Bankruptcy Code, in connection with the solicitation of
4 acceptances of its Chapter 11 Plan (the "Plan") filed with the United States Bankruptcy
5 Court for the Central District of California (the "Court") in the above-captioned chapter 11
6 bankruptcy case (the "Case").

7 **I. INTRODUCTION**

8 The Case was commenced by the filing of a voluntary chapter 11 petition under the
9 United States Bankruptcy Code (the "Bankruptcy Code" or "Code"), 11 U.S.C. §§ 101 *et*
10 *seq.*, on or about March 28, 2011 (the "Petition Date").

11 Chapter 11 allows debtors, and, under some circumstances, creditors and other
12 parties in interest to propose a plan. A plan may provide for a debtor to reorganize by
13 continuing to operate, to liquidate by selling assets of the estate, or a combination of both.
14 The Debtor is the proponent of the Plan, which was sent to you in the same envelope as
15 this document. THE DOCUMENT YOU ARE READING IS THE DISCLOSURE
16 STATEMENT FOR THE ENCLOSED PLAN.

17 The Plan is a reorganizing plan. As described in detail below, creditors holding
18 unsecured claims (Allowed General Unsecured Claims) will become the new owners of
19 the Debtor (and all the equity interests of the current owners will be terminated). Secured
20 creditors will be paid through the surrender or sale of their collateral or through payments
21 over time, in some cases on a restructured basis. The payments under the Plan will be
22 funded through the proceeds of a post-petition loan, sales of assets, and funds generated
23 through operations. The Debtor will make periodic distributions to creditors (as equity
24 holders of the Reorganized Debtor) as net proceeds become available ("Equity
25 Distributions").

26 The Debtor believes that, in the absence of the chapter 11 reorganization and the
27 confirmation of the Plan, the Debtor's assets would be liquidated at substantially
28 discounted prices, leaving much less to pay creditors. The Plan, on the other hand,

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1 allows the Debtor to maximize the return to creditors through the orderly administration of
2 its assets. For example, the real property assets being sold will be sold over sufficient
3 time periods to generate the highest potential recoveries (and not "fire sale" prices). The
4 Debtor will continue to collect its good receivables (and will not have to liquidate them on
5 a discounted basis). As to loans owned by the Debtor that are in default, the Debtor may
6 take possession of the collateral and then monetize it for the benefit of creditors. In
7 furtherance of this process, the Debtor will address the current challenges impacting the
8 assets, such as pending litigation, which if not resolved will severely undermine the value
9 of the assets available for distribution.

10 In sum, the Debtor believes that the Plan will provide the greatest potential
11 recovery for creditors through maximizing the returns on the assets.

12 The Effective Date of the Plan will be the first Business Day that is fourteen (14)
13 days after the entry of an order confirming the Plan (the "Confirmation Order"), provided
14 there has been no order staying the effectiveness of the Confirmation Order.

15 **A. The Purpose of This Document**

16 This Disclosure Statement summarizes what is in the Plan, and tells you certain
17 information relating to the Plan and the process the Court follows in determining whether
18 or not to confirm the Plan.

19 READ THIS DISCLOSURE STATEMENT CAREFULLY IF YOU WANT TO KNOW
20 ABOUT:

- 21 1. WHO CAN VOTE ON OR OBJECT TO THE PLAN;
- 22 2. WHAT THE TREATMENT OF YOUR CLAIM IS UNDER THE PLAN (*i.e.*,
23 what you will receive on account of your claim if the Plan is confirmed), AND
24 HOW THIS TREATMENT COMPARES TO WHAT YOUR CLAIM WOULD
25 RECEIVE IN LIQUIDATION IN CHAPTER 7;
- 26 3. THE HISTORY OF THE DEBTOR AND SIGNIFICANT EVENTS DURING
27 THE BANKRUPTCY CASE;
- 28

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- 1 4. WHAT THE COURT WILL LOOK AT TO DECIDE WHETHER OR NOT TO
2 CONFIRM THE PLAN;
3 5. WHAT IS THE EFFECT OF CONFIRMATION; AND
4 6. WHETHER THIS PLAN IS FEASIBLE.

5 This Disclosure Statement cannot tell you everything about your rights. You should
6 consider consulting your own lawyer to obtain more specific advice on how the Plan will
7 affect you and what is the best course of action for you. Weiland, Golden, Smiley, Wang
8 Ekvall & Strok, LLP ("Weiland Golden"), general insolvency counsel for the Debtor does
9 not represent you.

10 Be sure to read the Plan as well as the Disclosure Statement. If there are any
11 inconsistencies between the Plan and the Disclosure Statement, the Plan provisions will
12 govern.

13 The Code requires that a disclosure statement contain "adequate information"
14 concerning the Plan. By order entered on _____, 2011, the Court approved this
15 document as an adequate Disclosure Statement, containing enough information to enable
16 parties affected by the Plan to make an informed judgment about the Plan. Any party can
17 now solicit votes for or against the Plan.¹

18 **B. Deadlines for Voting and Objecting; Date of the Plan**

19 Confirmation Hearing

20 THE COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS
21 DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN ARE
22 NOT YET BINDING ON ANYONE. HOWEVER, IF THE COURT LATER CONFIRMS
23 THE PLAN, THEN THE PLAN WILL BE BINDING ON THE DEBTOR AND ON ALL
24 CREDITORS AND INTEREST HOLDERS IN THIS CASE.

25
26
27 ¹ The Disclosure Statement has not yet been approved. A hearing on the approval of the Disclosure
28 Statement will take place on October 6, 2011.

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

2 The hearing where the Court will determine whether or not to confirm the Plan will
3 take place on ____, 20__, at __:__.m. in Courtroom 5D of the Ronald Reagan Federal
4 Building and United States Courthouse located at 411 West Fourth Street, Santa Ana,
5 California 92701.

6 **2. Deadline for Voting for or Against the Plan**

7 If you are entitled to vote, it is in your best interest to timely vote on the enclosed
8 ballot and return the ballot in the enclosed envelope to Weiland, Golden, Smiley, Wang
9 Ekvall & Strok, LLP, attn: Hutchison B. Meltzer, Esq. and Claudia Yoshonis, 650 Town
10 Center Drive, Suite 950, Costa Mesa, California 92626.

11 Your ballot must be received no later than 5:00 p.m. (Pacific Standard Time)
12 ____, 2011 or it will not be counted.

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

14 Objections to the confirmation of the Plan must be filed with the Court and served
15 upon counsel for the Debtor so as to be received on ____, 2011.

16 **4. Identity of Person to Contact for More Information**
17 **Regarding the Plan**

18 Any interested party desiring further information about the Plan should contact
19 Hutchison B. Meltzer or Beth E. Gaschen of Weiland, Golden, Smiley, Wang Ekvall &
20 Strok, LLP, by phone at (714) 966-1000 or by e-mail at hmeltzer@wgllp.com or
21 bgaschen@wgllp.com.

22 **C. Disclaimer**

23 The financial data relied upon in formulating the Plan is based on the financial
24 records of the Debtor, projections created by the Debtor, or information provided by other
25 parties in interest. The professionals employed by the Debtor drafted the Plan and the
26 Disclosure Statement based on this information and have no independent knowledge
27 regarding the accuracy of the data. The Court has not yet determined whether or not the
28

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1 Plan is confirmable and makes no recommendation as to whether or not you should
2 support or oppose the Plan.

3 **II. BACKGROUND**

4 **A. Description and History of the Debtor's Business**

5 **1. General Background**

6 The Debtor was formed in September, 2004, for the purpose of originating loans
7 secured by real estate. The Debtor's primary assets are secured notes. The Debtor also
8 owns some real property which it obtained through foreclosures on its collateral. The
9 Debtor is not making any new loans.

10 **2. The LV Secured Notes**

11 The Debtor's primary assets include interests in three notes ("LV Notes") secured
12 by first, second, and third position trust deeds ("LV Trust Deeds") on certain real property
13 in Clark County, Nevada ("LV Property") (The LV Property is undeveloped land, which the
14 Debtor estimates to have a value of approximately \$14,000,000). There are liens against
15 the first and second position LV Notes and LV Trust Deeds to secure the Debtor's
16 prepetition borrowings. As described below, these liens exceed the estimated current
17 value of the LV Property. The Debtor's interests in the LV Notes and LV Trust Deeds are:

18 **a. The 1st LV Note and Deed of Trust**

19 The Debtor owns a 100% interest in a note dated November 2, 2006 ("1st LV Note")
20 in the approximate amount of \$4,692,600 (original principal amount was \$4,000,000)
21 executed by BV Land Company, LLC ("BV Land"). The 1st LV Note is secured by a first
22 position deed of trust ("1st LV DOT") against the LV Property.

23 Prepetition, the Debtor borrowed \$160,000 pursuant to an 8% Secured Promissory
24 Note in favor of various parties. The 8% Secured Promissory Note is secured by a first
25 position lien on the 1st LV Note.

26
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b. [The 2nd LV Note and Deed of Trust](#)

The Debtor owns a 24.1173% interest in a second position deed of trust on the LV Property ("2nd LV DOT") securing a total obligation of \$19,076,316.63 (with the Debtor's portion being \$4,600,692.45)² ("2nd LV Note").

Prepetition, in October, 2009, Enhanced Income Fund I, LLC ("Enhanced Income") received a note ("Enhanced Income Note") in connection with the Debtor's purchase of Enhanced Income's investment in Heritage ORCAS. The Enhanced Income Note is secured by a first position lien against the Debtor's interest in the 2nd LV Note and a lien on the Debtor's interest in Heritage Orcas until such time when Enhanced Income is granted a first trust deed on specific LV Property parcels in accordance with the Enhanced Income Security Agreement No. 1. The current balance of the Enhanced Income Note is approximately \$3,722,833.36. Pursuant to the Enhanced Income Security Agreement No. 1, Enhanced Income may also have rights with respect to any foreclosure by the Debtor on the 1st DOT.

c. [The 3rd LV Note and Deed of Trust](#)

The Debtor also owns a 16.7189% interest in a third position deed of trust on the LV Property ("3rd LV DOT") securing a total obligation of \$13,322,143.26 (with the Debtor's portion being \$2,227,315.81) ("3rd LV Note"). There is no lien on the Debtor's interest in the 3rd LV DOT. The Debtor estimates that, while it will receive proceeds (or collateral that will then be converted into proceeds) from its interests in the 1st LV Note and the 2nd LV Note, its interest in the 3rd LV Note likely has no value due to the decreased value of the collateral.

Section III.E.3 below and Exhibit "1" set forth what the treatment of the holders of the 1st LV Note and the 2nd LV Note will be if the Debtor forecloses on the LV Property.

² The other interests in the 2nd LV Note are held by related entities.

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1 **3. Other Secured Notes Owned by the Debtor**

2 a. [Lots 1-6, 23, LLC Secured Notes](#)

3 The Debtor also owns a 5.97% fractional, undivided interest in a \$40,000,000 first-
4 position secured note against Lots 1-6, 23, LLC secured by 21.2 acres of vacant land in
5 Clark County, Nevada. Based upon the Debtor's fractional, undivided interest, the Debtor
6 estimates the value of the collateral associated with the Debtor's interest to be
7 approximately \$152,807.

8 b. [SV Assets, LLC Secured Note](#)

9 The Debtor owns a 2% fractional, undivided interest in a \$40,000,000 first-position
10 secured note against SV Assets, LLC secured by 4.84 acres of vacant land in Henderson,
11 Nevada. Based upon the Debtor's fractional, undivided interest, the Debtor estimates the
12 value of the collateral associated with the Debtor's interest to be approximately \$51,700.

13 c. [Odyssey Equity, LLC Secured Note](#)

14 The Debtor owns a 3.988% fractional, undivided interest in a \$25,000,000 first-
15 position secured note against Odyssey Equity, LLC secured by vacant land in Henderson,
16 Nevada.³ Based upon the Debtor's fractional, undivided interest, the Debtor estimates the
17 value of the collateral associated with the Debtor's interest to be approximately \$176,242.

18 d. [Junior Trust Deeds Secured by Residential Real](#)
19 [Property](#)

20 Moreover, the Debtor holds the following notes secured by junior trust deeds on
21 certain residences located in Riverside County. The Debtor estimates that the value of
22 the collateral exceeds the total of the first-priority trust deeds.
23
24
25

26 ³ The Debtor and other related entities have placed a *lis pendens* against an office building adjacent to
27 these vacant parcels. In or around June 2007, two other adjacent buildings also had *lis pendens*, that when
28 sold, resulted in a pay down on this loan. The ultimate recovery on this loan could exceed the forecast if
and when the building is sold for an amount greater than the liens and if the *lis pendens* withstands possible
future litigation.

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1 **4. Debtor's Interest in Real Property**

2 The Debtor also owns interests in real property which it obtained pursuant to
3 foreclosures on secured notes:

4 a. Dana Point Property

5 The Debtor owns a 29.5048% interest in the real property located at 34311 Pacific
6 Coast Highway, Dana Point, California (the "PCH Property"). The PCH property is a
7 vacant parcel consisting of approximately 1.45 acres located at the southeast corner of
8 Pacific Coast Highway and Del Obispo Ave. in Dana Point, California. The PCH Property
9 is significantly overencumbered.

10 North of the parcel is a Union 76 Station which is undergoing a Remediation Plan
11 conducted by URS Corporation ("URS") on behalf of ConocoPhillips. This Remediation
12 Plan is overseen by the Orange County Health Care Agency. The owners of the PCH
13 Property have granted access to URS to drill ground water testing wells to measure
14 possible ground water migration. The City of Dana point has begun testing for a
15 desalinization plant which will pull water from the ocean. URS has installed an ozone
16 injection system on the property to treat ground water migration. There has been no
17 indication that the ground water migration will impact development of the site.

18 b. Murrieta Property

19 The Debtor owns 9.13 acres of real property located at Washington & Nutmeg, in
20 Murrieta, California, described legally as assessors ID 90602009-5 (the "Murrieta
21 Property"). The Debtor estimates the value of the Murrieta Property to be approximately
22 \$1,250,000. Charles Dunn Capital, LLC ("Charles Dunn") holds a first position lien against
23 the Murrieta Property securing a claim of approximately \$259,430.56 and Enhanced
24 Income holds a second position lien in the approximate amount of \$531,833.34.

25 **5. The Debtor's Other Assets**

26 a. Unsecured Receivables

27 The Debtor also owns unsecured receivables against various parties described in
28 Exhibit "2". The total amount of these receivables is approximately \$561,59754.

1 b. [Equity Interests](#)

2 The Debtor owns a limited partnership interest in a related entity, Heritage ORCAS
3 Partners, LP, which was also in the business of making real estate loans. The Debtor
4 estimates the value of these interests to be approximately \$1,019,346.31.

5 c. [Litigation Claims](#)

6 (1) [Malpractice Claim](#)

7 The Debtor has a claim for legal malpractice against its former counsel. An action
8 ("[Malpractice Action](#)") was filed on June 8, 2011, naming Glaser, Weil, Fink, Jacobs,
9 Howard, Avachen & Shapiro, LLP the successor entity to Christiansen, Miller, Glaser,
10 Fink, Jacobs, Weil & Shapiro, LLP, among other defendants ("[Malpractice Defendants](#)").
11 Malpractice Defendants have done legal work for the Debtor and other entities. In
12 addition to other work, the Malpractice Defendants advised the Debtor with respect to the
13 preparation of an Offering Circular. The Malpractice Action relates to certain non-
14 disclosures in the Offering Circular, based on Defendants' advice, which have lead to the
15 Rafael Litigation and other potential liability. The Debtor and the Malpractice Defendants
16 are entering into a tolling agreement and are attempting to settle their disputes.

17 d. [Title Insurance Claims](#)

18 In connection with the Receivership Action, described more fully below, the Debtor
19 tendered to its title insurance companies several claims relating to the defense of the
20 validity of a lien, the priority of a lien, and access to a piece of real property. These claims
21 have been denied by the title insurance companies, but the Debtor reserves the right to
22 pursue those claims in the future.⁴

27 ⁴ The denial by the insurance company was not necessarily because of the validity of the claim or the
28 liability of the insurance company, but could have related to whether or not the claim was ripe.

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1 **6. The Debtor's Unsecured Liabilities**

2 a. Unsecured Notes

3 The Debtor's loans were funded primarily by the Debtor's borrowing pursuant to
4 certain unsecured notes ("Notes"). The total amount of the claims of the holders of the
5 Notes ("Note Holders") is approximately \$43,993,502.68.

6 Effective December 31, 2008, the Debtor entered into an Asset Purchase
7 Agreement and Assignment and Assumption Agreement with Covenant Capital, LLC and
8 Covenant Bancorp, Inc., with the Debtor acting as the remaining entity. A copy of the
9 Asset Purchase Agreement and Assignment and Assumption Agreement is attached as
10 Exhibit "3."

11 b. Other Unsecured Debt

12 The Debtor also has other unsecured debt for goods and services used in
13 connection with its operations, as well as insider claims. The total amount of the other
14 unsecured debt is approximately \$2,105,800.35 which includes the Orange County
15 Business Bank loan discussed below. The claims are described in Exhibit "4".

16 c. Orange County Business Bank

17 Orange County Business Bank ("OCBB") made a loan to the Debtor secured by
18 real property located on Ventura Blvd., in Sherman Oaks, California ("Ventura Property").
19 The Ventura Property was subsequently transferred to a related entity, Covenant
20 Opportunity Fund, for consideration. However, the Debtor is still liable under the loan
21 documents. The current balance of the loan is approximately \$816,514.24. The Debtor
22 expects that the OCBB loan will be paid by Covenant Opportunity Fund and/or from the
23 Ventura Property.

24 d. Litigation Claims

25 (1) Rafael Arbitration

26 As discussed further below, a Note Holder, Maureen Rafael ("Rafael"), pursuant to
27 a pending arbitration proceeding, is asserting a claim of over \$1,000,000.
28

(2) Wing Receiver

As discussed further below, Robert Wing, the federal receiver ("Receiver") of Vescor, an entity which the Debtor had entered into transactions with, filed a fraudulent transfer action against the Debtor and other defendants in the United States District Court, District of Utah, Case No. 2:08-cv-00835 DB ("Receivership Action"). Subsequently, the Receiver filed a motion for summary judgment seeking to avoid and invalidate the Apex 1-6/23, Siena Vista and Siena Office Park liens against the LV Property, portions of which are owned by the Debtor, and seeking an unspecified monetary award.⁵ The summary judgment motion was denied in December 2010.

The Receiver has also filed a fraudulent transfer action against BV Land Company, an affiliate of the Debtor, who owns the membership interests of the LLC's which own the LV Property in the United States District Court, District of Utah, Case No. 2:09-cv-1057 ("BV Land Action"). The Receiver recently requested, and was granted, an extension of time for discovery to appraise the LV Property as of the date of acquisition in 2006.

B. Principals/Affiliates of the Debtor's Business

The current members of the Debtor are Covenant Management Group, LLC and Heritage Capital Management, LLC. The Debtor's affiliates include Covenant Opportunity Fund, LLC, a California limited liability company; Cartwright Properties, LLC, a California limited liability company;⁶ Birch Bay Partners, LP, a Washington limited partnership, Echo Bay Partners, LLC, a California limited liability company, BV Land, LLC, a Nevada limited liability company; Heritage Orcas Partners, Limited Partnership, a Nevada limited partnership; and Heritage Orcas VL Partners, L.P., a Delaware limited partnership.

⁵ In or around February 2008, an entity related to the Debtor negotiated control of the Loan Management Agreement for Apex 1-6, 23, Siena Vista, and Odyssey Equity (Siena Office Park). This entity began to foreclose on the properties shortly thereafter. The appointment of the Receiver stayed these actions. The stay was appealed to the Tenth Circuit Court of Appeals and was upheld, preventing the foreclosure.

⁶ Cartwright Properties, LLC, filed a voluntary chapter 11 petition on June 9, 2010, case no. 8:10-bk-17823-RK. The case has been dismissed at the request of the debtor.

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1 **C. Management of the Debtor Before and After Bankruptcy**

2 Prior to the commencement of the Case, Heritage Capital Management, LLC
3 managed the Debtor and the Properties and has continued to manage them post-petition.⁷

4 **D. Events Leading to Chapter 11 Filing**

5 Due to the general downturn in the real estate market, a substantial portion of the
6 Debtor's loans stopped performing. Once the loans stopped performing, the Debtor in
7 some cases initiated foreclosure proceedings with respect to its collateral and had to bear
8 related costs (including in connection with the chapter 11 proceedings of borrowers). The
9 Debtor depleted liquid assets by making cash payments of interest and principal to both
10 current and previous secured debt holders, as well as cash payments of interest and
11 principal to Note Holders. The Debtor then had to bear the ongoing expense of non-
12 income producing properties after such foreclosures. Further, interest payments due to
13 the Note Holders continued to accrue while the value of the Debtor's collateral and real
14 property (REO) continued to decline. As a result, the Debtor was not able to make the
15 payments due to the Note Holders. Further, the Debtor had to expend a significant
16 amount of funds on the pending litigation, described more fully below.

17 **E. Significant Events During the Bankruptcy Case**

18 **1. Bankruptcy Proceedings**

19 a. The Order for Relief

20 The Debtor filed a petition for relief under chapter 11 of the Bankruptcy Code on
21 March 28, 2011.

22 b. The Employment of Estate Professionals

23 By order entered on June 9, 2011, the Court authorized the employment of Weiland
24 Golden as the Debtor's general insolvency counsel.

25

26

27 ⁷ Heritage Capital Management, LLC and Covenant Management Group, LLC manage and operate
28 various other funds which may, under certain circumstances, present a potential conflict of interest.

1 c. [The Claims Bar Date](#)

2 At the chapter 11 status conference on April 27, 2011, the Court fixed July 15, 2011
3 (the "Bar Date") as the last date to file Proofs of Claim for all creditors. The Debtor served
4 all creditors and parties in interest with the Bar Date Notice on May 11, 2011.

5 d. [The Debtor's Schedules, Interim Statements, and](#)
6 [Operating Reports](#)

7 The Debtor believes that the Estate is in compliance with the requirements under
8 11 U.S.C. §§ 521, 1006 and 1107, and the applicable Guidelines of the Office of the
9 United States Trustee ("OUST"). On April 11, 2011, the Debtor filed its bankruptcy
10 schedules (the "Schedules") and statements of financial affairs ("SOFA"). On May 10,
11 2011, the Debtor filed amended schedules ("First Amended Schedules"). On July 27,
12 2011, the Debtor filed further amended Schedules ("Second Amended Schedules"). The
13 Debtor has prepared and submitted Monthly Operating Reports ("MOR") for the Estate
14 through July, 2011. The Debtor is current on the quarterly fees owed to the OUST.

15 e. [DIP Financing](#)

16 The Debtor may file a motion for approval of debtor-in-possession borrowing. The
17 Debtor may also borrow additional funds post-confirmation. The Debtor anticipates that
18 this post-confirmation borrowing will be on the same or substantially similar terms as the
19 treatment of Class 1(a) below. The proceeds of this borrowing ("DIP Loan") will be used
20 solely for the Debtor's operations and reorganization. The Debtor may engage securities
21 counsel to advise it with respect to the DIP Loan or post-confirmation borrowing.

22 Crucial to the success of the reorganization is the Debtor obtaining cash to fund its
23 operations and reorganization. The Debtor contemplates an infusion of cash in the form
24 of a membership distribution from a loan obtained by an affiliate on the LV Property.
25 However, the Debtor reserves the right to seek alternative sources of cash in the form of
26 the DIP Loan or post-confirmation financing. If administrative expenses significantly
27 increase, due to litigation or otherwise, beyond what the Debtor currently forecasts, the
28 Debtor believes obtaining financing may be more difficult. Failure to obtain the DIP and

1 post-confirmation financing may result in the Plan not being feasible. Further, if the
2 proceeds of this financing, even if obtained, have to be used for significantly greater
3 administrative expenses than is forecasted, the Plan may not be feasible or the assets
4 may have to be sold sooner in the current difficult real estate market resulting in a
5 decreased return to creditors.

6 **f. LV Property Taxes**

7 Property taxes with respect to the LV Property had to be paid by June 1, 2011, or
8 the taxing authority would deed the LV Property as the first step to a foreclosure sale.
9 Accordingly, in order to protect the value of its collateral, the Debtor filed a Motion for
10 Order Authorizing the Debtor to: (1) Incur Debtor Pursuant to 11 U.S.C. § 364(d); and (2)
11 Enter into Transactions Outside the Ordinary Course of Business Pursuant to 11 U.S.C.
12 § 363. On May 31, 2011, the Court approved the motion with respect to the taxes and the
13 Debtor made the payment.

14 **g. The Appointment of the Official Committee of**
15 **Unsecured Creditors**

16 On April 22, 2011, the OUST appointed an official committee of unsecured
17 creditors ("Committee"). On July 29, 2011, the OUST appointed two additional members
18 to the Committee. On August 16, 2011, the OUST replaced one member of the
19 Committee. On August 25, 2011, the OUST replaced the latest member. The members
20 of the Committee are as follows: Albert Wazlak; Roy and Dorothy Callison Joint Trust;
21 Harrington Construction Co., Inc.; Lynell Burmark; and Andrea Jupina. The Debtor
22 expects that an application to employ counsel for the Committee will be filed prior to the
23 hearing to approve the Disclosure Statement.

24 **2. Other Legal Proceedings**

25 The Debtor is a defendant in certain non-bankruptcy legal proceedings commenced
26 pre-petition, as described below.

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1 a. Wing Receivership

2 Robert Wing, the Receiver of Vescor, an entity which the Debtor had entered into
3 transactions with, filed a fraudulent transfer action against the Debtor and other
4 defendants in the United States District Court, District of Utah, Case No. 2:08-cv-00835
5 DB. Subsequently, the Receiver filed a motion for summary judgment seeking to avoid
6 and invalidate the Apex 1-6/23, Siena Vista and Siena Office Park liens against the LV
7 Property, portions of which are owned by the Debtor, and seeking an unspecified
8 monetary award. The Debtor vigorously disputes the allegations. The Receiver's motion
9 for summary judgment was denied in December 2010. There has been no activity in the
10 case since this ruling.

11 The Receiver has filed a fraudulent transfer action against BV Land Company, an
12 affiliate of the Debtor, who owns the membership interests of the LLC's which own the LV
13 Property in the United States District Court, District of Utah, Case No. 2:09-cv-1057 ("BV
14 Land Action"). The Receiver recently requested, and was granted, a two month (from July
15 1 to September 1) extension of time for the filing of an expert report to appraise the LV
16 Property as of the date of acquisition in 2006. The Debtor is not a party to this action, but
17 it may affect the Debtor's collateral.

18 b. Rafael Arbitration

19 A Note Holder, Rafael, commenced litigation in the San Diego Superior Court
20 related to the non-payment of her Note in June 2010. In or about March, 2011, Rafael
21 alleged that the over 20 year old conviction of principal Jerry Smith for securities fraud
22 should have been disclosed in the applicable Private Placement Memorandum ("PPM").
23 The Debtor disputes these allegations. Further, the conviction had been disclosed in a
24 prior PPM and was not included in any subsequent PPM based on the advice of counsel.⁸

25 _____
26 ⁸ As expressly provided in the Heritage Capital Partners, LP Offering Memorandum: "In 1989, Mr. Jerry
27 D. Smith was convicted of two counts of grand theft under California Penal Code section 487 and two
28 counts of securities fraud under Corporations Code section 25401. Count one arose from a real estate
venture and related to monies which were purportedly invested without the permission of some investors.
Count two centered around the same investor funds which were co-mingled in a general account rather than
segregated into a separate account titled in the name of the real estate venture. Count three involved a
(Continued...)

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1 The Debtor has never intended to hide the conviction and disputes any allegations to the
2 contrary.

3 This matter has been assigned to arbitration. The arbitration has been stayed with
4 respect to the Debtor by the filing of the Case. The arbitration is scheduled to begin
5 November 14, 2011. Recently, Rafael filed a Motion for Summary Disposition on her
6 Sixth Cause of Action for Violation of California Corporations Code § 25401 seeking
7 recession against non-debtors Heritage Orcas Partners, LP, Covenant Management
8 Group, LLC, Heritage Capital Management, LLC, David T. Lawlor and Jerry D. Smith. On
9 June 13, 2011, Rafael's motion was denied as there remain triable issues of fact.

10 **c. DOC Cease and Desist**

11 In mid 2008, the principals of the Debtor learned the Department of Corporations
12 ("DOC") issued a Cease and Desist Order in 2000 requiring Covenant Group to cease and
13 desist from the sale of securities unless the prior conviction of Jerry D. Smith was
14 disclosed. This order was produced in the litigation with the Wing Receiver. This order
15 does not prevent the Debtor from continuing to manage its assets. In September 2010,
16 the Debtor received a general subpoena from the DOC and the Debtor produced
17 responsive documents in January, 2011.

18 **d. PCH Property**

19 The Debtor is also involved in litigation with CBT related to a pending foreclosure
20 proceeding against PCH.

21 **3. Actual and Projected Recovery Avoidance Actions and**
22 **Causes of Action**

23 Attached hereto as Exhibit "5" are the lists that the Debtor attached to its SOFA of
24 all payments made to creditors during the 90-day period and insiders during the one year

25 _____
(...Continued)

26 representation by Mr. Smith that he had received a BA degree and had done some graduate work at USC
27 when he had not done so. Count four related to a separate investment involving the acquisition of a
28 Bakersfield vineyard where, upon the sale of the vineyard, investors received a sum less than they had
expected to collect. In November, 1989, the California Court of Appeal in the Second District affirmed the
conviction on all four counts in a split decision. (263 Cal.Rptr. 684, 215 Cal.App.3d 230)."

1 period prior to the Petition Date. The Debtor does not intend to pursue any Avoidance
2 Actions.

3 The Committee will continue after the Effective Date solely to prosecute avoidance
4 actions against the Debtor's insiders ("Insider Avoidance Actions"), if appropriate. The
5 Committee will be vested with, and serve as representative of the Debtor's Estate with
6 respect to the Insider Avoidance Actions. The Committee is authorized to hire
7 professionals on a contingency fee basis to assist in pursuing the Insider Avoidance
8 Actions. The Debtor will provide the Committee with \$10,000 on the Effective Date and
9 \$10,000 per year thereafter to be used in connection with general administrative
10 expenses.

11 **4. Procedures Implemented to Resolve Financial Problems**

12 The Debtor's financial problems primarily relate to its inability to perform under the
13 terms of the Notes due to the downturn in the real estate market. Once the loans stopped
14 performing, the Debtor in some cases initiated foreclosure proceedings with respect to its
15 collateral and had to bear related costs (including in connection with the chapter 11
16 proceedings of borrowers). The Debtor depleted liquid assets by making cash payments
17 of interest and principal to both current and previous secured debt holders, as well as
18 cash payments of interest and principal to Note Holders. The Debtor then had to bear the
19 ongoing expense of non-income producing properties after such foreclosures. Further,
20 interest payments due to the Note Holders continued to accrue while the value of the
21 Debtor's collateral and real property (REO) continued to decline. As a result, the Debtor
22 was not able to make the payments due to the Note Holders. Further, the Debtor had to
23 expend a significant amount of funds on pending litigation. The Debtor is resolving these
24 issues by reforming its capital structure, specifically by converting its unsecured debt
25 (including that held by the Note Holders) into equity in the Reorganized Debtor.

26 In order to ensure the maximum return to creditors (*i.e.*, the New Equity Holders),
27 the Debtor will sell certain assets, continue to collect receivables, and, in some cases,
28

1 obtain possession of and then monetize its collateral for the benefit of creditors. The
2 Debtor will make periodic Equity Distributions to creditors.

3 **5. Current and Historical Financial Conditions**

4 The Debtor's assets and their value are more specifically identified in the liquidation
5 analysis in Section IV.B. below. Copies of the Debtor's balance sheets and financial
6 statements from October 2010 through March 2011 are attached as Exhibit "6" and the
7 Debtor's MOR's filed during the case are attached as Exhibit "7".

8 **III. SUMMARY OF THE PLAN**

9 The following is a summary of the material provisions of the Plan.

10 **A. Overview of the Plan**

11 The Debtor believes that, in the absence of the Plan, the Debtor's assets would be
12 liquidated at substantially discounted prices. The Plan allows the Debtor to maximize the
13 return to creditors through the orderly administration of the assets. For example, real
14 property assets will be sold over a time period which will result in the highest potential sale
15 prices (and not at "fire sale" prices). The Debtor will continue to collect its receivables
16 (and not liquidate them on a discounted basis). As to loans that are in default, the Debtor
17 will take possession of and then monetize the collateral for the benefit of creditors. In
18 furtherance of this process, the Debtor will address the current challenges impacting the
19 assets, such as pending litigation, which if not resolved will severely undermine the value
20 of the assets available for distribution. The Debtor will make periodic Equity Distributions
21 to creditors (as equity holders of the Reorganized Debtor) as proceeds become available.
22 In sum, the Debtor believes that the Plan will provide the greatest potential recovery for
23 creditors through maximizing the returns on the assets.

24 Unless otherwise expressly stated in the Plan, the treatment of Allowed Claims and
25 allowed interests under the Plan supersedes any agreements or rights the Holders of
26 those Claims or Interests may have in or against the Debtors or their assets and is in full
27 satisfaction of the legal, equitable, and contractual rights of the Holders of the Claims or
28 Interests.

1 Unless the Plan provides otherwise, no Distributions will be made and no rights
2 retained on account of any Claim or Interest that has not become an Allowed Claim or
3 allowed interest.

4 **B. What Creditors and Interest Holders Will Receive Under the**
5 **Proposed Plan**

6 As required by the Bankruptcy Code, the Plan classifies Claims and Interests in
7 various Classes according to their right to priority. The Plan states whether each Class of
8 Claims or Interests is impaired or unimpaired. The Plan provides the treatment each
9 Class will receive. In no event shall any creditor receive more than the creditor's Allowed
10 Claim, plus interest, to the extent provided herein.

11 **C. Unclassified Claims**

12 Certain types of Claims are not placed into voting classes but are instead
13 unclassified. They are not considered impaired and they do not vote on the Plan because
14 they are automatically entitled to certain treatment under the Bankruptcy Code.
15 Accordingly, the following Claims have not been placed into a Class:

16 **1. Administrative Expenses**

17 Administrative Claims are Claims for costs or expenses of administering the
18 Debtor's Case which are allowed under § 507(a)(2) of the Bankruptcy Code. The
19 Bankruptcy Code requires that all Allowed Administrative Claims be paid on the Effective
20 Date of the Plan, unless a particular claimant agrees to a different treatment. The
21 following charts list all of the Debtor's § 507(a)(2) unpaid Administrative Claims and their
22 treatment under the Plan:

Non-Professional Administrative Claims		
Description	Estimated Amount Owed	Treatment
Ordinary-Course Administrative Claims	\$0.00	Unless the Debtor objects to an Ordinary-Course Administrative Claim, the Claim will be Allowed in accordance with the terms and conditions of the particular transaction that gave rise to the Ordinary-Course Administrative Claim, and the Person holding the Ordinary-Course Administrative Claim need not File

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Non-Professional Administrative Claims		
Description	Estimated Amount Owed	Treatment
		any Request for Payment of its Claim.
Non-Ordinary Course Administrative Claims	\$0.00	To the extent that any Non-Ordinary-Course Administrative Claims are Allowed, they will be paid in full by the Debtor on the later of (i) the Effective Date, and (ii) the date that is ten (10) Business Days after the Court enters a Final Order allowing the Non-Ordinary-Course Administrative Claim.
Clerk's Office Fees	\$0.00	Paid in full on or before the Effective Date.
Office of the United States Trustee Fees	\$0.00	Paid in full on or before the Effective Date.
Administrative Tax Claims	\$0.00	<p>Unless the Debtor objects to an Administrative Tax Claim or otherwise disputes the Administrative Tax Claim in accordance with applicable law, the Claim will be Allowed in accordance with the terms and conditions of the particular transaction that gave rise to the Administrative Tax Claim, and the Person holding the Administrative Tax Claim need not file any Request for Payment of its Claim.</p> <p>Any Allowed Administrative Tax Claim will be paid in the ordinary course of business, currently and timely as they are incurred and billed, unless the Debtor objects to or otherwise disputes such Administrative Tax Claim in accordance with applicable law. In an event of default, and to the extent such Administrative Tax Claim is also secured, the payment thereof will include all costs, fees, charges and interest, if applicable, as required under 11 U.S.C. §§ 506(b) and 511, and applicable non-bankruptcy law.</p>
Total	\$0.00	

Professional-Fee Claims		
Description	Estimated Amount Owed	Treatment
Weiland Golden	\$50,000.00	Paid in full on the later of (i) the Effective Date, and (ii) the date that is ten (10) Business Days after the

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Professional-Fee Claims		
Description	Estimated Amount Owed	Treatment
		Court enters a Final Order allowing the Professional-Fee Claim.
The Law Office of Joel M. Pores	\$0.00 ⁹	Paid in full on the later of (i) the Effective Date, and (ii) the date that is ten (10) Business Days after the Court enters a Final Order allowing the Professional-Fee Claim.
Counsel to the Committee	\$40,000.00	Paid in full on the later of (i) the Effective Date, and (ii) the date that is ten (10) Business Days after the Court enters a Final Order allowing the Professional-Fee Claim.
Total	\$90,000.00	

The following applies to Administrative Claims:

a. [Ordinary Course Administrative Claims](#)

Unless the Debtor or other party-in-interest objects to an Ordinary-Course Administrative Claim, the Claim will be deemed Allowed in accordance with the terms and conditions of the particular transaction that gave rise to the Ordinary-Course Administrative Claim, and the Person holding the Ordinary-Course Administrative Claim need not File any Request for Payment of its Claim. However, any Request for Payment, or Motion to allow a Claim as an Ordinary-Course Administrative Claim must be Filed with the Court and served on counsel for the Debtor or the Reorganized Debtor, as the case may be, and the OUST by no later than sixty (60) days after the Effective Date.

b. [Non-Ordinary-Course Administrative Claims](#)

A Non-Ordinary-Course Administrative Claim will be paid by the Debtor on the Effective Date to the extent that prior to the Effective Date it has already been determined to be an Allowed Non-Ordinary-Course Administrative Claim by the Court pursuant to a

⁹ Pursuant to the application to employ, The Law Offices of Joel M. Pores will receive a flat fee of \$25,000, payable \$15,000 upon execution of the agreement and \$10,000 upon entry of an order of the Court approving special counsel's employment. The Debtor is responsible for paying \$7,500 of the flat fee and while that portion remains unpaid, the Debtor anticipates making such a payment prior to the Effective Date. After that special counsel will receive a contingency fee. As such, the Debtor does not anticipate owing any fees to The Law Offices of Joel M. Pores as of the Effective Date. All of the terms of the employment of The Law Offices of Joel M. Pores are set forth in the employment application which can be found on the case docket at docket entry no. 59.

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1 Final Order. Any other Non-Ordinary-Course Administrative Claim will be paid by the
2 Debtor to the extent that it is allowed by the Court only if: (1) on or before sixty (60) days
3 after the Effective Date, the Person holding the Non-Ordinary Course Administrative Claim
4 both Files with the Court a Request for Payment of the Non-Ordinary-Course
5 Administrative Claim and serves the Request for Payment on counsel for the Debtor and
6 the OUST; and (b) the Court, in a Final Order, allows the Non-Ordinary-Course
7 Administrative Claim. Any party-in-interest, including, but not limited to, the Debtor, may
8 File an objection to such a Request for Payment within the time provided by the
9 Bankruptcy Rules or within any other period the Court establishes. Persons holding Non-
10 Ordinary-Course Administrative Claims who do not timely File and serve a Request for
11 Payment will be forever barred from asserting these Claims or sustaining any action
12 seeking payment in any forum or from any court deriving from these Claims against the
13 Estate, the Reorganized Debtor, the Debtor, or their property.

14 **c. Professional-Fee Claims**

15 A Professional-Fee Claim will be paid only if: (a) on or before forty-five (45) days
16 after the Effective Date (or such further date if extended by Court order), the Person
17 holding the Professional-Fee Claim both Files with the Court an application requesting
18 allowance and payment of the Professional-Fee Claim; and (b) the Professional-Fee
19 Claim is allowed by order of the Court (as to which fourteen (14) days has passed without
20 a stay of the enforcement or effectiveness of such order or, if a stay has been obtained,
21 such stay has lapsed or been dissolved). The Debtor or any other party-in-interest may
22 File an objection to such an application within the time provided by the Bankruptcy Rules
23 or within any other period that the Court establishes. Persons holding Professional-Fee
24 Claims who do not timely File and serve an application for allowance and payment will be
25 forever barred from asserting these Claims against the Estate, the Debtor, the
26 Reorganized Debtor, or their property.

27 As is indicated above, the Debtor estimates that it will need to pay Administrative
28 Claims totaling approximately \$90,000 on the Effective Date, unless the claimant has

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1 agreed to be paid later or the Court has not yet ruled on the Claim. The Debtor expects
 2 that it will have funds in excess of this amount on the Effective Date to make the
 3 necessary payments.

4 **2. Priority Tax Claims**

5 Priority Tax Claims include certain unsecured income, employment and other taxes
 6 described by Bankruptcy Code § 507(a)(8). The Bankruptcy Code requires that each
 7 Holder of such a § 507(a)(8) Priority Tax Claim receive the present value of such Claim in
 8 regular installment payments in Cash, over a period not exceeding five years from the
 9 Petition Date, unless the Holder agrees to a different treatment. The following chart lists
 10 all of the Debtor's known § 507(a)(8) Priority Tax Claims and their treatment under the
 11 Plan:

Priority Tax Claims		
Description	Estimated Amount Owed	Treatment
Franchise Tax Board	\$800.00	The Franchise Tax Board will be paid in full on the Effective Date or as soon as reasonably practicable thereafter.
Franchise Tax Board (Covenant Bancorp., Inc. 2008 Taxes)	\$93,576.80	The Franchise Tax Board will be paid in full the allowed amount of its Claim no more than five (5) years from the entry of the Order for Relief. The Claim shall accrue interest from the Effective Date on the unpaid balance of the Allowed Priority Tax Claim at the rate required by 11 U.S.C. § 511 to provide "present value" of the Allowed Priority Tax Claim.

21 **D. Classified Claims**

22 **1. Summary of Classes**

Summary of Classes	
Class	Claimant(s)
1(a)	Secured Claim of Parties to the 8% Secured Note – 1 st Lien on 1 st LV Notes
1(b)	Secured Claim of Enhanced Income Fund I, LLC – 1 st Lien on 2 nd LV Notes
2(a)	Secured Claim of Charles Dunn Capital, LLC – 2 nd Lien on Murrieta Property
2(b)	Secured Claim of Enhanced Income Fund I, LLC – 3 rd Lien on Murrieta Property
2(c)	Secured Claim of Riverside County Treasurer-Tax Collector – 1 st Lien on Murrieta Property

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Summary of Classes	
Class	Claimant(s)
3a	Secured Claim of CBT – 2 nd Lien on interest in PCH
3b	Secured Claim of Orange County Treasurer-Tax Collector – 1 st Lien on PCH Property
4	Secured Claim of Los Angeles County Treasurer-Tax Collector – Lien on Ventura Property
5	Disputed Secured Claims
6	Priority Unsecured Claims – IRA Resources Inc. FBO Lisa Maulit
7	Priority Unsecured Claim – Los Angeles County Treasurer-Tax Collector
8(a)	General Unsecured Claims
8(b)	General Unsecured Claim of Orange County Business Bank
8(c)	General Unsecured Claims Less than \$2,000
9	Interest Holders

2. Secured Claims

Secured Claims are Claims secured by liens against property of one or more of the Estates.

The following chart lists all Classes of Secured Claims and their treatment under the Plan:

Secured Claims				
Class #	Description	Insiders (Y/N)	Impaired (Y/N)	Treatment
1(a)	Secured Claim of Parties to the 8% Secured Note (This class includes current note holders, the note holders based upon the DIP Loan, and any note holders from potential post-confirmation borrowing). • Collateral: 1 st LV Notes • Priority of Security Interest: First	N ¹⁰	Y	The 8% Secured Note provides for interest to accrue at a rate of 8% per annum with the principal and interest being due within 36 months after the date of the issuance of the note (e.g., some are currently due on March 25, 2014). The secured creditors in this class will be paid according to terms of their notes, except that the payments will be due for all the notes within 36 months after the Effective Date of the Plan. The secured creditors in this class will release their liens on the 1 st LV Notes, and take any other necessary actions, to allow the 1 st LV Notes to be sold or to allow the Debtor to obtain possession of the collateral.

¹⁰ While there are some insiders within Class 1(a), the whole class is not made up of insiders.

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Secured Claims				
Class #	Description	Insiders (Y/N)	Impaired (Y/N)	Treatment
	<ul style="list-style-type: none"> Total Claim Amount: \$160,000.00-\$1,000,000.00 Collateral Value: approximately \$4,692,600.00 			<p>If the Debtor takes possession of the collateral for the 1st LV Notes, the LV Property, the alternative treatment for Class 1(a) is set forth in full in Section III.E.3 below.</p> <p>The secured creditors will release their liens on the LV Property to allow the sale or refinance of the LV Property. The Net Proceeds of any such sale will be paid to the secured creditors, according to their respective priorities, up to the amounts of the balances of the Allowed Secured Claims.</p> <p>The secured creditors shall be enjoined from enforcing their liens as long as there is no material monetary default that is not cured within 30 days after giving of notice of default.</p> <p>The Debtor, at its discretion, may surrender the collateral to the secured creditors in full satisfaction of the Allowed Secured Claims.</p> <p>The Debtor may pay the remaining balance of the Allowed Secured Claims in full at any time with no prepayment penalty.</p>
1(b)	Secured Claim of Enhanced Income Fund I, LLC <ul style="list-style-type: none"> Collateral: 2nd LV Notes Priority of Security Interest: First Total Claim Amount: \$3,722,833.36 Collateral Value: approximately \$4,600,692.45 	N	Y	<p>The secured creditor in this class will receive monthly payments calculated based on an interest rate of 6% per annum beginning 19 months after the Effective Date and amortization over 25 years. The Allowed Secured Claim will be paid in full within 7 years after the Effective Date.</p> <p>The Class 1(b) secured creditor will release its lien on the 2nd LV Notes, and take any other necessary actions, to allow the 2nd LV Note to be sold or to allow the Debtor to obtain possession of the collateral.</p> <p>If the Debtor takes possession of the collateral for the 2nd LV Note, the LV Property, the alternative treatment for Class 1(b) is set forth in full in Section III.E.3 below.</p> <p>The secured creditor will release its liens on the LV Property to allow the sale of the LV Property. The Net Proceeds of any such sale will be paid to the secured creditors, according to their respective priorities, up to the amounts of the balances of the Allowed Secured Claims.</p>

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Secured Claims				
Class #	Description	Insiders (Y/N)	Impaired (Y/N)	Treatment
				<p>The secured creditor shall be enjoined from enforcing its liens as long as there is no material monetary default that is not cured within 30 days after giving of notice of default.</p> <p>The Debtor, at its discretion, may surrender the collateral to the secured creditor in full satisfaction of the Allowed Secured Claim.</p> <p>The Debtor may pay the remaining balance of the Allowed Secured Claim in full at any time with no prepayment penalty.</p>
2(a)	Secured Claim of Charles Dunn Capital, LLC <ul style="list-style-type: none"> • Collateral: Murrietta Property • Priority of Security Interest: Second • Total Claim Amount: \$265,727.78 • Collateral Value: \$1,250,000.00 	N	Y	<p>The secured creditor in this class will receive monthly payments calculated based on an interest rate of 5.5% per annum and amortization over 25 years. The Allowed Secured Claim will be paid in full within 7 years after the Effective Date.</p> <p>If Charles Dunn forecloses on its other collateral, the Ventura Property, the claim against the Debtor will be credited accordingly.</p> <p>The secured creditor will release its liens on the Murrietta Property to allow its sale. The Net Proceeds of any such sale will be paid to the secured creditors, according to their respective priorities, up to the amounts of the balances of the Allowed Secured Claims.</p> <p>The secured creditor shall be enjoined from enforcing its liens as long as there is no material monetary default that is not cured within 30 days after giving of notice of default.</p> <p>The Debtor, at its discretion, may surrender the collateral to the secured creditors in full satisfaction of the Allowed Secured Claims.</p> <p>The Debtor may pay the remaining balance of the Allowed Secured Claim in full at any time with no prepayment penalty.</p>
2(b)	Secured Claim of Enhanced Income Fund I, LLC <ul style="list-style-type: none"> • Collateral: Murrietta Property • Priority of Security 	N	Y	<p>The secured creditor in this class will receive monthly payments calculated based on an interest rate of 6.5% per annum beginning 19 months after the Effective Date and amortization over 25 years. The Allowed Secured Claim will be paid in full within 7 years after the Effective Date.</p>

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Secured Claims				
Class #	Description	Insiders (Y/N)	Impaired (Y/N)	Treatment
	Interest: Third Total Claim Amount: \$531,833.34 <ul style="list-style-type: none"> • Collateral Value: \$1,250,000.00 			The secured creditor will release its liens on the Murrietta Property to allow its sale. The Net Proceeds of any such sale will be paid to the secured creditors, according to their respective priorities, up to the amounts of the balances of the Allowed Secured Claims. The secured creditor shall be enjoined from enforcing its liens as long as there is no material monetary default that is not cured within 30 days after giving of notice of default. The Debtor, at its discretion, may surrender the collateral to the secured creditors in full satisfaction of the Allowed Secured Claims. The Debtor may pay the remaining balance of the Allowed Secured Claim in full at any time with no prepayment penalty.
2(c)	Secured Claim of Riverside County Treasurer-Tax Collector <ul style="list-style-type: none"> • Collateral: Murrieta Property • Priority of Security Interest: First • Total Claim Amount: \$143,392.55 • Collateral Value: 1,250,000.00 	N	Y	The Riverside County Treasurer-Tax Collector be paid in full the allowed amount of its Claim on the Effective Date or as soon as reasonably practicable thereafter, but, in no event, more than five (5) years from the entry of the Order for Relief. The Claim shall accrue interest from the Effective Date on the unpaid balance of the Claim at the rate required by 11 U.S.C. § 511 to provide "present value" of the Allowed Claim.
3(a)	Secured Claim of California Bank & Trust <ul style="list-style-type: none"> • Collateral: PCH Property • Priority of Security Interest: Second • Total Claim Amount: \$2,630,115.89 • Collateral Value: 	N	N	The Debtor will abandon/surrender its interests in the PCH Property to CBT in full satisfaction of its Allowed Secured Claim and CBT shall have no further Claim against the Estate, the Debtor, or the Reorganized Debtor, or their property.

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Secured Claims				
Class #	Description	Insiders (Y/N)	Impaired (Y/N)	Treatment
	\$unknown			
3(b)	Secured Claim of Orange County Treasurer-Tax Collector <ul style="list-style-type: none"> • Collateral: PCH Property • Priority of Security Interest: First • Total Claim Amount: \$70,320.52 • Collateral Value: \$unknown 	N	N	The Orange County Treasurer-Tax Collector will not receive a Distribution under the Plan. Instead, the secured creditor will retain all of its rights against the PCH Property, which the Debtor is not retaining.
4	Secured Claim of Los Angeles County Treasurer-Tax Collector <ul style="list-style-type: none"> • Collateral: Ventura Property • Priority of Security Interest: First • Total Claim Amount: \$unknown • Collateral Value: \$unknown 	N	N	The Los Angeles County Treasurer-Tax Collector will not receive a Distribution under the Plan. Instead, the secured creditor will retain its rights against the Ventura Property, which is no longer owned by the Debtor.
5	Disputed Secured Claims consisting of: (i) Andrea A. Jupina; (ii) Lynell Burmark; and (iii) Revocable Living Trust of Margaret G. Senteno dated 4/19/1997 Estimated Claim Amount: \$1,065,169.36	N	Y	The Debtor has objected to the secured Proofs of Claim filed by these creditors. There is no collateral securing these claims and as such the Parties in this Class will be afforded the treatment of a General Unsecured Creditor in Class 8(a). If the objection is overruled, the Parties will be paid the present value of their secured claim over time.

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3. Classes of Priority Unsecured Claims

Certain Priority Unsecured Claims that are referred to in Bankruptcy Code §§ 507(a)(3), (4), (5), (6), and (7) are required to be placed in Classes in a Chapter 11 plan. The Bankruptcy Code requires that each Holder of the above Priority Claims receive Cash on the Effective Date of the Plan equal to the allowed amount of such Claim. However, a Class of unsecured priority claim holders may vote to accept deferred cash payments of a value, as of the Effective Date, equal to the allowed amount of such Claim. The following chart lists all Classes containing the Debtor's Bankruptcy Code §§ 507(a)(3), (4), (5), (6) and (7) Priority Claims and their treatment under the Plan:

Priority Unsecured Claims				
Class #	Description	Insiders (Y/N)	Impaired (Y/N)	Treatment
6	IRA Resources Inc. FBO Lisa Maulit Claim Amount: \$40,805.09	N	Y	The Debtor has objected to this Claim. If the objection is sustained the Claim will be afforded the treatment of General Unsecured Creditors in Class 8(a). The Claim will be paid in full within 30 days after the Effective Date if the Claim is Allowed as a Priority Unsecured Claim.
7	Los Angeles County Treasurer-Tax Collector Claim Amount: \$19,058.61	N	Y	The Los Angeles County Treasurer-Tax Collector will be paid in full the Allowed amount of its Claim on the Effective Date or as soon as reasonably practicable thereafter, but, in no event, more than five (5) years from the entry of the Order for Relief. The Claim shall accrue interest from the Effective Date on the unpaid balance of the Claim at the rate required by 11 U.S.C. § 511 to provide "present value" of the Allowed Claim. The Property securing this claim has been sold upon and is not property of the Estate.

4. Classes of Unsecured Claims

General Unsecured Claims are unsecured Claims that are not entitled to priority under 11 U.S.C. § 507(a). Below is a summary of the Plan's treatment of the Classes containing the Debtor's General Unsecured Claims.

General Unsecured Claims

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Class #	Description	Insiders (Y/N)	Impaired (Y/N)	Treatment
8(a)	General Unsecured Claims Estimated total amount of claims: not less than \$45,027,622.34	N	Y	Each Class 4(a) general unsecured creditor will receive a Pro Rata Share of the New Equity Interests in the Reorganized Debtor based on the amount of such creditors Allowed Unsecured Claim. The holders of New Equity Interests will ultimately receive the Net Proceeds of the Debtor's assets as they become available. The treatment proposed herein shall be in full satisfaction of all Class 8(a) general unsecured claims.
8(b)	General Unsecured Claim of Orange County Business Bank Estimated total amount of claim: \$816,514.24	N	Y	OCBB may look to its collateral, the Ventura Property, which is owned by a non-debtor, Covenant Opportunity Fund, for the full satisfaction of its claim. Covenant Opportunity Fund will agree to become obligated with respect to the OCBB liability. OCBB will not receive any payment from the Debtor.
8(c)	General Unsecured Claims Less than \$2,000 Estimated total amount of claims \$8,000	N	Y	General Unsecured creditors who (i) Filed a Proof of Claim for an amount less than \$2,000; or (2) were scheduled by the Debtor as a General Unsecured Claim for less than \$2,000 and the Claim is not disputed, contingent or unliquidated, shall be paid 15% of the value of the Claim upon the Effective Date.

5. Class of Interest Holders

Interest Holders are the parties who hold membership Interests (*i.e.*, equity interests) in the Debtor. The Debtor is a California limited liability company in which the owners hold Membership Interests. The following chart identifies the Plan's treatment of the Class of Interest Holders.

Interest Holders			
Class #	Description	Impaired (Y/N)	Treatment
9	Interest Holders	Y	On the Effective Date, all existing Membership Interests in the Debtor will be cancelled, annulled, and extinguished. No Distribution of any kind will be made on account of any existing Membership Interests.

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E. Means of Effectuating the Plan

This section is intended to explain how the Debtor intends to effectuate the Plan, and how the Debtor intends to fund the obligations to Holders of Allowed Claims as provided in the Plan. This section provides information regarding the funding sources for Plan obligations, the establishment of the Reorganized Debtor, and other material issues bearing upon performance of the Plan. The Plan will be effectuated through the income generated from receivables, sales of assets, and the vesting of all assets in the Reorganized Debtor.

1. Transfer of Estate Assets

Except as otherwise provided for in the Plan, upon the Effective Date, the Assets, including, but not limited to, the LV Notes, all real property, the Avoidance Actions and other Causes of Action, shall be deemed transferred to and vested in the Reorganized Debtor in accordance with the Plan. The Insider Avoidance Actions will vest in the Committee in accordance with the Plan.

2. The Reorganized Debtor

The Reorganized Debtor shall be a California limited liability company operated pursuant to the Plan and an Operating Agreement substantially in the form of the document attached as Exhibit "1" to the Plan.

3. The LV Notes and the LV Property

Should the Debtor foreclose on the 2nd LV Note, the following will be the treatment provided to those secured creditors who have an interest in the LV Notes and the LV Property. First, should the Debtor and the other related entities that have an interest in the 2nd LV Note foreclose on the 2nd LV Note, the Debtor and related entities will receive an interest, in the same proportion as their interest in the 2nd LV Note, in a newly created entity that will hold title to the LV Property. The Debtor will exchange the 1st LV Note for five parcels of land of equal value to the 1st LV Note based upon the Debtor's estimate of the parcel's value. The Debtor will grant Enhanced Income a trust deed on two of the five

1 parcels in accordance with the terms of the Enhanced Income Security Agreement No. 1.
2 The Note Holders will be granted a trust deed on two of the five parcels creating a loan to
3 value for the Note Holders of less than 50%. The newly formed entity will seek a \$3
4 million first priority trust deed on the remaining 12 parcels and will make membership
5 distributions of the net proceeds of such loan to its members, including the Debtor. As the
6 new entity sells the lots/parcels, each lot will have a release price. The net proceeds (the
7 sales price minus the release price) will be used to reduce the loan balance of the new
8 entity. This treatment is further described in Exhibit "1."

9 **F. Risk Factors**

10 Performance of the obligations under the Plan are subject to various factors and
11 contingencies, some of which are described in this section. The following discussion
12 summarizes some of the material risks associated with the Plan, but is not intended to be
13 exhaustive. Moreover, it should be read in connection with the other disclosures
14 contained in this Disclosure Statement and the Plan. Each creditor, in conjunction with its
15 advisors, should supplement the following discussion by analyzing and evaluating the
16 Plan and the Disclosure Statement as a whole. THE RISKS ASSOCIATED WITH THE
17 PLAN MUST BE CAREFULLY CONSIDERED IN DETERMINING WHETHER TO
18 ACCEPT THE PLAN.

19 There is always a risk that the Debtor's assets will lose value. Here, there is a
20 possibility that the real property that is the collateral for the Debtor's loans or the real
21 property held directly by the Debtor could decline in value. The Wing Receivership Action
22 poses a potential threat to the value of the Estate. The Receiver, in Case No. 2:08-cv-
23 00835, could attempt to invalidate the Apex 1-6 and 23, Siena Vista and Siena Office Park
24 deeds of trust using an alternative legal theory or he might seek a monetary award under
25 the fraudulent transfer theory. Further, the SEC could propose a Plan through the
26 Receiver that might be detrimental to various deeds of trust owned by the Debtor.

27 The Receiver, in Case No. 2:09-cv-1057, could attempt to invalidate the deeds of
28 trust, some of which the Debtor owns, or he might seek a monetary award under the

1 fraudulent transfer theory. Further, the SEC could take action through the Receiver that
2 might be detrimental to the LV Properties.

3 General unsecured creditors are receiving all of the assets of the Debtor and there
4 is no fixed or guaranteed distribution amount or percentage. Thus, even if the recoveries
5 are less than expected, the Plan will still be feasible as to unsecured creditors.

6 Crucial to the success of the reorganization is the Debtor obtaining cash by a
7 membership distribution by the new entity described above in Section III.E.3, the DIP
8 Loan, and/or post-confirmation financing. If administrative expenses significantly
9 increase, due to litigation or otherwise, beyond what the Debtor currently forecasts, the
10 Debtor believes obtaining financing may be more difficult. Failure to obtain the DIP and
11 post-confirmation financing may result in the Plan not being feasible. Further, if the
12 proceeds of this financing, even if obtained, have to be used for significantly greater
13 administrative expenses than is forecasted, the Plan may not be feasible or the assets
14 may have to be sold sooner in the current difficult real estate market resulting in a
15 decreased return to creditors.

16 **G. Provisions Governing Distributions**

17 **1. Dates of Distributions**

18 Effective Date Payments shall be deemed timely made if made as soon as
19 practicable after the Effective Date, but, in any event, within fifteen (15) days of the
20 Effective Date. Any Distribution required to be made when a Disputed Claim becomes an
21 Allowed Claim shall be deemed timely made if made as soon as practicable thereafter,
22 but, in any event, within fifteen (15) days thereafter.

23 **2. Manner of Distribution**

24 At the option and in the sole discretion of the Debtor, monetary Distributions may
25 be made by (i) wire transfers from, or (ii) a check drawn on a domestic bank approved by
26 the OUST.

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3. Delivery of Distributions in General

Distributions to Holders of Allowed Claims shall be made by the Debtor (a) at the addresses set forth on the Proof of Claim filed by such Holders, (b) at the addresses reflected in the Schedules if no Proof of Claim has been filed and the Debtor has not received a written notice of a change of address, or (c) in the case of a Holder of a Claim that is governed by an agreement and is administered by an agent or servicer, at the address (i) set forth on any Proof of Claim filed by the agent or servicer, (ii) in the Schedules for the agent or servicer if no Proof of Claim has been filed, or (iii) contained in the official records of such agent or servicer. Holders of Claims may change the address to which Distributions will be sent by filing a written change of address with the Court and serving a copy of the change of address on the Debtor.

If a Distribution to any Holder of an Allowed Claim is returned to the Debtor as undeliverable or otherwise unclaimed ("Undeliverable Distribution"), the Debtor shall make no further Distributions to such Holder unless and until the Debtor is notified in writing of such Holder's then-current address, at which time all Undeliverable Distributions shall be made to such Holder without interest. All Undeliverable Distributions shall be returned to the Debtor until such Undeliverable Distributions are claimed. The Debtor shall, in the case of Cash, hold Undeliverable Distributions in a segregated interest-bearing account for Undeliverable Distributions until such Undeliverable Distributions become deliverable, is claimed or is forfeited. Nothing contained in the Plan shall require the Debtor, or anyone else, to attempt to locate the intended recipient of an Undeliverable Distribution.

Any Holder of an Allowed Claim that does not present itself within six (6) months of the Distribution Date upon which the Undeliverable Distribution was made shall be deemed to have forfeited its right or Claim to or interest in the Undeliverable Distribution and shall be forever barred and enjoined from asserting any Claim for the Undeliverable Distribution against the Debtor and its Estate, the Reorganized Debtor, and their respective agents, attorneys, representatives, employees or independent contractors, and/or any of its or their property. In such cases, the Undeliverable Distribution and

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1 accrued interest thereon shall become property of the Reorganized Debtor free and clear
2 of any restrictions thereon and notwithstanding any federal or state escheat laws to the
3 contrary and shall be distributed in accordance with the terms of this Plan.

4 **4. Rounding of Payments**

5 The Debtor shall not be required to make Distributions or payments of fractions of
6 dollars. Whenever any payment of a fraction of a dollar under this Plan would otherwise
7 be called for, the actual payment shall reflect a rounding of such fraction to the nearest
8 whole dollar (up or down), with half dollars being rounded down.

9 **5. Interest on Claims**

10 Unless otherwise specifically provided for in the Plan, post-petition interest shall not
11 accrue or be paid on any Claims, and no Holder of a Claim shall be entitled to interest
12 accruing on or after the Petition Date on any Claim.

13 **6. Compliance with Tax Requirements**

14 In connection with this Plan and all Distributions under this Plan, the Debtor shall,
15 to the extent applicable, comply with all tax withholding, payment and reporting
16 requirements imposed by federal, state, or local taxing authorities. The Debtor shall be
17 authorized to take any and all actions that may be necessary or appropriate to comply
18 with such withholding, payment, and reporting requirements. All amounts properly
19 withheld from Distributions to a Holder of a Claim as required by applicable law and paid
20 over to the applicable taxing authority for the account of such Holder shall be treated as
21 part of the Distributions to such Holder. All persons holding Claims shall be required to
22 provide any information necessary to effect information reporting and withholding of such
23 taxes. If such information has not been received by the Debtor, then the Debtor may, at
24 his option, withhold the amount required and distribute the balance to such Holder or
25 decline to make the Distribution until the information is received.

26 Notwithstanding any other provision of the Plan, (a) each Holder of an Allowed
27 Claim that is to receive a Distribution pursuant to this Plan shall have sole and exclusive
28 responsibility for the satisfaction and payment of any tax obligations imposed by any

1 governmental unit, including income, withholding, and other tax obligations, on account of
2 such Distribution, and (b) no Distribution shall be made to or on behalf of such Holder
3 pursuant to the Plan unless and until such Holder has made arrangements satisfactory to
4 the Debtor for the payment and satisfaction of such withholding tax obligations or such tax
5 obligation that would be imposed upon the Debtor in connection with such Distribution.
6 Any property to be distributed pursuant to the Plan shall, pending implementation of such
7 arrangements, be treated as an Undeliverable Distribution pursuant to Section III.G.3.
8 above.

9 **7. De Minimis Distributions**

10 The Debtor shall not have any obligation to make a Distribution on account of an
11 Allowed Claim if the amount to be distributed to the specific Holder of the Allowed Claim
12 on a Distribution Date is for an amount of \$5.00 or less, and may, at the Debtor's option,
13 either add the Distribution to the next Distribution if the collective amount would be greater
14 than \$5.00, or treat the Distribution as an Undeliverable Distribution.

15 **8. Setoffs**

16 Except as otherwise provided in the Plan, the Debtor may, pursuant to 11 U.S.C.
17 § 553 or applicable non-bankruptcy law, but shall not be required to, set off against any
18 Allowed Claim and the Distribution to be made pursuant to the Plan on account of such
19 Allowed Claim any account stated, Claim, right, or Cause of Action which the Debtor or
20 the Estate possesses against the Holder of such Allowed Claim; provided, however, that
21 neither the failure to effect such a setoff nor the allowance of any Claim shall constitute a
22 waiver or release by the Debtor of any such account, Claim, right, and Cause of Action
23 that the Debtor or the Estate may possess against the Holder of such Allowed Claim.

24 **9. Limitation on Liability**

25 The Debtor, and any of their respective employees, members, officers, directors,
26 shareholders, agents, or professionals shall not be liable for (i) any acts or omissions,
27 except for willful misconduct, in connection with implementing the Distribution provisions
28 of the Plan and the making or withholding of Distributions under the Plan, or (ii) any

1 change in the value of Distributions made under the Plan resulting from any delays in
2 making such Distributions in accordance with the terms of the Plan (including, but not
3 limited to, any delays caused by the resolution of Disputed Claims).

4 **H. Other Provisions of the Plan**

5 **1. Claim Objections and Disputed Claims**

6 THE BAR DATE FOR FILING A PROOF OF CLAIM IN THIS CASE BY
7 CLAIMANTS WHOSE CLAIMS WERE NOT SCHEDULED OR WERE SCHEDULED
8 AS DISPUTED, CONTINGENT OR UNLIQUIDATED WAS JULY 15, 2011.

9 **a. Standing**

10 As of the Effective Date, the Reorganized Debtor shall have the sole and exclusive
11 right to file objections to Claims, except that the Committee shall have the right to object to
12 claims held by the insiders of the Debtor. The Debtor may settle or compromise any
13 Disputed Claim without approval or order of the Court, notice, or hearing.

14 **b. Claims Objection Deadline**

15 Unless extended by the Court, pursuant to the Court's prior order, any objection to
16 a Claim must be filed with the Court and served on the Holder of the Claim by September
17 30, 2011 (the "Claims Objection Deadline"). The Debtor may seek an extension of the
18 Claims Extension Deadline upon a showing of "cause." Any Motion for an extension of
19 the Claims Objection Deadline must be Filed with the Court prior to the Claims Objection
20 Deadline, as the same may be extended, and served on the OUST. There is no limit to
21 the number of extensions that may be sought.

22 **c. No Distribution Pending Allowance**

23 Notwithstanding any other provision of the Plan, no payments or Distributions shall
24 be made with respect to all or any portion of a Disputed Claim unless and until all
25 objections to such Disputed Claim have been settled or withdrawn or have been
26 determined by Final Order, and the Disputed Claim, or some portion thereof, has become
27 an Allowed Claim; provided, however, that if the only dispute regarding a Disputed Claim
28 is to the amount of the Disputed Claim, the Holder of a Disputed Claim shall be entitled to

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1 a Distribution on account of that portion of the Disputed Claim which the Debtor does not
2 dispute at the time and in the manner that the Debtor makes Distributions to the Holders
3 of Allowed Claims pursuant to the provisions of the Plan.

4 **d. Reserves for Disputed Claims**

5 In the event that Disputed Claims are pending at the time of a Distribution under
6 the Plan, the Debtor shall establish and maintain a reserve for such Disputed Claims. For
7 purposes of establishing a reserve, Cash will be set aside equal to the amount that would
8 have been distributed to the Holders of the Disputed Claims had the Disputed Claims
9 been Allowed on the date a Distribution is made to the Holders of Allowed Claims in the
10 same Class or of the same priority as the Disputed Claims. If a Disputed Claim ultimately
11 becomes an Allowed Claim, the amount of Cash reserved for that Disputed Claim shall be
12 distributed on the earlier of (a) the Distributed Date following the date when the Disputed
13 Claim becomes an Allowed Claim, or (b) ninety (90) days after such Disputed Claim
14 becomes an Allowed Claim. Any reserved Cash not ultimately distributed to the Holder of
15 a Disputed Claim because the Disputed Claim does not become an Allowed Claim shall
16 become property of the Reorganized Debtor and shall be distributed in accordance with
17 the terms of the Plan.

18 **2. Executory Contracts and Unexpired Leases**

19 **a. Assumption and Assignment**

20 On the Effective Date, the executory contracts and unexpired leases identified on
21 the Schedule of Assumed and Assigned Agreements attached or filed, or to be attached
22 or filed as Exhibit "3" to the Plan shall be deemed assumed. The Debtor intends to file the
23 Schedule of Assumed and Assigned Agreements with the Court no later than twenty-eight
24 (28) days prior to the Confirmation Hearing. The Schedule of Assumed and Assigned
25 Agreements also identifies or will identify any amounts that must be paid to cure defaults
26 under the executory contracts and unexpired leases to be assumed and assigned under
27 the Plan (the "Cure Amount"). If filed earlier, the Debtor reserves the right to amend the
28 Schedule of Assumed Agreements up to twenty-eight (28) days prior to the Confirmation

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1 Hearing to: (a) add any executory contract or unexpired lease and provide for its
2 assumption and assignment; or (b) modify the Cure Amount for any particular executory
3 contract or unexpired lease. The Debtor further reserves the right to amend the Schedule
4 of Assumed Agreements to delete any executory contract or unexpired lease and provide
5 for its rejection at any time prior to the Confirmation Hearing. The Debtor will provide
6 notice of any amendment to the Schedule of Assumed and Assigned Agreements to any
7 party or parties to the executory contracts or unexpired leases affected by the
8 amendment. Absent a timely objection as provided below, the Confirmation Order will
9 constitute a Court order approving the assumption and assignment, on the Effective Date,
10 of the executory contracts and unexpired leases then identified on the Schedule of
11 Assumed and Assigned Agreements, and shall constitute a final determination of the Cure
12 Amount and that the Debtor has shown adequate assurance of future performance.
13 Furthermore, any Cure Amount ordered by the Court, through entry of the Confirmation
14 Order, and paid shall be deemed to satisfy any and all defaults arising from, out of or
15 related to the executory contract or unexpired lease, including any tort claims that were or
16 could be asserted by the non-debtor party to the contract or lease on or prior to the entry
17 of the Confirmation Order, and all actual or pecuniary losses that have resulted from such
18 defaults.

19 If you are a party to an executory contract or unexpired lease to be assumed and
20 assigned and you object to the assumption and assignment of your lease or contract
21 and/or you dispute the Cure Amount related to your lease or contract, then you must File
22 and serve upon counsel for the Debtor (Weiland, Golden, Smiley, Wang Ekvall & Strok,
23 LLP, attn: Hutchison B. Meltzer, Esq., 650 Town Center Drive, Suite 950, Costa Mesa,
24 California 92626) a written objection by _____, 2011, as provided in Section
25 I.B.3. of this document. An objection to the Cure Amount must also set forth the amount
26 you contend to be the correct Cure Amount and contain evidence to support such amount.
27 Failure to timely File an objection as provided herein shall be deemed consent to the
28

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1 proposed assumption and assignment and to the Cure Amount and a waiver of any and
2 all rights to challenge such assumption and assignment and the Cure Amount.

3 With respect to each executory contract and unexpired lease identified on the
4 Schedule of Assumed and Assigned Agreements, if no dispute arises regarding the Cure
5 Amount, adequate assurances, or some other matter related to the assumption of the
6 executory contract or unexpired lease, then the Cure Amount set forth in the Schedule of
7 Assumed and Assigned Agreements shall be paid to the applicable non-debtor party in
8 Cash on the Effective Date or as soon as reasonably practicable thereafter. If a dispute
9 arises regarding (a) whether the Debtor has provided adequate assurance of future
10 performance of an executory contract or unexpired lease to be assumed, or (b) any other
11 matter pertaining to a proposed assumption and assignment, the Cure Amount will be
12 paid on the later of (1) the Effective Date or as soon as practicable thereafter, or (2) within
13 thirty (30) days after entry of a Final Order resolving the dispute and approving the
14 assumption and assignment; provided, however, if a dispute arises regarding any of the
15 foregoing, the Debtor reserves the right to completely forego assumption and assignment
16 of and, instead, reject the subject executory contract or unexpired lease.

17 If a party to an executory contract or unexpired lease identified on the Schedule of
18 Assumed and Assigned Agreements Files an objection disputing the Cure Amount, then
19 the Debtor may amend the Schedule of Assumed and Assigned Agreements at any time
20 prior to the Confirmation Hearing to delete the subject executory contract or unexpired
21 lease and provide for its rejection. Executory contracts or unexpired leases not so deleted
22 shall be conditionally assumed, subject to the Debtor's right to file a Motion to determine
23 the appropriate Cure Amount up to the first (1st) Business Day that is at least sixty (60)
24 days following the Effective Date. The Debtor will serve any such Motion on the party to
25 the executory contract or unexpired lease affected by the Motion (or its attorney, if any). If
26 the Debtor does not file a Motion to determine the appropriate Cure Amount, then the
27 executory contract or unexpired lease shall be assumed and assigned, as of the Effective
28 Date, and the Cure Amount shall be the alternative Cure Amount asserted by the non-

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1 debtor party to the subject executory contract or unexpired lease in its objection to the
2 Plan. The Cure Amount shall be paid as soon as reasonably practicable following the
3 expiration of the 60-day deadline.

4 If the Debtor files a Motion to determine the appropriate Cure Amount, then the
5 Reorganized Debtor shall have the right to amend the Schedule of Assumed and
6 Assigned Agreements to completely forego assumption and assignment of and, instead,
7 reject the subject executory contract or unexpired lease up to the first (1st) Business Day
8 that is at least fifteen (15) days after the entry of an order fixing the Cure Amount. The
9 Debtor will provide notice of any amendment to the Schedule of Assumed and Assigned
10 Agreements to the party to the executory contract or unexpired lease affected by the
11 amendment. If the Debtor has filed such a Motion and does not timely amend the
12 Schedule of Assumed and Assigned Agreements within fifteen (15) days after entry of an
13 order fixing the Cure Amount, then the executory contract or unexpired lease shall be
14 assumed and assigned, as of the Effective Date, and the Cure Amount shall be fixed as
15 the Cure Amount ordered by the Court. The Cure Amount shall be paid as soon as
16 reasonably practicable following the expiration of the 15-day deadline.

17 **b. Rejections**

18 On the Effective Date, the Debtor will be deemed to have rejected any and all
19 executory contracts and unexpired leases not identified on the Schedule of Assumed and
20 Assigned Agreements attached or filed, or to be attached or filed as Exhibit "3" to the
21 Plan. The Confirmation Order will constitute a Court order approving the rejection, as of
22 the Effective Date, of such executory contracts and unexpired leases. Any Claim for
23 damages arising from the rejection under the Plan of any executory contract or unexpired
24 lease must be Filed with the Court and served upon the Debtor and its counsel within
25 thirty (30) days of the later of (a) the Confirmation Date, and (b) the Debtor's amendment
26 of the Schedule of Assumed and Assigned Agreements to eliminate the executory
27 contract or unexpired lease. Any such damage Claims that are not timely Filed and
28 served will be forever barred and unenforceable against the Debtor, the Estate, the

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1 Reorganized Debtor, and their respective property. Persons holding these Claims who fail
2 to timely File Claims will be barred from receiving any Distributions under the Plan on
3 account of their requested damage Claims.

4 If you are a party to a lease or contract to be rejected and you object to the
5 rejection of your lease or contract, then you must File and serve your objection by
6 _____, 2011, as provided in Section I.B.3. of this document.

7 **3. Changes in Rates Subject to Regulatory Commission**
8 **Approval**

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

11 **4. Preservation of Causes of Action and Avoidance Actions**

12 The Debtor reserves for the Estate and the Reorganized Debtor all rights to
13 commence and pursue, as appropriate, any and all Causes of Action and Avoidance
14 Actions, whether arising prior to or after the Petition Date, in any court or other tribunal,
15 including without limitation, in an adversary proceeding Filed in the Court, except for as
16 otherwise provided in the Plan. On the Effective Date, the Debtor will be vested with
17 authority to enforce, file, litigate, prosecute, settle and collect with respect to Causes of
18 Action and Avoidance Actions, although it will not be required to do so and the
19 determination of whether to do so will be made solely by the Debtor in its absolute
20 discretion.

21 The Committee will be vested with all rights to commence and pursue, as
22 appropriate, the Insider Avoidance Actions. Any fees and expenses incurred by the
23 Committee in the prosecution of the Insider Avoidance Actions above the \$10,000
24 provided by the Debtor, will be paid from any recovery obtained by the Committee. All
25 amounts in excess of the fees and expenses incurred by the Committee shall be turned
26 over to the Reorganized Debtor to be distributed in accordance with the Plan.

27 While the Debtor has attempted to identify Causes of Action and Avoidance Actions
28 in the Disclosure Statement which may be pursued, and hereby incorporates by reference

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1 those disclosures and provisions, the failure to list any potential Cause of Action or
2 Avoidance Action, generally or specifically, is not intended to limit the rights of the Debtor
3 to pursue such Cause of Action or Avoidance Action. Unless a Cause of Action or
4 Avoidance Action against any Person is expressly waived, relinquished, released,
5 compromised or settled as provided or identified in the Plan, any Confirmation Order or
6 prior order of the Court, the Debtor expressly reserves any Causes of Action and
7 Avoidance Actions for later adjudication including, without limitation, the Malpractice
8 Action. Therefore, no preclusion doctrine, including, without limitation, the doctrine of *res*
9 *judicata*, *collateral estoppel*, issue preclusion, claim preclusion, estoppel (judicial,
10 equitable or otherwise) or laches shall apply to such Causes of Action or Avoidance
11 Actions upon or after Confirmation or consummation of the Plan. All Avoidance Actions
12 and other Causes of Action are preserved under the Plan for the benefit of the Estate,
13 except as otherwise provided for in the Plan. Any recoveries from Avoidance Actions
14 and/or other Causes of Action will be paid to the Reorganized Debtor.

15 ANY CREDITORS THAT BELIEVE THEY RECEIVED A TRANSFER OR SETOFF
16 THAT IS AVOIDABLE UNDER THE CODE OR THAT HOLDS A CLAIM AGAINST THE
17 ESTATE THAT COULD BE SUBJECT TO AN OBJECTION BASED UPON FAILURE TO
18 RETURN AN AVOIDABLE TRANSFER OR SETOFF, ARE DIRECTED TO REVIEW
19 THEIR RECORDS AND/OR THE DEBTOR'S SCHEDULES FOR FURTHER
20 INFORMATION. HOWEVER, ALL RIGHTS OF THE DEBTOR AND THE ESTATE ARE
21 RESERVED WITH RESPECT TO ANY AND ALL TRANSFERS OR SETOFFS WHICH
22 MAY BE AVOIDABLE UNDER THE BANKRUPTCY CODE.

23 **5. Retention of Jurisdiction**

24 The Court will retain exclusive jurisdiction during the Plan payout period to resolve
25 disputes and conflicts arising from the administration of the Plan, upon request of a party-
26 in-interest and after notice and a hearing, including, without limitation:

- 27 a. The adjudication of the validity, scope, classification, allowance, and
28 disallowance of any Claim;

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- 1 b. The estimation of any Claim;
- 2 c. The allowance or disallowance of Professional-Fee Claims,
- 3 compensation, or other Administrative Claims;
- 4 d. To hear and determine Claims concerning taxes pursuant to
- 5 Bankruptcy Code §§ 346, 505, 525, and 1146;
- 6 e. To hear and determine any action or proceeding brought under
- 7 Bankruptcy Code §§ 108, 510, 543, 544, 545, 547, 548, 549, 550,
- 8 551, and 553;
- 9 f. To hear and determine all actions and proceedings which relate to
- 10 pre-confirmation matters;
- 11 g. To hear and determine any issue relating to the assumption or
- 12 rejection of executory contracts and unexpired leases;
- 13 h. To hear and determine any modification to the Plan in accordance
- 14 with the Bankruptcy Rules and the Bankruptcy Code;
- 15 i. To enforce and interpret the terms of the Plan;
- 16 j. To correct any defects, cure any omissions, or reconcile any
- 17 inconsistency in the Plan or the Confirmation Order as may be
- 18 necessary to carry out the purpose and intent of the Plan;
- 19 k. The entry of any order, including injunctions, necessary to enforce
- 20 title, rights and powers of the Reorganized Debtor, and to impose
- 21 such limitations, restrictions, terms and conditions on such title, rights
- 22 and powers as the Court may deem necessary including, without
- 23 limitation, any right of the Reorganized Debtor to recover and
- 24 liquidate assets;
- 25 l. To determine the validity, extent and priority of all liens and security
- 26 interests against property of the Estate or the Reorganized Debtor;
- 27 m. To hear and resolve any disputes regarding employment applications
- 28 and professional fees;

- n. To hear and determine such matters and make such orders as are consistent with the Plan as may be necessary to carry out the provisions thereof and to adjudicate any disputes arising under or relating to any order entered by the Court in this Case;
- o. The entry of an order concluding and terminating this Case; and
- p. To resolve any disputes as to whether there has been a default under the Plan.

6. Tax Consequences of the Plan

CREDITORS AND INTEREST HOLDERS CONCERNED WITH HOW THE PLAN MAY AFFECT THEIR TAX LIABILITY SHOULD CONSULT WITH THEIR OWN ACCOUNTANTS, ATTORNEYS, AND/OR ADVISORS. The following disclosure of possible tax consequences is intended solely for the purpose of alerting readers about possible tax issues the Plan may present to the Debtor or the Reorganized Debtor. The Debtor and its professionals CANNOT and DO NOT represent that the tax consequences contained below are the only tax consequences of the Plan because the Tax Code embodies many complicated rules which make it difficult to state completely and accurately all the tax implications of any action.

Due to the unsettled and complex nature of some of the tax issues, as well as the possibility that developments subsequent to the date hereof could affect the tax consequences of the Plan, the following discussion should not be regarded as definitive or as covering all possible tax consequences. Additionally, this summary does not discuss all aspects of federal income taxation that may be relevant to a particular creditor in light of its individual circumstances or to certain creditors subject to special treatment under the federal income tax laws (for example, life insurance companies, tax-exempt organizations, foreign corporations and individuals who are not citizens or residents of the United States).

As stated above, creditors concerned with how the Plan will affect their own tax liability should consult with their own accountants, attorneys, and/or advisors. The Debtor

1 is still in the process of determining the tax consequences of the Plan. However, the
2 Debtor does not expect adverse consequences materially affecting the distributions to the
3 Holders of Allowed Claims under the Plan.

4 **7. Exemption from Transfer Taxes**

5 Pursuant to Bankruptcy Code § 1146(a), any transfers from the Debtor to the
6 Reorganized Debtor or to any other Person pursuant to the Plan in the United States shall
7 not be subject to any stamp, real estate transfer, personal property, recording or other
8 similar tax, and the Confirmation Order shall direct the appropriate state or local
9 governmental officials or agents to forgo the collection of any such tax or governmental
10 assessment and to accept for filing and recordation any of the foregoing instruments or
11 other documents without payment of any such tax or governmental assessment.

12 **IV. CONFIRMATION REQUIREMENTS AND PROCEDURES**

13 PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OF THE PLAN
14 SHOULD CONSULT WITH THEIR OWN ATTORNEYS BECAUSE THE LAW ON
15 CONFIRMING A PLAN IS VERY COMPLEX. The following discussion is intended solely
16 for the purpose of alerting readers about basic confirmation issues, which they may wish
17 to consider, as well as certain deadlines for filing Claims. The Debtor CANNOT and
18 DOES NOT represent that the discussion contained below is a complete summary of the
19 law on this topic.

20 Many requirements must be met before the Court can confirm a Plan. Some of the
21 requirements include that the Plan must be proposed in good faith, acceptance of the
22 Plan, whether the Plan pays creditors at least as much as creditors would receive in a
23 chapter 7 liquidation, and whether the Plan is feasible. These requirements are not the
24 only requirements for confirmation.

25 **A. Who May Vote or Object**

26 **1. Who May Object to Confirmation of the Plan**

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

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1 **2. Who May Vote to Accept/Reject the Plan**

2 A creditor has a right to vote for or against the Plan if that creditor has a Claim that:

3 (a) either is an Allowed Claim or is allowed for voting purposes; (b) is classified in an
4 impaired Class; and (c) is entitled to receive or retain some property on account of its
5 Claim.¹¹

6 **a. [What Is an Allowed Claim/Interest](#)**

7 As noted above, a creditor must first have an Allowed Claim to have the right to
8 vote. Generally, any Proof of Claim will be Allowed, unless a party-in-interest Files an
9 objection to that Claim. When an objection to a Claim is Filed, the Holder of the Claim
10 cannot vote unless and until the Court, after notice and hearing, either overrules the
11 objection or allows the Claim for voting purposes. Any Person who seeks temporary
12 allowance of its Claim for the purpose of voting on the Plan must promptly take the steps
13 necessary to File an appropriate motion requesting the same and to arrange an
14 appropriate hearing with the Court.

15 THE BAR DATE FOR FILING A PROOF OF CLAIM IN THIS CASE BY
16 CLAIMANTS WHOSE CLAIMS WERE NOT SCHEDULED OR WERE SCHEDULED AS
17 DISPUTED, CONTINGENT, OR UNLIQUIDATED WAS JULY 15, 2011. A creditor may
18 have an Allowed Claim even if a Proof of Claim was not timely filed. A Claim is deemed
19 Allowed if (1) it is scheduled on the Debtor's Schedules and such Claim is not scheduled
20 as disputed, contingent, or unliquidated, and (2) no party in interest has objected to the
21 Claim. An Interest is deemed Allowed if it is scheduled and no party in interest has
22 objected to the Interest.

23 **b. [What Is an Impaired Claim/Interest](#)**

24 As noted above, the Holder of an Allowed Claim only has the right to vote if it is in a
25 Class that is impaired under the Plan. A Class is impaired if the Plan alters the legal,
26

27 ¹¹ If the Plan provides that a Class will receive or retain no property on account of its Claims, that Class
28 is deemed to reject the Plan under Bankruptcy Code § 1126(g) and therefore is not entitled to vote.

1 equitable, or contractual rights of the members of that Class. For example, a Class
2 comprised of General Unsecured Claims is impaired if the Plan fails to pay the members
3 of that Class 100% of what they are owed or otherwise impairs the legal rights of the
4 Holders of the Claims.

5 In this case, the Debtor believes that Classes 1(a), 1(b), 2(a), 2(b), 2(c), 5, 6, 7,
6 8(a), 8(b), and 8(c) are impaired and that Holders of Claims or Interests in each of these
7 Classes are therefore entitled to vote to accept or reject the Plan, unless otherwise
8 specified below. The Debtor believes that Classes 3(a), 3(b), 4, and 9 are unimpaired
9 under the Plan. Any party in interest who disputes the Debtor's characterization of its
10 Claim or Interest as being in an impaired or unimpaired Class may File an objection to the
11 Plan contending that the Debtor incorrectly characterized the Claim, Interest, or Class.

12 **3. Who is Not Entitled to Vote**

13 The following four types of Claims are not entitled to vote: (1) Claims that have
14 been disallowed; (2) Claims in unimpaired classes; (3) Claims entitled to priority pursuant
15 to Bankruptcy Code §§ 507(a)(2), (a)(3), and (a)(8); and (4) Claims in Classes that do not
16 receive or retain any value under the Plan. Claims in unimpaired Classes are not entitled
17 to vote because such Classes are deemed to have accepted the Plan. Claims entitled to
18 priority pursuant to Bankruptcy Code §§ 507(a)(2), (a)(3), and (a)(8) are not entitled to
19 vote because such Claims are not placed in Classes and they are required to receive
20 certain treatment specified by the Bankruptcy Code. Claims in Classes that do not
21 receive or retain any value under the Plan do not vote because such Classes are deemed
22 to have rejected the Plan. For this reason, Classes 3(a), 3(b), 4, and 9 are not entitled to
23 vote on the Plan, but is deemed to have rejected the Plan. EVEN IF YOUR CLAIM IS OF
24 THE TYPE DESCRIBED ABOVE, YOU MAY STILL HAVE A RIGHT TO OBJECT TO
25 THE CONFIRMATION OF THE PLAN.

26 **4. Who Can Vote in More Than One Class**

27 A creditor whose Claim has been Allowed in part as a Secured Claim and in part as
28 a General Unsecured Claim is entitled to accept or reject the Plan in both capacities by

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1 casting one ballot for the secured portion of the Claim and another ballot for the
2 unsecured portion of the Claim. Also, a creditor who has a Claim for wages or unpaid
3 vacation, healthcare or retirement benefits may have both a Priority Claim up to the
4 maximum specified in 11 U.S.C. §§ 507(a)(4) and (a)(5), provided the conditions for
5 priority treatment as specified under 11 U.S.C. § 507(a) are met, and a General
6 Unsecured Claim for all amounts exceeding the statutory maximum. The Holder of such a
7 Claim may cast a ballot for the priority portion of the Claim and another ballot for the
8 general unsecured portion of the Claim.

9 **5. Votes Necessary to Confirm the Plan**

10 If impaired Classes exist, the Court cannot confirm the Plan unless (1) at least one
11 impaired Class has accepted the Plan without counting the votes of any insiders within
12 that Class, and (2) all impaired Classes have voted to accept the Plan, unless the Plan is
13 eligible to be confirmed by "cramdown" on non-accepting Classes, as discussed later in
14 Section IV.A.7. below.

15 **6. Votes Necessary for a Class to Accept the Plan**

16 A Class of Claims is considered to have accepted the Plan when more than one-
17 half ($\frac{1}{2}$) in number, and at least two-thirds ($\frac{2}{3}$) in dollar amount, of the Claims which
18 actually voted, voted in favor of the Plan. A Class of Interests is considered to have
19 accepted the Plan when at least two-thirds ($\frac{2}{3}$) in amount of the Interest Holders of such
20 Class which actually voted, voted to accept the Plan.

21 **7. Treatment of Nonaccepting Classes**

22 If at least one impaired Class votes to accept the Plan, and other impaired Classes
23 vote to reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting
24 Classes are treated in the manner required by the Bankruptcy Code. The process by
25 which nonaccepting Classes are forced to be bound by the terms of a Plan is commonly
26 referred to as "cramdown." The Bankruptcy Code allows the Plan to be "crammed down"
27 on nonaccepting Classes of Claims if it meets all consensual requirements except the
28 voting requirements of § 1129(a)(8) and if the Plan does not "discriminate unfairly" and is

1 "fair and equitable" toward each impaired Class that has not voted to accept the Plan as
2 referred to in § 1129(b) and applicable case law.

3 **8. Request for Confirmation Despite Nonacceptance by**
4 **Impaired Classes**

5 The Debtor will ask the Court to confirm the Plan by "cramdown" on all impaired
6 Classes if any of these Classes do not vote to accept the Plan.

7 **B. Liquidation Analysis**

8 Another confirmation requirement is the so-called "Best Interests Test" embodied in
9 Bankruptcy Code § 1129(a)(7), which requires a liquidation analysis. Under the Best
10 Interests Test, if a claimant is in an impaired Class and that claimant does not vote to
11 accept the Plan, then that claimant must receive or retain under the Plan property of a
12 value not less than the amount that such holder would receive or retain if the Debtor was
13 liquidated under Chapter 7 of the Bankruptcy Code.

14 In a chapter 7 case, the debtor's assets are usually sold by a chapter 7 trustee.
15 Secured creditors are paid first from the sales proceeds of properties on which the
16 secured creditor has a lien. Administrative Claims are paid next. Next, unsecured
17 creditors are paid from any remaining sales proceeds, according to their rights to priority.
18 Unsecured creditors with the same priority share in proportion to the amount of their
19 Allowed Claims in relationship to the amount of total allowed unsecured claims. Finally,
20 Interest Holders receive the balance that remains after all creditors are paid, if any.

21 For the Court to be able to confirm the Plan, the Court must find that all creditors
22 and Interest Holders who do not accept the Plan will receive at least as much under the
23 Plan as such holders would receive under a chapter 7 liquidation. The Debtor maintains
24 that this requirement is met here because pursuant to the liquidation analyses below,
25 creditors are projected to receive at least as much as they would receive in a hypothetical
26 chapter 7 liquidation, unless they have agreed to different treatment.

27 As, under the Plan, creditors will ultimately be receiving the benefit of all the
28 Debtor's assets, creditors will clearly be receiving at least as much as they would receive

1 in a hypothetical chapter 7 liquidation. Further, the Debtor believes that the orderly
2 administration of the assets pursuant to the Plan will result in a greater return to creditors
3 than they would receive pursuant to an immediate chapter 7 liquidation at "fire sale"
4 prices.

5 As described in the chart attached as Exhibit "8", the Debtor projects that General
6 Unsecured Creditors will ultimately receive distributions totaling approximately 27.2% of
7 the amounts of their Allowed Claims, whereas they would be expected to receive only
8 3.1% in a chapter 7 liquidation.

9 Pursuant to 11 U.S.C. § 502(d), "the court shall disallow any claim of any entity
10 from which property is recoverable under section 542, 543, 550, or 553 of this title or that
11 is a transferee of a transfer avoidable under section 522(f), 522(h), 544, 545, 547, 548,
12 549, or 724(a) of this title, unless such entity transferee as paid the amount, or turned over
13 any such property, for which such entity or transferee is liable under section 522(i), 542,
14 543, 550, or 553 of this title" The Debtor does not believe that the disallowance of any
15 Claims pursuant to § 502(d) will materially affect the amounts received by creditors of the
16 Estate whether under the Plan or in a chapter 7 liquidation.

17 **C. Feasibility**

18 Another requirement for confirmation involves the feasibility of the Plan, which
19 means that confirmation of the Plan is not likely to be followed by the liquidation, or the
20 need for further financial reorganization of the Debtor or any successor to the Debtor
21 under the Plan, unless such liquidation or reorganization is proposed in the Plan.

22 The projections attached as Exhibit "9" show that there will be sufficient funds to
23 make the payments to secured creditors provided for in the Plan. There is also projected
24 to be sufficient cash to pay the costs of administration throughout the term of the Plan.

25 The Debtor estimates that \$90,000 will be required to make the Effective Date
26 payments. As reflected in Exhibit "9", the Debtor expects to have at least this much cash
27 from operations and the proceeds of the DIP Loans or other post-petition financing.
28

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1 While General Unsecured Creditors are receiving all Net Proceeds of the Debtor's
2 assets, there is no specific distribution amount provided for in the Plan. Thus, there is no
3 issue of feasibility as to this class.

4 **V. EFFECT OF CONFIRMATION**

5 **A. Discharge**

6 The rights under the Plan and the treatment of claims under the Plan will be in
7 exchange for, and in complete satisfaction, discharge, and release of, all claims of any
8 nature whatsoever (including, without limitation, any interest accrued on claims from and
9 after the Petition Date) against the Debtor, the Reorganized Debtor, or its property.

10 Except as otherwise provided in the Plan or the Confirmation Order:

- 11 1. On the Effective Date, the Debtor, the Debtor's estate, the Reorganized
12 Debtor, and its property will, to the fullest extent permitted by Bankruptcy
13 Code § 1141, be deemed discharged and released from any and all claims,
14 including, without limitation, all demands, liabilities, claims, that arose before
15 the confirmation date or that are based upon or otherwise relate to acts,
16 events, omissions, transactions or other activities of any kind that occurred
17 before the Confirmation Date, and all debts of the kind specified in
18 Bankruptcy Code §§ 502(g), 502(h), or 502(i) regardless of whether: (1) a
19 proof of claim based on such a debt was filed or deemed filed; (2) a claim
20 based on such a debt is allowable under Bankruptcy Code § 502; or (3) the
21 person holding the claim based on such a debt has accepted the Plan;
- 22 2. All persons will be precluded from asserting against the Debtor, its estate,
23 the Reorganized Debtor, or its property any other or further claims based on,
24 arising from, or in connection with any act, event, omission, transaction, or
25 other activity of any kind that occurred before the Confirmation Date;
- 26 3. Any debt of the Debtor, whether secured or unsecured, which was in default
27 as of or any time prior to the Confirmation Date, will no longer be deemed in
28

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1 default. Moreover, to the extent that the Debtor complies with the terms and
2 conditions of the Plan, these obligations will be deemed in good standing;

3 4. As set forth in Bankruptcy Code §§ 524 and 1141, except as otherwise
4 provided in the Plan or the Confirmation Order, the Confirmation Order
5 constitutes a discharge of any and all claims against, and all debts and
6 liabilities of, the Debtor that arose before the Confirmation Date. The
7 Reorganized Debtor and its property will, to the fullest extent permitted by
8 Bankruptcy Code § 1141, be deemed discharged and released from any and
9 all claims, including, without limitation, all demands, liabilities, claims, that
10 arose before the Confirmation Date or that are based on or otherwise relate
11 to acts, events, omissions, transactions or other activities of any kind that
12 occurred before the Confirmation Date. This discharge will void any
13 judgment that was obtained against the Debtor at any time only to the extent
14 that the judgment relates to a discharged claim; and

15 5. Subject to the limitations and conditions imposed under Bankruptcy Code
16 § 1125(e), persons who—in good faith and in compliance with applicable
17 Bankruptcy Code provisions—either solicit Plan acceptances or rejections or
18 participate in the offer, issuance, sale, or purchase of securities under the
19 Plan will not be liable on account of their solicitation or participation for
20 violation of any applicable law, rule, or regulation governing the solicitation
21 of Plan acceptances or rejections or the offer, issuance, sale or purchase of
22 such securities.

23 **B. Revesting of the Assets**

24 The Assets shall not be vested in the Debtor on or following the Effective Date, but
25 shall be vested in the Reorganized Debtor and continue to be subject to the jurisdiction of
26 the Court following confirmation of the Plan until such Assets are distributed to the
27 Holders of Allowed Claims in accordance with the provisions of the Plan.
28

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1 **C. Exculpation and Releases**

2 Effective upon the entry of the Confirmation Order, neither the Debtor, the
3 Professionals, nor any of their respective members, officers, directors, shareholders,
4 employees, or agents, shall have or incur any liability to any Person, including any creditor
5 or Interest Holder of the Debtor, for any act taken or omission made in connection with or
6 related to the negotiation, formulation, or preparation of the Plan and the Disclosure
7 Statement, the approval of the Disclosure Statement, the confirmation of the Plan, the
8 consummation of the Plan, or the administration of the Plan, the Case, or the property to
9 be distributed under the Plan, to the fullest extent permitted by applicable statutes and
10 case law, except that the Reorganized Debtor will be liable for the performance of
11 obligations assumed by it or imposed upon it under or by the Plan.

12 **D. Modification of the Plan**

13 The Debtor may modify the Plan at any time before confirmation. If the Plan is
14 modified, however, the Court may require a new Disclosure Statement or re-voting on the
15 Plan depending on the nature of the modifications and their effect on parties in interest.
16 The Debtor may seek to modify the Plan at any time after confirmation if (a) the Plan has
17 not been substantially consummated, and (b) the Court, after notice and a hearing,
18 authorizes the proposed modification.

19 **E. Post-Confirmation Status Report**

20 Within 120 days of the entry of the Confirmation Order, the Debtor shall file a status
21 report with the Court explaining what progress has been made towards consummation of
22 the confirmed Plan. The status report shall be served on the OUST, the Committee, and
23 the parties who have requested special notice. Further status reports shall be filed every
24 120 days and served on the same entities.

25 **F. Quarterly Fees**

26 Quarterly fees accruing under 28 U.S.C. § 1930(a)(6) prior to confirmation shall be
27 paid to the OUST on or before the Effective Date. Quarterly fees accruing under
28 28 U.S.C. § 1930(a)(6) after confirmation shall be paid to the OUST by the Debtor from

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1 the assets of the Reorganized Debtor until a final decree, or the entry of an order
2 dismissing the Case or converting the Case to chapter 7, at the rate in effect at the time
3 such fees are due.

4 **G. Post-Confirmation Conversion/Dismissal**

5 After the Plan is confirmed, a creditor or party in interest may bring a Motion, only
6 after notice and a hearing, to convert or dismiss the Case under Bankruptcy Code
7 § 1112(b) if there is a material default in performing the Plan. If the Court orders the Case
8 converted to chapter 7 after the Plan is confirmed, then all property that had been property
9 of the Estate and transferred to the Reorganized Debtor, and that has not been distributed
10 under the Plan will revert in the chapter 7 estate. The automatic stay will be reimposed
11 upon the revested property only to the extent that relief from stay was not previously
12 authorized by the Court during the Case.

13 The Confirmation Order may also be revoked under very limited circumstances.
14 The Court may revoke the Confirmation Order if it was procured by fraud and if a party in
15 interest brings an adversary proceeding to revoke the confirmation within 180 days after
16 the entry of the Confirmation Order.

17 **H. Final Decree**

18 Once the Estate has been fully administered as referred to in Bankruptcy Rule
19 3022, the Debtor will File a Motion with the Court to obtain a final decree closing the Case.

21 Dated: August 30, 2011

WEILAND, GOLDEN,
SMILEY, WANG EKVALL & STROK, LLP

23 By: /s/ Hutchison B. Meltzer
24 HUTCHISON B. MELTZER
25 Attorneys for Debtor and
26 Debtor-in-Possession

28

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TABLE OF DEFINITIONS

"1st LV DOT" means the first position deed of trust securing the 1st LV Note against the LV Property.

"1st LV Note" means the note dated November 2, 2006 in the approximate amount of \$4,692,600 executed by BV Land in which the Debtor owns a 100% interest.

"2nd LV DOT" means the Debtor's 24.1173% interest in the second position deed of trust securing the 2nd LV Note against the LV Property.

"2nd LV Note" means the note in the approximate amount of \$19,076,316.63 (with the Debtor's portion being \$4,600,692.45).

"3rd LV DOT" means the Debtor's 16.7189% interest in the third position deed of trust securing the 3rd LV Note against the LV Property

"3rd LV Note" means the note in the approximate amount of \$13,322,143.26 (with the Debtor's portion being \$2,227,315.81).

"Administrative Claim" means a Claim against the Debtor for administrative costs or expenses that are allowable under Bankruptcy Code § 503(b).

"Administrative Tax Claim" means an Administrative Claim or other Claim that is not an Allowed Secured Claim and that a government unit asserts against the Debtor for taxes (or for related interest or penalties) for any tax period that, either in whole or in part, falls within the period beginning on the Petition Date and ending on the Effective Date.

"Allowed Claim" means a Claim against the Debtors, other than an Administrative Claim, to the extent that:

- a. Either: (i) a Proof of Claim was Filed by the Bar Date; or (ii) a Proof of Claim is deemed timely Filed either under Bankruptcy Rule 3003(b)(1) or by a Final Order; and
- b. Either: (i) the Claim is not a Disputed Claim; (ii) the Claim is allowed by a Final Order; or (iii) the Claim is allowed under the Plan.

1 **"Allowed [Class Designation and/or Secured, Priority, or General Unsecured**
2 **or Trade] Claim"** means an Allowed Claim in the specified Class and/or of the specified
3 type.

4 **"Assets"** means all tangible and intangible assets and property of every kind and
5 nature of the Debtor and/or its Estate, and all proceeds thereof, existing as of the Effective
6 Date.

7 **"Avoidance Action"** means Causes of Action arising under 11 U.S.C. §§ 510,
8 541, 542, 544, 545, 547, 548, 549, 550, 551 and/or 553, or under related state or federal
9 statutes and common law, including, without limitation, fraudulent transfer laws, whether
10 or not litigation is commenced to prosecute such Causes of Action.

11 **"Bankruptcy Code" or "Code"** means Title 11 of the United States Code, as
12 amended.

13 **"Bankruptcy Rules"** means the Federal Rules of Bankruptcy Procedure.

14 **"Bar Date"** means the last date for filing Proofs of Claim in the Debtor's Case. The
15 Bar Date is July 15, 2011.

16 **"Bar Date Notice"** means the notice of the Bar Date served on creditors of the
17 Estate on May 11, 2011.

18 **"Business Day"** means any day, other than a Saturday, a Sunday or a "legal
19 holiday," as defined in Rule 9006(a) of the Bankruptcy Rules.

20 **"BV Land"** refers to BV Land Company, LLC.

21 **"BV Land Action"** means the fraudulent transfer action filed by the Receiver
22 against BV Land in the United States District Court, District of Utah, Case No. 2:09-cv-
23 1057.

24 **"Case"** means the Debtor's case under chapter 11 of the Bankruptcy Code that is
25 pending before the United States Bankruptcy Court for the Central District of California,
26 Santa Ana Division, as Case No. 8:11-bk-14298-RK.

27 **"Cash"** means legal tender of the United States of America.
28

1 **"Cause of Action"** mean, without limitation, any and all actions, causes of action,
2 controversies, liabilities, obligations, rights, suits, damages, judgments, Claims (as defined
3 in Code § 101(5)) and demands whatsoever, whether known or unknown, reduced to
4 judgment, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed
5 or undisputed, secured or unsecured, assertable directly or derivatively, existing or
6 hereafter arising, in law, equity, or otherwise that the Debtor and/or the Estate may hold
7 against any Person as of the Effective Date.

8 **"CBT"** refers to California Bank & Trust.

9 **"Charles Dunn"** refers to Charles Dunn Capital, LLC.

10 **"Claim"** means a claim, as the term "claim" is defined in Bankruptcy Code
11 § 101(5), against the Debtor.

12 **"Claims Objection Deadline"** means September 30, 2011.

13 **"Class"** or **"Class of Claims or Interests"** means a group of Claims or Interests
14 as classified under the Plan.

15 **"Committee"** refers to the official committee of unsecured creditors.

16 **"Confirmation Date"** means the date on which the Court enters the Confirmation
17 Order on its docket.

18 **"Confirmation Hearing"** means the hearing held by the Court on the confirmation
19 of the Plan.

20 **"Confirmation Order"** means the Court order confirming the Plan under
21 Bankruptcy Code § 1129.

22 **"Court"** means the United States Bankruptcy Court for the Central District of
23 California, Santa Ana Division.

24 **"Cure Amount"** means any amounts that must be paid to cure defaults under the
25 executory contracts and unexpired leases to be assumed under the Plan.

26 **"Debtor"** refers to Boundary Bay Capital, LLC.

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1 **"Debtor Professionals"** means the agents, financial advisors, attorneys,
2 consultants, independent contractors, representatives, and other professionals engaged
3 or retained by the Debtor (in their capacities as such).

4 **"DIP Loan"** means debtor-in-possession financing and potential post-confirmation
5 financing.

6 **"Disclosure Statement"** means this Disclosure Statement, as the same may be
7 amended or modified from time to time.

8 **"Disputed Claim"** means all or any part of a Claim as to which any one of the
9 following applies: (i) no Proof of Claim has been filed with respect to such Claim, and the
10 Claim is listed in the Schedules as unliquidated, disputed, contingent or unknown, or; (ii)
11 the Claim is the subject of a timely objection or request for estimation which is filed on or
12 before the Claims Objection Deadline, which objection or request for estimation has not
13 been withdrawn or determined by a Final Order. In addition, prior to the earlier of: (a) the
14 Claims Objection Deadline, and (b) such date as the Bankruptcy Court allows the Claim
15 pursuant to a Final Order, any Claim that is evidenced by a Proof of Claim shall be
16 deemed a Disputed Claim for purposes of calculating and making any Distributions under
17 this Plan if: (1) no Claim corresponding to the Proof of Claim is listed in the Schedules, (2)
18 the Claim corresponding to the Proof of Claim is listed in the Schedules as disputed,
19 contingent, unliquidated or unknown, (3) the amount of the Claim as specified in the Proof
20 of Claim exceeds the amount of any corresponding Claim listed in the Schedules as not
21 disputed, not contingent, and liquidated, but only to such extent, or (4) the priority or
22 classification of the Claim as specified in the Proof of Claim differs from the priority of any
23 corresponding Claim listed in the Schedules.

24 **"Distribution"** means any distribution pursuant to the Plan to the Holders of an
25 Allowed Claim.

26 **"Distribution Date"** means the date upon which the Distribution was made.

27 **"DOC"** refers to the Department of Corporations.
28

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1 **"Effective Date"** means the first Business Day that is fourteen (14) days after the
2 entry of the Confirmation Order, provided there has been no order staying the
3 effectiveness of the Confirmation Order.

4 **"Effective Date Payments"** means Distributions or payments required by the Plan
5 to be made by the Debtor on the Effective Date.

6 **"Enhanced Income"** refers to Enhanced Income Fund I, LLC.

7 **"Enhanced Income Note"** means the note secured by a first position lien against
8 the Debtor's interest in the 2nd LV Note.

9 **"Estate"** means the bankruptcy estate created in the Debtor's Case under
10 Bankruptcy Code § 541.

11 **"Equity Distribution"** means periodic distributions to equity holders of the
12 Reorganized Debtor as proceeds net of operational expenses and reasonable reserves
13 become available.

14 **"File," "Filed," or "Filing"** means duly and properly filed with the Court and
15 reflected on the Court's official docket.

16 **"Final Order"** means an order or judgment of the Court entered on the Court's
17 docket.

- 18 a. That has not been reversed, rescinded, stayed, modified, or amended;
- 19 b. That is in full force and effect; and
- 20 c. With respect to which (i) the time to appeal or to seek review, remand,
21 rehearing, or a writ of certiorari has expired and as to which no timely Filed
22 appeal or petition for review, rehearing, remand, or writ of certiorari is
23 pending, or (ii) any such an appeal or petition has been dismissed or
24 resolved by the highest court to which the order or judgment was appealed
25 or from which review, rehearing, remand, or a writ of certiorari was sought.

26 **"First Amended Schedules"** means the amended schedules filed by the Debtor
27 on May 20, 2011.

28

1 **"General Unsecured Claim"** means an unsecured Claim against one or more of
2 the Debtor, however arising, not entitled to priority under Section 507(a) of the Bankruptcy
3 Code.

4 **"Holder"** means an entity holding a Claim or Interest.

5 **"Insider Avoidance Actions"** avoidance Causes of Action arising under 11 U.S.C.
6 §§ 510, 541, 542, 544, 545, 547, 548, 549, 550, 551 and/or 553, or under related state or
7 federal statutes and common law, including, without limitation, fraudulent transfer laws,
8 whether or not litigation is commenced to prosecute such Causes of Action, relating to the
9 insiders of the Debtor, as that term is defined in 11 U.S.C. § 101(31), only.

10 **"Interests"** means an equity interest in the Debtor.

11 **"Interest Holders"** refers to parties who hold membership interests (i.e., equity
12 interests) in the Debtor.

13 **"LV Property"** means those 17 parcels contained in 9 tax parcels (259) acres of
14 undeveloped land located in North Las Vegas, Nevada.

15 **"LV Notes"** means those notes secured by the 1st, 2nd, and 3rd trust deeds on the
16 LV Property.

17 **"LV Trust Deeds"** means the 1st, 2nd, and 3rd trust deeds on the LV Property.

18 **"Malpractice Action"** means the Debtor's malpractice claim against the
19 Malpractice Defendants.

20 **"Malpractice Defendants"** refers to the Debtor's former counsel Glaser, Weil,
21 Fink, Jacobs, Howard, Avachen & Shapiro, LLP, the successor entity to Christiansen,
22 Miller, Glaser, Fink, Jacobs, Weil & Shapiro, LLP, and other defendants.

23 **"Membership Interests"** means the equity interests held by parties in the Debtor.

24 **"MOR"** means monthly operating reports.

25 **"Motion"** means a request asking a judge to issue a ruling or order on a legal
26 matter.

27 **"Murrietta Property"** means the 9.13 acres of real property located at Washington
28 & Nutmeg in Murrieta, California, described legally as assessors ID 90602009-5.

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1 **"New Equity Holders"** means equity holders in the Reorganized Debtor.

2 **"New Equity Interests"** means the new membership interests in the Reorganized
3 Debtor issued to General Unsecured Creditors as provided for in Class 8(a).

4 **"Net Proceeds"** means the proceeds from the sale of assets after all costs of the
5 sale have been deducted.

6 **"Non-Ordinary-Course Administrative Claims"** means Administrative Claims
7 that are not Ordinary Course Administrative Claims, Administrative Tax Claims, or
8 Professional-Fee Claims, including Claims that may arise from agreements entered into
9 with the Estate after the Petition Date other than trade agreements.

10 **"Non-Professional Administrative Claims"** means Administrative Claims that are
11 not Professional-Fee Claims.

12 **"Note" or "Notes"** means the unsecured notes which funded the Debtor's
13 borrowing totaling \$43,180,399.17 as set forth in the Schedules.

14 **"Note Holders"** refers to those parties Holding a Note or Notes.

15 **"OCBB"** refers to Orange County Business Bank.

16 **"Operating Agreement"** refers to the document which sets forth the operating
17 parameters for the Reorganized Debtor.

18 **"Ordinary-Course Administrative Claims"** means Administrative Claims other
19 than Administrative Tax Claims, Professional-Fee Claims, and Non-Ordinary-Course
20 Administrative Claims, based upon liabilities that the Debtor incurs in the ordinary course
21 of its business.

22 **"OUST"** means the Office of the United States Trustee, Santa Ana Division.

23 **"Pacific Time"** means the time in Los Angeles, California.

24 **"PCH Property"** means the real property located at 34311 Pacific Coast Highway,
25 Dana Point, California.

26 **"Person"** means any individual, corporation, general partnership, limited
27 partnership, limited liability company, association, joint-stock company, joint venture,
28 estate, trust, government, political subdivision, governmental unit (as defined in the

1 Bankruptcy Code), official committee appointed by the United States Trustee, unofficial
2 committee of creditors or equity holders, or entity.

3 "**Petition Date**" refers to the petition date for the Debtor.

4 "**Plan**" means the Chapter 11 Plan, including any modifications or amendments to
5 the Plan.

6 "**PPM**" means private placement memorandum.

7 "**Priority Claim**" means an Allowed Claim entitled to priority against an Estate
8 under Bankruptcy Code §§ 507(a)(3), 507(a)(4), 507(a)(5), 507(a)(6), or 507(a)(7).

9 "**Priority Tax Claim**" means an Allowed Claim entitled to priority against an Estate
10 under Bankruptcy Code § 507(a)(8).

11 "**Professionals**" collectively means the persons and entities employed by the
12 Debtor pursuant to order of the Court in accordance with Bankruptcy Code §§ 327 or
13 1103.

14 "**Professional-Fee Claim**" means:

- 15 a. A Claim under Bankruptcy Code §§ 327, 328, 330, 331, 503, or 1103 for
16 compensation for professional services rendered or expenses incurred on
17 the Estate's behalf, or
18 b. A Claim either under Bankruptcy Code § 503(b)(4) for compensation for
19 professional services rendered or under Bankruptcy Code § 503(b)(3)(D) for
20 expenses incurred in making a substantial contribution to the Estate.

21 "**Properties**" refers to the PCH Property, the Murrieta Property, and the Ventura
22 Property.

23 "**Proof of Claim**" means a written statement filed in a Case by a creditor in which
24 the creditor sets forth the amount of its Claim, in accordance with Rule 3001 of the
25 Bankruptcy Rules.

26 "**Pro Rata Share**" means, in the case of Distributions to the Holders of Allowed
27 General Unsecured Claims, the ratio (expressed as a percentage) of the amount of an
28

1 Allowed General Unsecured Claims to the sum of the aggregate amount of Allowed
2 General Unsecured Claims.

3 **"Rafael"** refers to Maureen Rafael.

4 **"Rafael Litigation"** means the litigation commenced by Rafael in the San Diego
5 Superior Court related to the non-payment of her note, which was subsequently assigned
6 to arbitration.

7 **"Receiver"** refers to Robert Wing, the federal receiver of Vescor.

8 **"Receivership Action"** means the fraudulent transfer action against the Debtor in
9 the United States District Court, District of Utah, Case No. 2:08-cv-00835 DB, seeking to
10 avoid the Debtor's 1st, 2nd, and 3rd liens against the LV Property.

11 **"Request for Payment"** means a request for the payment of an Ordinary Course
12 Administrative Claim or a Non-Ordinary Course Administrative Claim as described in
13 Section III.C.1.a and III.C.1.b. of the Disclosure Statement.

14 **"Reorganized Debtor"** refers to the California limited liability company operated
15 pursuant to the Plan and an Operating Agreement substantially in the form of the
16 document attached as Exhibit "1" to the Plan.

17 **"Schedule of Assumed and Assigned Agreements"** means a list of executory
18 contracts and unexpired leases to be assumed and assigned under the Plan.

19 **"Schedules"** means the Schedules of Assets and Liabilities filed by the Debtor in
20 the Case, as required by § 521(1) of the Code, Bankruptcy Rules 1007(a)(3) and (b)(I),
21 and Official Bankruptcy Form No. 6, as the Schedules may be amended from time to time.

22 **"Second Amended Schedules"** means the amended schedules filed by the
23 Debtor on July 27, 2011.

24 **"Secured Claim"** means a Claim that is secured by a valid and unavoidable lien
25 against property in which the Estate has an interest or that is subject to setoff under
26 Bankruptcy Code § 553. A Claim is a Secured Claim only to the extent of the value of the
27 Claim Holder's interest in that property or to the extent of the amount subject to setoff, as
28 applicable, as determined under Bankruptcy Code § 506(a).

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- 1 **"SOFA"** means the Debtor's statements of financial affairs.
- 2 **"Tax Code"** means the Internal Revenue Code.
- 3 **"Undeliverable Distribution"** means a Distribution to any Holder of an Allowed
- 4 Claim that is returned to the Debtor as undeliverable or otherwise unclaimed.
- 5 **"URS"** refers to URS Corporation.
- 6 **"Ventura Property"** means the real property located on Ventura Blvd. in Sherman
- 7 Oaks, California.
- 8 **"Weiland Golden"** means Weiland, Golden, Smiley, Wang Ekvall & Strok, LLP.

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If the Debtor takes possession of the LV Property, the Debtor will receive 5 parcels of the 19 parcels that make up the LV Property in settlement of the 1st LV Note and 1st LV DOT. The Debtor will also receive a percentage ownership in the new entity which will be created to own the balance of the parcels.

Below are the lots assigned directly to the Debtor and the initial value assigned to each lot by square footage based upon an estimated value of the LV Property at \$14,000,000:

Apex Central, LLC Lots at \$.85 per square foot

Lot 1	352,836 sq. ft.	\$299,910
Lot 2	296,208 sq. ft.	\$251,776

<u>Industrial Rail, LLC at \$1.32 per square foot</u> (Parcels M and N will be encumbered by a deed of trust held by Enhanced Income)		
Parcel L (Parcel L will be sold first)	689,555 sq. ft.	\$910,212
Parcel M	622,037 sq. ft.	\$821,088
Parcel N	1,710,610 sq. ft.	\$2,257,993

The total value for these two transactions is \$4,540,320.

The following are the lots designated to the development/sale venture owned by Heritage Funds and the initial value assigned to each lot by square footage based upon an estimated value of the LV Property at \$14,000,000:

<u>Apex Central, LLC Lots at \$.85 per square foot</u>		
Lot 8	291,852 sq. ft.	\$248,074
Lot 44	378,074 sq. ft.	\$322,126
Lot 45	300,564 sq. ft.	\$255,479
Lot 59	339,768 sq. ft.	\$288,802

Industrial Rail, LLC at \$1.32 per square foot		
Parcels A and B will be joint ventured starting in December 2012)		
Parcel A	1,111,651 sq. ft.	\$1,467,379
Parcel B	740,520 sq. ft.	\$977,486
Parcel C	725,710 sq. ft.	\$957,937
Parcel G	739,646 sq. ft.	\$976,332
Parcel H	743,134 sq. ft.	\$980,936
Parcel I	746,618 sq. ft.	\$985,535
Parcel J	749,668 sq. ft.	\$989,561
Parcel K	753,152 sq. ft.	\$994,160

The total value for these two transactions is \$9,452,807.

		Unsecured Receivable
ASSETS		
	Receivables	
	Adam Frank	\$ 657.41
	Birch Bay Partners	151,575.90
	CMG, LLC	403,508.02
	Camden Real Estate Opp Fune	600.00
	Tax Appeal Consultants	3,580.16
	Heritage Orcas VL Partners	91.12
	First Credit Commerical	1,584.93
		<hr/>
	Total Unsecured Receivables	\$ 561,597.54

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement ("**Agreement**") is made this 31st day of December, 2008, by and between COVENANT BANCORP, INC., a NEVADA CORPORATION (the "**Seller**") and BOUNDARY BAY CAPITAL, LLC, an individual (the "**Buyer**"), with reference to the following:

A. Seller is the owner of a real estate investment business (the "**Business**") including the assets and liabilities associated with the operation of the Business;

B. Seller desires to sell and transfer to Buyer certain assets and liabilities to Buyer and Buyer desires to purchase these assets and liabilities from Seller

C. Seller desires to assign and transfer to Buyer and Buyer desires to assume from Seller certain obligations and liabilities associated with the operation of the Business.

Now, therefore, in consideration of the respective representations and warranties and of the covenants and agreements contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1 PURCHASE OF ASSETS

Section 1.1 Purchase and Sale. Upon the terms and subject to the conditions contained in this Agreement, Seller shall sell, transfer, convey, assign and deliver to Buyer and Buyer agrees to purchase, acquire and assume from Seller, all of Seller's right, title and interest in and to certain assets, rights and properties relating to the operation of the Business (collectively the "**Assets**"). A listing of the Assets are identified in Exhibit A, attached hereto and incorporated herein.

Section 1.2 Liabilities. Buyer shall assume certain liabilities of Seller pursuant to the Assignment and Assumption Agreement, a form of which is attached hereto as Exhibit B and incorporated herein by reference.

ARTICLE 2 PURCHASE PRICE

Section 2.1 Consideration. The consideration for the purchase of the Assets ("**Purchase Price**") has been determined to equal the amount of the liabilities of the Business being assumed as of December 31, 2008 ("Liabilities") pursuant to Exhibit B.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

Section 3.1 Buyer's Representations and Warranties. Buyer hereby represents and warrants to Seller that:

- (a) **Authorization.**
- (1) Buyer is duly organized, validly existing and in good standing in the State of California;
- (2) Buyer is duly authorized to execute and deliver this Agreement;
- (3) This Agreement is binding on Buyer in accordance with its terms; and
- (4) The execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the compliance by Buyer with the terms of this Agreement will not conflict with or result in a breach of any terms of, or constitute a default under any agreement, obligation or instrument to which Buyer is a party or by which they are bound.

(b) Buyer is familiar with the Business and the federal and state laws, rules, plans, ordinances, guidelines and regulations, applicable to the conduct of such business including without limitation, the environmental regulations. Buyer has the expertise and ability to examine the Assets and evaluate their condition and compliance with all such applicable federal and state laws, rules, plans, ordinances, guidelines and regulations.

Section 3.2 Seller's Representations and Warranties. Seller hereby represents and warrants to Buyer as follows:

- (a) Authorization of Seller.
- (1) is duly organized, validly existing and in good standing in the State of California;
- (2) Seller has all requisite power and authority to own and sell the Assets;
- (3) Seller is duly authorized to execute and deliver this Agreement; and
- (4) This Agreement is binding on Seller in accordance with its terms, with the individuals executing this Agreement on behalf of Seller represent and warrant that they are duly authorized to execute and deliver this Agreement on behalf of Seller.

(b) No Conflict or Default. Neither the execution or delivery of this Agreement, nor compliance with the terms and provisions hereof, including without limitation, the consummation of the transactions contemplated hereby, will conflict with or result in the breach of any term, condition or provision of any agreement, deed, contract, mortgage, indenture, order, decree legal obligation or instrument to which Seller is a party or by which it or any of the Assets are bound, or constitute a

default (or an event which, with the lapse of time or the giving of notice or both, would constitute a default), or result in the creation or imposition of any lien, charge or encumbrance, or restriction of any nature whatsoever with respect to any of the Assets, or give to others any interest or rights.

(c) **Litigation.** There is no claim, litigation, action, suit or proceeding, administrative or judicial, pending or, to the best of Seller's knowledge, threatened against the Seller or involving the Assets before any federal, state, local or foreign court or agency or other governmental authority. Seller has received no notice of any investigation or proceeding by any governmental agency or institution with respect to the Business or the Assets.

(d) **Compliance with Law.** Seller has complied and is in material compliance with all federal, state, local and foreign laws, rules and regulations applicable to its business.

ARTICLE 4 COVENANTS OF SELLER AND BUYER

Section 4.1 Closing. The transactions contemplated by this Agreement shall close and all deliveries to be made at the Closing of the transactions contemplated by this Agreement shall take place on December 31, 2008 at 10:00 a.m. at the offices of Buyer, or at such other place or date as may be agreed upon from time to time by Buyer and Seller (the "**Closing Date**"). The Closing is subject to the satisfaction of the conditions set forth below, unless duly waived.

Section 4.2 Conduct of Seller's Business. Prior to and through and including the Closing, Seller shall operate the Business and maintain the Assets in the usual and ordinary course and substantially in the same manner as previously conducted. In addition, Seller shall maintain the Assets through the Closing in substantially the same condition as they were at time of inspection, normal wear and tear excepted.

ARTICLE 5 CONDITIONS TO OBLIGATIONS; COVENANTS

Section 5.1 Conditions Precedent to Obligations of Buyer. Each and every obligation of Buyer to be performed at the Closing shall be subject to the satisfaction, or the express waiver, as of or before the Closing of the following conditions:

(a) All representations and warranties of Seller set forth in the Agreement will be true and correct as of the Closing;

(b) All obligations of Seller required to be performed prior to or at Closing shall have been performed;

(c) There have been no adverse changes in the operation of the Business since the execution of the Agreement; and

(d) Seller is able to transfer all right, title and interest to the Assets.

Section 5.2 Conditions Precedent to Obligations of Seller. Each and every obligation of Seller to be performed at Closing shall be subject to the satisfaction, or the express waiver, as of or before Closing of the following conditions:

(a) All representations and warranties of Buyer set forth in the Agreement will be true and correct as of the Closing;

(b) All obligations of Buyer required to be performed prior to or at Closing shall have been performed.

ARTICLE 6 DOCUMENTS DELIVERED AT CLOSING

Section 6.1 Deliveries by Seller. At the Closing, Seller shall deliver to Buyer, all duly and properly executed by Seller such other agreements or documents as reasonably requested to effectuate this Agreement.

Section 6.2 Deliveries by Buyer. At the Closing, Buyer shall deliver to Seller all duly and properly executed by Buyer, to the extent appropriate:

(a) an Assignment and Assumption Agreement; and

(b) such other agreements or documents as reasonably requested to effectuate this Agreement.

ARTICLE 7 INDEMNIFICATION

Section 7.1 Indemnification of Buyer. Without limiting in any way other rights and remedies Buyer may have, Seller hereby agrees to indemnify and hold Buyer harmless against any loss, claim, cause of action, damage, obligation, recovery, deficiency, cost, liability or expense including, without limitation, interest, penalties, and reasonable attorneys' fees and expenses ("*Loss*") in respect to or arising out of (i) the incorrectness, untruth, or breach of any material representation, warranty or covenant made by Seller in this Agreement, the Exhibits, or any certificate provided under this Agreement (ii) any third party claims regarding the use of the Assets or the conduct of the Business prior to Closing.

Section 7.2 Indemnification of Seller. Without limiting in any way other rights and remedies Seller may have, Buyer hereby, jointly and severally, agree to indemnify and hold Seller harmless against any loss, claim, cause of action, damage, obligation, recovery, deficiency, cost, liability or expense including, without limitation, interest, penalties, and reasonable attorneys' fees and expenses ("*Loss*") in respect to or arising out of (i) the incorrectness, untruth, or breach of any representation, warranty or covenant made by Buyer in this Agreement, the Exhibits, or any certificate provided under this Agreement (ii) any third party claims regarding the use of the Assets following the Closing, (iii) or any Loss arising regarding the use of the Assets following the Closing.

**ARTICLE 8
MISCELLANEOUS PROVISIONS**

Section 8.1 Entire Agreement; Severability of Provisions. This Agreement, the Exhibits and the documents referred to herein embody the entire agreement and understanding of the parties hereto with respect to the subject matter hereof, and supersede all prior and contemporaneous agreements and understandings, oral or written, relative to said subject matter. If any provision of this Agreement is held unenforceable, said holding shall not be deemed to impair the validity of the remaining provisions of this Agreement, which shall remain in full force and effect.

Section 8.2 Binding Effect. This Agreement and the various rights and obligations arising hereunder shall inure to the benefit of and be binding upon Seller and Buyer, and each of their successors and assigns.

Section 8.3 Amendment; Waiver. This Agreement may not be changed, amended, terminated, augmented, rescinded or discharged (other than by performance), in whole or in part, except by a writing executed by the parties hereto, and no waiver of any of the provisions or conditions of this Agreement or any of the rights of a party hereto shall be effective or binding unless such waiver shall be in writing and signed by the party claimed to have given or consented to such waiver.

Section 8.4 No Third-Party Beneficiaries. Nothing herein, expressed or implied, is intended or shall be construed to confer upon or give to any person, firm, corporation or legal entity, other than the parties hereto, any rights, remedies or other benefits under or by reason of this Agreement.

Section 8.5 Counterparts. This Agreement may be executed simultaneously in multiple counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument.

Section 8.6 Governing Law. This Agreement shall in all respects be construed in accordance with and governed by the laws of the State of California without giving effect to conflicts of law principles.

Section 8.7 Attorneys' Fees and Costs. If any party to this Agreement brings an action arising out of or related to the terms and conditions of this Agreement, the prevailing party shall be entitled to recover from the other party reasonable attorneys' fees and costs incurred in connection with such action, and all costs of appeal and collection.

Section 8.8 Notice. All notices and other communications required or permitted under this Agreement shall be deemed to have been duly given and made if in writing and if served either by personal delivery to the party for who intended or by being deposited, postage prepaid, certified or registered mail, return receipt requested, in the United States mail, addressed to the parties at the following address (or such other address as may be designated in writing by such party):

- (a) if to Seller:
17801 Cartwright Rd., Irvine, California 92614,

(b) if to Buyer:

17801 Cartwright Rd., Irvine, California 92614,

Section 8.9 Expenses. Except as expressly provided otherwise in this Agreement, each party hereto shall pay its own expenses incurred in connection with the consummation of this Agreement and associated transactions and approvals, including any and all attorney, accountant, consultant, broker or finder fees.

Section 8.10 Assignment. Buyer may assign its rights under this Agreement without the prior written consent of Seller to any entity controlled and/or operated by Buyer, or any successor-in-interest of Buyer. Any such assignment shall not relieve Buyer of any liability under this Agreement. Either party may assign its rights under this Agreement for any other purpose, but only with the prior written consent of the other party, which consent shall not be unreasonably withheld. The valid assignment of this Agreement consented to in writing by the other party shall relieve the assigning party of all liability under this Agreement and shall bind that party's assignee in full to the obligations of this Agreement as though it were the original party.

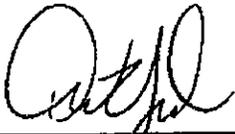
Section 8.11 Construction. Each party acknowledges and agrees that it has read and understands each and every provision of this Agreement and the Exhibits and has considered all relevant business and tax aspects of this Agreement. The parties further acknowledge and agree that each party has had the opportunity to consult with and obtain legal advice and counseling from an attorney in relation to each and every provision of this Agreement and the Exhibits, and each party acknowledges and agrees that it has either availed itself of that opportunity or has knowingly and willfully declined such representation. Therefore, the language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against either party.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as
of the date and year first above written.

SELLER

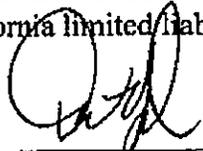
COVENANT BANCORP, INC.
a Nevada Corporation

By: 

DAVID T. LAWLOR, Managing Member
Heritage Capital Management, LLC

BUYER

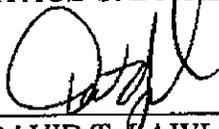
BOUNDARY BAY CAPITAL, LLC
a California limited liability company

By: 

DAVID T. LAWLOR, Managing Member

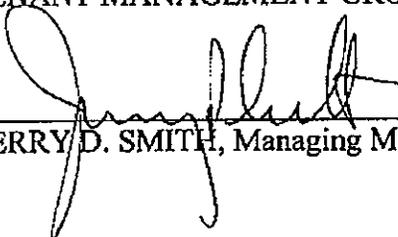
MEMBERS:

HERITAGE CAPITAL MANAGEMENT, LLC

By: 

DAVID T. LAWLOR, Managing Member

COVENANT MANAGEMENT GROUP, LLC

By: 

JERRY D. SMITH, Managing Member

EXHIBIT "A"

**ASSETS OF
COVENANT BANCORP ,INC.**

1. Note receivable, BV Land Co, LLC
2. Note receivable, Humphrey Bruce
3. Note receivable, Secret Lake II
4. Note receivable, Siena Medical
5. Note receivable, APEX Holdings 1-6, 23
6. Note receivable Siena Vista Office Park
7. Receivable - Boundary Bay Capital

EXHIBIT "B"

ASSIGNMENT AND ASSUMPTION AGREEMENT

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (the "*Agreement*") is entered into and made effective December 31, 2008 ("*Effective Date*"), by and among COVENANT BANCORP, INC. ("*Assignor*"), and BOUNDARY BAY CAPITAL, LLC ("*Assignee*").

WITNESSETH:

WHEREAS, pursuant to the this Agreement, Assignor desires to assign all its interest, liabilities and obligations to Assignee, and Assignee desires to accept the assignment of all interest and assume all liabilities and obligations of Assignor; and

WHEREAS, Assignor and Assignee now desire to evidence Assignor's assignment of all interest, liabilities and obligations to Assignee and Assignee's acceptance of all interest and assumption of all liabilities and obligations of Assignor.

NOW, THEREFORE, in consideration of the promises and mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

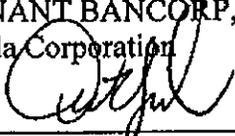
1. Assignment. Assignor hereby assigns, transfers and conveys to Assignee, all of Assignor's rights, title and interest in and to all properties, real and personal, tangible and intangible, wherever situated, and all agreements to which Assignor is a party to as of the Effective Date of this Agreement.
2. Assumption. Assignee hereby accepts all rights, title and interest in and to all properties, real and personal, tangible and intangible, wherever situated, and agrees to perform, pay and discharge all liabilities and obligations of Assignor as of the Effective Date of this Agreement.
3. Headings. The headings contained in this Agreement as to the contents of particular sections or other subdivisions contained herein are inserted for convenience of reference only and are in no way to be construed as part of this Agreement or as limitations on the scope of particular sections or other subdivisions to which they refer and shall not affect the interpretation or meaning of this Agreement.
4. Governing Law. This Agreement shall be governed by and controlled, construed and enforced in accordance with the laws of the State of California.
5. Counterparts. This Agreement may be executed simultaneously and in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.
6. Successors and Assigns. This Agreement shall bind and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns.

7. Amendment and Modification. This Agreement may be amended or modified only in a written instrument signed by each of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on their respective behalves by their respective duly authorized officers all as of the day and year first above written.

ASSIGNOR:

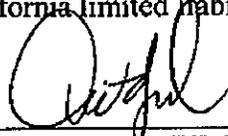
COVENANT BANCORP, INC.
a Nevada Corporation

By: 

DAVID T. LAWLOR, Managing Member
Heritage Capital Management, LLC

ASSIGNEE:

BOUNDARY BAY CAPITAL, LLC
a California limited liability company

By: 

DAVID T. LAWLOR, Managing Member

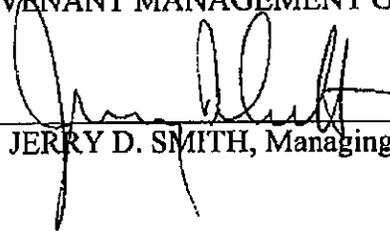
MEMBERS:

HERITAGE CAPITAL MANAGEMENT, LLC

By: 

DAVID T. LAWLOR, Managing Member

COVENANT MANAGEMENT GROUP, LLC

By: 

JERRY D. SMITH, Managing Member

Other Unsecured

Orange County Business Bank	816,514.24
City of Lapeer	492.09
Charter Communications	29.35
Cooley, Moulton & Smith	100.00
David C. Weiss	337.50
Glaser, Weil, Fink	250,000.00
Herndon Partners	842.91
Law Offices of Jay Statman	300.00
Los Angeles County Treasurer	89.81
Malibu West	159.52
Ruben Sanchez	600.00
Southwest Fire Protection	675.00
The Gas Co.	271.75
Birch Bay Management	3,407.76
Covenant Opportunity Fund	754,537.49
Heritage Capital Management	110,879.16
Jerry Smith	<u>166,563.77</u>

Toal Other Unsecured Debt

2,105,800.35

**Boundary Bay Capital, LLC
 Account QuickReport
 As of March 16, 2011**

Type	Date	Num	Name	Memo	Split	Amount
Cash						
Orange County Business Bank						
General Journal	04/12/2010	995		TRF TO CMG	CMG, LLC	-1,000.00
General Journal	05/11/2010	1029		TRF TO CMG	CMG, LLC	-1,000.00
General Journal	05/13/2010	1030		TRF TO CMG	CMG, LLC	-4,500.00
General Journal	06/16/2010	1047		Money trf to CMG for benefit of HCM payable	Heritage Capital Management, LL	-30,000.00
General Journal	07/22/2010	1136		TRF TO CMG	CMG, LLC	-250.00
General Journal	07/26/2010	1137		TRF TO CMG	CMG, LLC	-75.00
Check	08/12/2010	1249	ECHO BAY PARTNERS, LLC		-SPLIT-	-50,000.00 1
General Journal	08/12/2010	1161		PAYING HCM FOR MGMT FEES	Heritage Capital Management, LL	-20,000.00
General Journal	08/12/2010	1162		TRF TO CMG	CMG, LLC	-3,000.00
General Journal	08/16/2010	1164		TRF TO CMG	CMG, LLC	-30,000.00
General Journal	08/16/2010	1165		PAYING DOWN ON MGMT FEES	Heritage Capital Management, LL	-30,000.00
General Journal	08/17/2010	1166		TRF TO CMG	CMG, LLC	-17,000.00
General Journal	08/20/2010	1167		TRF TO HCM FOR MGMT FEES	CMG, LLC	-3,000.00
General Journal	09/02/2010	1198		Trf to CMG	CMG, LLC	-5,500.00
Check	09/20/2010	1261	BOYER, DOUG	Her Cap - Boyer Family Trust	Heritage Capital	-2,000.00 2
Check	09/20/2010	1262	GILMARTIN, JOHN	Heritage Capital Partners Earnings Distrib	Heritage Capital	-3,000.00 2
Check	09/20/2010	1263	IRA RESOURCES, INC.	Heritage Capital Partners LP Earnings Distrib	Heritage Capital	-500.00 2
Check	09/20/2010	1264	MC ELMURRY FAM TRUST	HER CAPITAL PARTNERS	Heritage Capital	-500.00 2
Check	09/20/2010	1285	MCKENZIE, BOG LLC	HERITAGE CAPITAL PARTNERS, LP	Heritage Capital	-1,000.00 2
Check	09/20/2010	1266	MORSHHEAD, D IRA	HERITAGE CAPITAL PARTNERS EARNINGS DISTRIB	Heritage Capital	-1,000.00 2
Check	09/20/2010	1267	ODAM, ABBY IRA	HERITAGE CAPITAL PARTNERS EARNING DISTRIB	Heritage Capital	-1,951.22 2
Check	09/20/2010	1268	ODAM, JOHN TRAD IRA	HERITAGE CAPITAL PARTNERS LP EARN DISTRIB	Heritage Capital	-2,532.29 2
Check	09/20/2010	1269	PETERSON, JON IRA	HERITAGE CAPITAL PARTNERS EARNINGS DISTRIB	Heritage Capital	-10,000.00 2
Check	09/20/2010	1270	PETERSON, JON ROTH IRA	HERITAGE CAPITAL PARTNERS EARN DISTRIB	Heritage Capital	-300.00 2
Check	09/20/2010	1271	RITTER, LOIS IRA	HERITAGE CAPITAL PARTNERS EARN DISTRIB	Heritage Capital	-500.00 2
Check	09/20/2010	1272	WALKER, ROBERT JAMES	HERITAGE CAPITAL PARTNERS, LP	Heritage Capital	-500.00 2
Check	09/20/2010	1273	CARTWRIGHT PROPERTIES, LLC	RENT	CMG	-5,000.00 2
Check	09/20/2010	1274	AT&T	\$282.57 & 83.20	-SPLIT-	-365.77 2
Check	09/20/2010	1275	CAVALIER TELEPHONE	ACCT 24116534	CMG	-152.46 2
Check	09/20/2010	1276	CENTURYLINK	ACCT: 300512927	CMG	-74.94 2
Check	09/20/2010	1277	CREATIVE SERVICES	JERRY & JOANNE SMITH	-SPLIT-	-147.83 2
Check	09/20/2010	1278	REGENCE BLUE SHIELD	31803 PLAN F	-SPLIT-	-454.00 2
Check	09/20/2010	1279	JERRY D. SMITH	CREDIT CARD REIMBURSEMENT	CMG	-2,649.33 2
Check	09/20/2010	1280	DAVID T. LAWLOR	CREDIT CARD REIMBURSEMENT	CMG	-94.24 2
Check	09/20/2010	1281	GROBATHY & PITET LLP		CMG	-2,000.00 2
Check	10/05/2010	1292	COVENANT MANAGEMENT GROUP		CMG, LLC	-1,000.00
Check	10/05/2010	1293	BLUE SHIELD OF CALIFORNIA		CMG, LLC	-5,244.00
Check	10/06/2010	1294	COVENANT MANAGEMENT GROUP, LLC	CMG out of checks - transferred cash and then wrote check	Orange County Business Bank	-2,500.00 2
Check	10/12/2010	1287	WASHINGTON COUNTY		Heritage Orcas	-672.00 3
Check	10/15/2010	1233		Trf to CMG	CMG, LLC	-320.43
General Journal	10/26/2010	1295	GOLDEN EAGLE INSURANCE	Policy #100651680 & 500675520	Covenant Opportunity Fund	-1,236.10 3
General Journal	11/01/2010	1261		Trf to Orcas	Heritage Orcas	-1,478.57 3

9:45 AM
 03/16/11
 Accrual Basis

Boundary Bay Capital, LLC
Account QuickReport
 As of March 16, 2011

Type	Date	Num	Name	Memo	Split	Amount
Check	12/13/2010	1309	COVENANT MANAGEMENT GROUP, LLC	Payment on receivable - mgmt fees	Heritage Capital Management, LL	-5,000.00
Check	12/21/2010	1311	Hennar, Rousso & Heald	Retainer - Brats Bros lease - Cov Opp Fund	Covenant Opportunity Fund	-3,000.00 3
General Journal	03/22/2011	1337		Tft to Heritage Orcas to clear payable	Heritage Orcas	-885.14 3

Total Orange County Business Bank

Total Cash

-259,584.32
-259,584.32
-259,584.32

- 1 - Reimbursing Echo Bay Partners - \$22,300, \$27,700 to HCM for mgmt fees
- 2 - Payments made from BBC - money transferred from CMG to cover payments - CMG out of checks
- 3 - Payments to Heritage Orcas and Covenant Opportunity Fund to reduce payable owed by BBC

10:34 AM
04/04/11
Accrual Basis

Boundary Bay Capital, LLC Debtor in Possession
Balance Sheet
As of March 28, 2011

	<u>Mar 28, 11</u>
ASSETS	
Current Assets	
Checking/Savings	
Cash	
Orange County Business Bank	1,717.41
Total Cash	<u>1,717.41</u>
Total Checking/Savings	1,717.41
Other Current Assets	
Accrued Interest	
Gilmartin	2,974.61
Humphrey	309.92
Total Accrued Interest	<u>3,284.53</u>
Rec - Tax Appeal Consultants	3,580.16
Receivables	
Adam Frank	657.41
Birch Bay Partners	151,575.90
Heritage Orcas VL Partners	91.12
Lexington Insurance - Lapeer	31,108.73
Total Receivables	<u>183,433.16</u>
Retainer - Robertson, Thommarso	5,913.17
Retainer - Weiland, Golden	225,000.00
Total Other Current Assets	<u>421,211.02</u>
Total Current Assets	422,928.43
Other Assets	
Goodwill - Covenant Capital	3,078,604.00
Investments	
Heritage Orcas Partners, LP	3,063,096.25
Murrieta	2,000,000.00
PCH	4,333,388.85
Total Investments	<u>9,396,485.10</u>
Notes Receivable	
Apex Capital/Industrial Rail	11,522,285.35
CMG, LLC	403,508.02
First Credit Commerical Capital	1,584.93
Gilmartin	134,538.61
Humphrey, Bruce	123,792.95
Lots 1-6, 23	523,562.98
Siena Office Park	411,506.24
Siena Vista	296,642.74
Total Notes Receivable	<u>13,417,421.82</u>
Total Other Assets	<u>25,892,510.92</u>
TOTAL ASSETS	<u><u>26,315,439.35</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	438,829.95
Total Accounts Payable	<u>438,829.95</u>
Other Current Liabilities	
Accrued Expenses	
Accd Int - Charles Dunn	12,064.97
Accd Int - Enhanced Income	258,064.55
Accd Int - Investors	322,044.57
Accd Property Taxes	5,672.34
Computer software support	12,543.58

10:34 AM
04/04/11
Accrual Basis

Boundary Bay Capital, LLC Debtor in Possession
Balance Sheet
As of March 28, 2011

	<u>Mar 28, 11</u>
Total Accrued Expenses	610,390.01
Intercompany Payables	
Birch Bay Management	3,407.76
Covenant Opportunity Fund	754,537.49
Heritage Capital Management, LL	110,913.54
Total Intercompany Payables	868,858.79
Loans Payable	
Calif Bank & Trust	2,364,612.07
Charles Dunn Company, Inc.	250,000.00
Total Loans Payable	2,614,612.07
Notes Payable	
Enchanced Income Fund	4,000,000.00
Investors Due in 1 yr	24,212,722.35
Total Notes Payable	28,212,722.35
Payable - Jerry Smith	164,938.26
Total Other Current Liabilities	32,471,521.48
Total Current Liabilities	32,910,351.43
Long Term Liabilities	
8% Secured Promissory Note	160,000.00
N/P - Investors Due in 2 yr	6,125,235.09
N/P - Investors Due in 3 yr +	8,677,241.50
Total Long Term Liabilities	14,962,476.59
Total Liabilities	47,872,828.02
Equity	
Partner - Cov Mgmt Group, LLC	-1,086,016.99
Partner - Her Cap Mgmt, LLC	-3,058,529.03
Retained Earnings	-15,358,741.31
Net Income	-2,054,101.34
Total Equity	-21,557,388.67
TOTAL LIABILITIES & EQUITY	<u>26,315,439.35</u>

10:34 AM

04/04/11

Accrual Basis

Boundary Bay Capital, LLC Debtor in Possession

Profit & Loss

March 1 - 28, 2011

	<u>Mar 1 - 28, 11</u>	<u>Jan 1 - Mar 28, 11</u>
Ordinary Income/Expense		
Income		
Investor withdrawals - premium	0.00	1,500.00
Loan Interest Income		
Gilmartin	301.09	967.81
Humphrey	154.96	464.88
Total Loan Interest Income	456.05	1,432.69
Lot rental - Dana Villas	1,180.19	1,622.76
Lot Rental - Murrietta	1,500.00	3,000.00
Realized Cap Gains/Losses LT	-241,649.21	-1,364,687.50
Total Income	<u>-238,512.97</u>	<u>-1,357,132.05</u>
Gross Profit	-238,512.97	-1,357,132.05
Expense		
Computer and Internet Expenses	860.00	2,580.00
Interest Expense		
Charles Dunn Capital, Inc.	2,634.41	8,467.75
Enhanced Income Fund	18,064.51	58,064.51
Investors	133,537.22	349,633.90
Total Interest Expense	154,236.14	416,166.16
Management fees	13,323.89	42,731.29
Professional Fees		
Legal - Fabian	0.00	86.47
Legal - Glaser, Weil, Fink	0.00	200,000.00
Legal - Grobaty & Pitet LLP	5,270.33	7,457.55
Legal - McConnell, Dunning & Ba	0.00	1,125.00
Legal - Moulton	37.98	94.29
Legal - Robertson Thommarson	0.00	10,110.85
Legal - Weiland	0.00	2,561.27
Total Professional Fees	5,308.31	221,435.43
Property Taxes		
Broad Beach	0.00	392.72
Lapeer	820.11	2,460.33
Malibu	1,293.01	1,293.01
Murrietta property	4,431.76	11,500.26
PCH, Green	575.45	-1,966.71
Total Property Taxes	7,120.33	13,679.61
Taxes		
IRS - Penalty	358.18	358.18
State Taxes - California	0.00	18.62
Total Taxes	358.18	376.80
Total Expense	<u>181,206.85</u>	<u>696,969.29</u>
Net Ordinary Income	<u>-419,719.82</u>	<u>-2,054,101.34</u>
Net Income	<u><u>-419,719.82</u></u>	<u><u>-2,054,101.34</u></u>

COPY

UNITED STATES DEPARTMENT OF JUSTICE
OFFICE OF THE UNITED STATES TRUSTEE
CENTRAL DISTRICT OF CALIFORNIA

Filed Electronically
on 5-20-11
Docket No. 26

In Re:

Boundary Bay Capital, LLC

Debtor(s).

CHAPTER 11 (BUSINESS)

Case Number: 8:11-bk-14298-RK
Operating Report Number: 1
For the Month Ending: 30-Apr-11

I. CASH RECEIPTS AND DISBURSEMENTS
A. (GENERAL ACCOUNT*)

1. TOTAL RECEIPTS PER ALL PRIOR GENERAL ACCOUNT REPORTS		<u>0.00</u>
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR GENERAL ACCOUNT REPORTS		<u>0.00</u>
3. BEGINNING BALANCE:		<u>1,737.41</u>
4. RECEIPTS DURING CURRENT PERIOD:		
Accounts Receivable - Post-filing	<u>1,502.05</u>	
Accounts Receivable - Pre-filing	<u>31,108.73</u>	
General Sales		
Other (Specify)		
**Other (Specify)		
TOTAL RECEIPTS THIS PERIOD:		<u>32,610.78</u>
5. BALANCE:		<u>34,348.19</u>
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD		
Transfers to Other DIP Accounts (from page 2)	<u>561.55</u>	
Disbursements (from page 2)	<u>0.00</u>	
TOTAL DISBURSEMENTS THIS PERIOD:***		<u>561.55</u>
7. ENDING BALANCE:		<u>33,786.64</u>
8. General Account Number(s):	<u>#6479463223</u>	
	<u>#6124121499</u>	
Depository Name & Location:	<u>Wells Fargo Bank, N.A.</u>	
	<u>2640 Main Street, Suite R</u>	
	<u>Irvine, CA 92614</u>	

RECEIVED

MAY 23 A 10:39

OFFICE OF US TRUSTEE
SANTA ANA, CA

* All receipts must be deposited into the general account.
** Include receipts from the sale of any real or personal property out of the ordinary course of business; attach an exhibit specifying what was sold, to whom, terms, and date of Court Order or Report of Sale.
***This amount should be the same as the total from page 2.

TOTAL DISBURSEMENTS FROM GENERAL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee or DIP account	Purpose	*Amount Transferred	**Amount Disbursed	Amount
03/31/11			Open tax accounts	200.00		200.00
04/28/10	1001	U.S. Trustee	trustee fees	325.00		325.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
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						0.00
						0.00
						0.00
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						0.00
						0.00
						0.00
4/30/2011		Wells Fargo	bank service charge	36.55		36.55
						0.00
						0.00
						0.00
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						0.00
TOTAL DISBURSEMENTS THIS PERIOD:				561.55	0.00	\$561.55

* Fill in amounts in this column if they are TRANSFERS to another DIP account (e.g. Payroll or Tax); the "amount" column will be filled in for you.
** Fill in amounts in this column if they are DISBURSEMENTS to outside payees; the "amount" column will be filled in for you.

GENERAL ACCOUNT
BANK RECONCILIATION

Bank statement Date: 4/30/2011 Balance on Statement: \$34,111.64

Plus deposits in transit (a):

<u>Deposit Date</u>	<u>Deposit Amount</u>

TOTAL DEPOSITS IN TRANSIT

0.00

Less Outstanding Checks (a):

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>
1001	4/28/2011	325.00

TOTAL OUTSTANDING CHECKS:

325.00

Bank statement Adjustments: check fees - will be reversed
Explanation of Adjustments- interest income

(36.55)
0.02

ADJUSTED BANK BALANCE:

\$33,786.64

I. CASH RECEIPTS AND DISBURSEMENTS
B. (PAYROLL ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	_____
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	_____
3. BEGINNING BALANCE:	<input type="text" value="0.00"/>
4. RECEIPTS DURING CURRENT PERIOD: (Transferred from General Account)	_____
5. BALANCE:	<input type="text" value="0.00"/>
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	<input type="text" value="0.00"/>
7. ENDING BALANCE:	<input type="text" value="0.00"/>
8. PAYROLL Account Number(s):	_____
Depository Name & Location:	_____

PAYROLL ACCOUNT
BANK RECONCILIATION

Bank statement Date: _____ Balance on Statement: _____

Plus deposits in transit (a):

	<u>Deposit Date</u>	<u>Deposit Amount</u>	
	_____	_____	
	_____	_____	
	_____	_____	
	_____	_____	
	_____	_____	
	_____	_____	
TOTAL DEPOSITS IN TRANSIT			0.00

Less Outstanding Checks (a):

	<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>	
	_____	_____	_____	
	_____	_____	_____	
	_____	_____	_____	
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	_____	_____	_____	
TOTAL OUTSTANDING CHECKS:				0.00

Bank statement Adjustments: _____
Explanation of Adjustments-

ADJUSTED BANK BALANCE: _____ Page 6 of 16 \$0.00

I. CASH RECEIPTS AND DISBURSEMENTS
C. (TAX ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR TAX ACCOUNT REPORTS	<u>0.00</u>
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR TAX ACCOUNT REPORTS	<u>0.00</u>
3. BEGINNING BALANCE:	<u>200.00</u>
4. RECEIPTS DURING CURRENT PERIOD: (Transferred from General Account)	<u>0.01</u>
5. BALANCE:	<u>200.01</u>
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	<u>42.55</u>
7. ENDING BALANCE:	<u>157.46</u>
8. TAX Account Number(s):	<u>#6124121473, #6479463231</u>
Depository Name & Location:	<u>Wells Fargo Bank, N.A.</u>
	<u>2540 Main Street, Suite %</u>
	<u>Irvine, CA 92614</u>

TAX ACCOUNT
 BANK RECONCILIATION

Bank statement Date: 4/30/2011 Balance on Statement: \$157.46

Plus deposits in transit (a):

<u>Deposit Date</u>	<u>Deposit Amount</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>
_____	_____	_____
_____	_____	_____
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_____	_____	_____

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments: _____

Explanation of Adjustments-

ADJUSTED BANK BALANCE: \$157.46

I. D SUMMARY SCHEDULE OF CASH

ENDING BALANCES FOR THE PERIOD:

(Provide a copy of monthly account statements for each of the below)

General Account: 33,786.64
 Payroll Account: _____
 Tax Account: 157.46

*Other Accounts: _____

*Other Monies: _____
 **Petty Cash (from below): 0.00

TOTAL CASH AVAILABLE: **33,944.10**

Petty Cash Transactions:

Date	Purpose	Amount
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
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_____	_____	_____

TOTAL PETTY CASH TRANSACTIONS: **0.00**

II. STATUS OF PAYMENTS TO SECURED CREDITORS, LESSORS
AND OTHER PARTIES TO EXECUTORY CONTRACTS

Creditor, Lessor, Etc.	Frequency of Payments (Mo/Qtr)	Amount of Payment	Post-Petition payments not made (Number)	Total Due
TOTAL DUE:				0.00

III. TAX LIABILITIES

FOR THE REPORTING PERIOD:

Gross Sales Subject to Sales Tax: _____
Total Wages Paid: _____

	Total Post-Petition Amounts Owning	Amount Delinquent	Date Delinquent Amount Due
Federal Withholding			
State Withholding			
FICA- Employer's Share			
FICA- Employee's Share			
Federal Unemployment			
Sales and Use			
Real Property			
Other: _____			
TOTAL:	0.00	0.00	

IV. AGING OF ACCOUNTS PAYABLE AND RECEIVABLE

	*Accounts Payable	Accounts Receivable	
	Post-Petition	Pre-Petition	Post-Petition
30 days or less			442.57
31 - 60 days			
61 - 90 days			
91 - 120 days		4,237.57	
Over 120 days		151,667.02	
TOTAL:	0.00	155,904.59	442.57

V. INSURANCE COVERAGE

	Name of Carrier	Amount of Coverage	Policy Expiration Date	Premium Paid Through (Date)
General Liability	Golden Eagle Ins	\$1mm	2/22/2012	
Worker's Compensation				
Casualty				
Vehicle				
Others:				

VI. UNITED STATES TRUSTEE QUARTERLY FEES
(TOTAL PAYMENTS)

Quarterly Period Ending (Date)	Total Disbursements	Quarterly Fees	Date Paid	Amount Paid	Quarterly Fees Still Owing
31-Mar-2011		325.00	28-Apr-2011	325.00	0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
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					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
		325.00		325.00	0.00

* Post-Petition Accounts Payable SHOULD NOT include professionals' fees and expenses which have been incurred but not yet awarded by the court. Post-Petition Accounts Payable SHOULD include professionals' fees and expenses authorized by Court Order but which remain unpaid as of the close of the period report

VII SCHEDULE OF COMPENSATION PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	*Authorized Gross Compensation	Gross Compensation Paid During the Month

VIII. SCHEDULE OF OTHER AMOUNTS PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	Description	Amount Paid During the Month

* Please indicate how compensation was identified in the order (e.g. \$1,000/week, \$2,500/month)

IX. PROFIT AND LOSS STATEMENT
(ACCRUAL BASIS ONLY)

	Current Month	Cumulative Post-Petition
Sales/Revenue:		
Gross Sales/Revenue	2,463.16	2,463.16
Less: Returns/Discounts		
Net Sales/Revenue	2,463.16	2,463.16
Cost of Goods Sold:		
Beginning Inventory at cost		
Purchases		
Less: Ending Inventory at cost		
Cost of Goods Sold (COGS)	0.00	0.00
Gross Profit	2,463.16	2,463.16
Other Operating Income (Itemize)		
Operating Expenses:		
Payroll - Insiders		
Payroll - Other Employees		
Payroll Taxes		
Other Taxes (Itemize)		
Depreciation and Amortization		
Rent Expense - Real Property		
Lease Expense - Personal Property		
Insurance		
Real Property Taxes	6,620.17	6,620.17
Telephone and Utilities		
Repairs and Maintenance		
Travel and Entertainment (Itemize)		
Miscellaneous Operating Expenses (Itemize)		
Total Operating Expenses	6,620.17	6,620.17
Net Gain/(Loss) from Operations	(4,157.01)	(4,157.01)
Non-Operating Income:		
Interest Income	2.06	2.06
Net Gain on Sale of Assets (Itemize)		
Other (Itemize)		
Total Non-Operating income	2.06	2.06
Non-Operating Expenses:		
Interest Expense	130,605.20	130,605.20
Legal and Professional (Itemize)	20,431.00	20,431.00
Other (Itemize) - (Itemize)	31,021.49	31,021.49
Total Non-Operating Expenses	182,057.69	182,057.69
NET INCOME/(LOSS)	(186,212.64)	(186,212.64)

(Attach exhibit listing all itemizations required above)

X. BALANCE SHEET
(ACCRUAL BASIS ONLY)

ASSETS	Current Month End	
Current Assets:		
Unrestricted Cash	<u>33,944.10</u>	
Restricted Cash		
Accounts Receivable	<u>156,347.16</u>	
Inventory		
Notes Receivable	<u>13,438,366.18</u>	
Prepaid Expenses		
Other (Itemize) - Retainers	<u>186,653.05</u>	
Total Current Assets		<u>13,815,310.49</u>
Property, Plant, and Equipment		
Accumulated Depreciation/Depletion		
Net Property, Plant, and Equipment		<u>0.00</u>
Other Assets (Net of Amortization):		
Due from Insiders		
Other (Itemize)	<u>12,475,089.10</u>	
Total Other Assets		<u>12,475,089.10</u>
TOTAL ASSETS		<u>26,290,399.59</u>
LIABILITIES		
Post-petition Liabilities:		
Accounts Payable	<u>0.00</u>	
Taxes Payable	<u>6,620.17</u>	
Notes Payable - Interest	<u>107,199.25</u>	
Professional fees - Legal	<u>21,257.32</u>	
Secured Debt - Interest	<u>26,414.41</u>	
Other (Itemize)	<u>29,791.07</u>	
Total Post-petition Liabilities		<u>191,282.22</u>
Pre-petition Liabilities:		
Secured Liabilities	<u>7,044,741.59</u>	
Priority Liabilities	<u>198,094.24</u>	
Unsecured Liabilities	<u>40,636,009.27</u>	
Other (Itemize)		
Total Pre-petition Liabilities		<u>47,878,845.10</u>
TOTAL LIABILITIES		<u>48,070,127.32</u>
EQUITY:		
Pre-petition Owners' Equity	<u>(21,593,515.09)</u>	
Post-petition Profit/(Loss)	<u>(186,212.64)</u>	
Direct Charges to Equity		
TOTAL EQUITY		<u>(21,779,727.73)</u>
TOTAL LIABILITIES & EQUITY		<u>26,290,399.59</u>

XI. QUESTIONNAIRE

- | | | |
|--|--------------|-------|
| | No | Yes |
| 1. Has the debtor-in-possession made any payments on its pre-petition unsecured debt, except as have been authorized by the court? If "Yes", explain below: | <u> x </u> | _____ |
| <hr/> | | |
| | No | Yes |
| 2. Has the debtor-in-possession during this reporting period provided compensation or remuneration to any officers, directors, principals, or other insiders without appropriate authorization? If "Yes", explain below: | <u> x </u> | _____ |
| <hr/> | | |
| 3. State what progress was made during the reporting period toward filing a plan of reorganization | | |
| <hr/> | | |
| 4. Describe potential future developments which may have a significant impact on the case: | | |
| <hr/> | | |
| 5. Attach copies of all Orders granting relief from the automatic stay that were entered during the reporting period. | | |
| <hr/> | | |
| | No | Yes |
| 6. Did you receive any exempt income this month, which is not set forth in the operating report? If "Yes", please set forth the amounts and sources of the income below. | <u> x </u> | _____ |
| <hr/> | | |

I, David Lawlor
 declare under penalty of perjury that I have fully read and understood the foregoing debtor-in-possession operating report and that the information contained herein is true and complete to the best of my knowledge.

5/17/11
 Date


 Page 16 of 16 Principal for debtor-in-possession

Business Market Rate Savings

Account number: 6124121473 ■ April 1, 2011 - April 30, 2011 ■ Page 1 of 3

WELLS
FARGO

BOUNDARY BAY CAPITAL LLC
DEBTOR IN POSSESSION
CH11CASE#11-14298 (CCA)
TAX ACCOUNT
17801 CARTWRIGHT RD
IRVINE CA 92614-6216

Questions?

Available by phone 24 hours a day, 7 days a week:
1-800-CALL-WELLS (1-800-225-5935)

TTY: 1-800-877-4833

En español: 1-877-337-7454

Online: wells Fargo.com/biz

Write: Wells Fargo Bank, N.A. (114)
P.O. Box 6995
Portland, OR 97228-6995

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Activity summary

Beginning balance on 4/1	\$100.00
Deposits/Credits	0.01
Withdrawals/Debits	- 6.00
Ending balance on 4/30	\$94.01
Average ledger balance this period	\$100.00

Account number: 6124121473

BOUNDARY BAY CAPITAL LLC
DEBTOR IN POSSESSION
CH11CASE#11-14298 (CCA)
TAX ACCOUNT

California account terms and conditions apply

For Direct Deposit and Automatic Payments use
Routing Number (RTN): 121042882

For Wire Transfers use
Routing Number (RTN): 121000248

Interest summary

Interest paid this statement	\$0.01
Average collected balance	\$100.00
Annual percentage yield earned	0.12%
Interest earned this statement period	\$0.01
Interest paid this year	\$0.01

File # GC62129 (114)
PieceID # 029743 Sheet Seq # 0099485
Divert # 0 Sheet 00001 of 00002



Account number: **6124121473** ■ April 1, 2011 - April 30, 2011 ■ Page 2 of 3

**WELLS
FARGO**

Transaction history

Date	Description	Deposits/ Credits	Withdrawals/ Debits	Ending daily balance
4/29	Interest Payment	0.01		
4/29	Monthly Service Fee		6.00	94.01
Ending balance on 4/30				94.01
Totals		\$0.01	\$6.00	

The Ending Daily Balance does not reflect any pending withdrawals or holds on deposited funds that may have been outstanding on your account when your transactions posted. If you had insufficient available funds when a transaction posted, fees may have been assessed.

With Wells Fargo Business Online, you can get free*, timely account alerts to notify you when important transactions occur. Choose to be notified when a deposit or withdrawal posts, when balances fall below a certain level, and more. You can also customize how you'd like to be notified - by email, text message, or both. It's an easy way to stay on top of critical business information.

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*Alerts sent to your wireless device may be subject to a fee by your wireless service.

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Online customers go to wellsfargo.com, sign on, then select the My Money Map tab to get started. Not an Online Banking customer? Visit wellsfargo.com, or wellsfargo.com/biz to sign up today.



IMPORTANT ACCOUNT INFORMATION

AMENDMENT TO FUNDS AVAILABILITY POLICY

Starting on or about May 9, 2011, and ending on June 22, 2011 (subject to the location of the deposit transaction):

We will increase the amount of funds made available to you if a hold is placed against your deposit. If a hold is placed, the first \$200 of the deposit will be available to you on the first Business Day (second Business Day for certain Alaska deposits) after the day of your deposit. We will notify you if a hold is placed against your deposit and when the full amount of your deposit will become available.

Business Market Rate Savings

Account number: **6124121499** ■ April 1, 2011 - April 30, 2011 ■ Page 1 of 4

WELLS
FARGO

BOUNDARY BAY CAPITAL LLC
DEBTOR IN POSSESSION
CH11CASE#11-14298 (CCA)
OPERATING ACCOUNT
17801 CARTWRIGHT RD
IRVINE CA 92614-6216

Questions?

Available by phone 24 hours a day, 7 days a week:

1-800-CALL-WELLS (1-800-225-5935)

TTY: 1-800-877-4833

En español: 1-877-337-7454

Online: wellsfargo.com/biz

Write: Wells Fargo Bank, N.A. (114)

P.O. Box 6995

Portland, OR 97228-6995

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Activity summary

Beginning balance on 4/1	\$100.00
Deposits/Credits	31,110.78
Withdrawals/Debits	- 0.00
Ending balance on 4/30	\$31,210.78
Average ledger balance this period	\$17,728.28

Account number: **6124121499**

BOUNDARY BAY CAPITAL LLC
DEBTOR IN POSSESSION
CH11CASE#11-14298 (CCA)
OPERATING ACCOUNT

California account terms and conditions apply

For Direct Deposit and Automatic Payments use

Routing Number (RTN): 121042882

For Wire Transfers use

Routing Number (RTN): 121000248

Interest summary

Interest paid this statement	\$2.05
Average collected balance	\$16,691.34
Annual percentage yield earned	0.15%
Interest earned this statement period	\$2.05
Interest paid this year	\$2.05



Account number: 6124121499 ■ April 1, 2011 - April 30, 2011 ■ Page 2 of 4



Transaction history

Date	Description	Deposits/ Credits	Withdrawals/ Debits	Ending daily balance
4/14	Deposit	31,108.73		31,208.73
4/29	Interest Payment	2.05		31,210.78
Ending balance on 4/30				31,210.78
Totals		\$31,110.78	\$0.00	

The Ending Daily Balance does not reflect any pending withdrawals or holds on deposited funds that may have been outstanding on your account when your transactions posted. If you had insufficient available funds when a transaction posted, fees may have been assessed.

Account transaction fees summary

Service charge description	Units used	Units included	Excess units	Service charge per excess units (\$)	Total service charge (\$)
Deposited Items	1	20	0	0.50	0.00
Total service charges					\$0.00

With Wells Fargo Business Online, you can get free*, timely account alerts to notify you when important transactions occur. Choose to be notified when a deposit or withdrawal posts, when balances fall below a certain level, and more. You can also customize how you'd like to be notified - by email, text message, or both. It's an easy way to stay on top of critical business information.

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*Alerts sent to your wireless device may be subject to a fee by your wireless service.

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- Get automatic updates to track your progress.

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 **IMPORTANT ACCOUNT INFORMATION**

AMENDMENT TO FUNDS AVAILABILITY POLICY

Advantage Business Package Checking

Account number: **6479463231** ■ April 1, 2011 - April 30, 2011 ■ Page 1 of 3



BOUNDARY BAY CAPITAL LLC
DEBTOR IN POSSESSION
CH11CASE#11-14298 (CCA)
TAX ACCOUNT
17801 CARTWRIGHT RD
IRVINE CA 92614-6216

Questions?

Available by phone 24 hours a day, 7 days a week:

1-800-CALL-WELLS (1-800-225-5935)

TTY: 1-800-877-4833

En español: 1-877-337-7454

Online: wellsfargo.com/biz

Write: Wells Fargo Bank, N.A. (114)

P.O. Box 6995

Portland, OR 97228-6995

Your Business and Wells Fargo

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Account options

A check mark in the box indicates you have these convenient services with your account. Go to wellsfargo.com/biz or call the number above if you have questions or if you would like to add new services.

Business Online Banking

Rewards for Business Check Card

Online Statements

Business Bill Pay

Business Spending Report

Overdraft Protection

Activity summary

Beginning balance on 4/1	\$100.00
Deposits/Credits	0.00
Withdrawals/Debits	- 36.55
Ending balance on 4/30	\$63.45
Average ledger balance this period	\$85.38

Account number: **6479463231**

BOUNDARY BAY CAPITAL LLC

DEBTOR IN POSSESSION

CH11CASE#11-14298 (CCA)

TAX ACCOUNT

California account terms and conditions apply

For Direct Deposit and Automatic Payments use

Routing Number (RTN): 121042882

For Wire Transfers use

Routing Number (RTN): 121000248

Overdraft Protection

This account is not currently covered by Overdraft Protection. If you would like more information regarding Overdraft Protection and eligibility requirements please call the number listed at the top of your statement or visit your Wells Fargo branch.



Account number: **6479463231** ■ April 1, 2011 - April 30, 2011 ■ Page 2 of 3



Transaction history

Date	Check Number	Description	Deposits/ Credits	Withdrawals/ Debits	Ending daily balance
4/19		Harland Clarke Check/Acc. 041811 00039970075402 Boundary Bay Capital L		36.55	63.45
Ending balance on 4/30					63.45
Totals			\$0.00	\$36.55	

The Ending Daily Balance does not reflect any pending withdrawals or holds on deposited funds that may have been outstanding on your account when your transactions posted. If you had insufficient available funds when a transaction posted, fees may have been assessed.

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IMPORTANT ACCOUNT INFORMATION

AMENDMENT TO FUNDS AVAILABILITY POLICY

Starting on or about May 9, 2011, and ending on June 22, 2011 (subject to the location of the deposit transaction):

We will increase the amount of funds made available to you if a hold is placed against your deposit. If a hold is placed, the first \$200 of the deposit will be available to you on the first Business Day (second Business Day for certain Alaska deposits) after the day of your deposit. We will notify you if a hold is placed against your deposit and when the full amount of your deposit will become available.

Advantage Business Package Checking

Account number: **6479463223** ■ April 1, 2011 - April 30, 2011 ■ Page 1 of 4



BOUNDARY BAY CAPITAL LLC
DEBTOR IN POSSESSION
CH11CASE#11-14298 (CCA)
OPERATING ACCOUNT
17801 CARTWRIGHT RD
IRVINE CA 92614-6216

Questions?

Available by phone 24 hours a day, 7 days a week:

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TTY: 1-800-877-4833

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P.O. Box 6995

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- Business Online Banking
- Rewards for Business Check Card
- Online Statements
- Business Bill Pay
- Business Spending Report
- Overdraft Protection

Activity summary

Beginning balance on 4/1	\$1,437.41
Deposits/Credits	1,500.00
Withdrawals/Debits	-36.55
Ending balance on 4/30	\$2,900.86
Average ledger balance this period	\$1,972.79

Account number: **6479463223**

**BOUNDARY BAY CAPITAL LLC
DEBTOR IN POSSESSION
CH11CASE#11-14298 (CCA)
OPERATING ACCOUNT**

California account terms and conditions apply

For Direct Deposit and Automatic Payments use

Routing Number (RTN): 121042882

For Wire Transfers use

Routing Number (RTN): 121000248

Overdraft Protection

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Account number: 6479463223 ■ April 1, 2011 - April 30, 2011 ■ Page 2 of 4



Transaction history

Date	Check Number	Description	Deposits/ Credits	Withdrawals/ Debits	Ending daily balance
4/19		Harland Clarke Check/Acc. 041811 00039970075402 Boundary Bay Capital L		36.55	1,400.86
4/20		Deposit	1,500.00		2,900.86
Ending balance on 4/30					2,900.86
Totals			\$1,500.00	\$36.55	

The Ending Daily Balance does not reflect any pending withdrawals or holds on deposited funds that may have been outstanding on your account when your transactions posted. If you had insufficient available funds when a transaction posted, fees may have been assessed.

Account transaction fees summary

Service charge description	Units used	Units included	Excess units	Service charge per excess units (\$)	Total service charge (\$)
Paid and Deposited Items	1	150	0	0.50	0.00
Total service charges					\$0.00

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 **IMPORTANT ACCOUNT INFORMATION**

AMENDMENT TO FUNDS AVAILABILITY POLICY

Miscellaneous:

8:11-bk-14298-RK Boundary Bay Capital, LLC, a California limited li

Type: bk

Chapter: 11 v

Office: 8 (Santa Ana)

Assets: y

Judge: RK

Case Flag: PlnDue, DscIsDue

U.S. Bankruptcy Court

Central District Of California

Notice of Electronic Filing

The following transaction was received from Hutchison B Meltzer entered on 5/20/2011 at 4:20 PM PDT and filed on 5/20/2011

Case Name: Boundary Bay Capital, LLC, a California limited li

Case Number: 8:11-bk-14298-RK

Document Number: 26

Docket Text:

Monthly Operating Report. Operating Report Number: 1. For the Month Ending April 30, 2011 Filed by Debtor Boundary Bay Capital, LLC, a California limited liability company. (Meltzer, Hutchison)

The following document(s) are associated with this transaction:

Document description:Main Document

Original filename:H:\e-file\Boundary Bay\MOR #1.pdf

Electronic document Stamp:

[STAMP bkecfStamp_ID=1106918562 [Date=5/20/2011] [FileNumber=45756332-0] [86026b753ff1bf70f7456031ab322ad448cff6d6ccae6aec1a3d59bd770a92a2b330a515127da9dfe536a239f0e83e4e15ff82d4ec4f6307645413caf2d52e89]]

8:11-bk-14298-RK Notice will be electronically mailed to:

Paul S Arrow on behalf of Interested Party Courtesy NEF
parrow@buchalter.com, ifs_filing@buchalter.com

Daniel Denny on behalf of Interested Party Courtesy NEF
ddenny@gibsondunn.com

Nancy S Goldenberg on behalf of U.S. Trustee United States Trustee (SA)
nancy.goldenberg@usdoj.gov

Hutchison B Meltzer on behalf of Debtor Boundary Bay Capital, LLC, a California limited liability company
hmeltzer@wglip.com

Evan D Smiley on behalf of Debtor Boundary Bay Capital, LLC, a California limited liability company

esmiley@wglp.com

United States Trustee (SA)
ustregion16.sa.ecf@usdoj.gov

8:11-bk-14298-RK Notice will not be electronically mailed to:

COPY

UNITED STATES DEPARTMENT OF JUSTICE
OFFICE OF THE UNITED STATES TRUSTEE
CENTRAL DISTRICT OF CALIFORNIA

Filed Electronically
on 8-21-11
Docket No. 46

In Re: Boundary Bay Capital, LLC Debtor(s).	CHAPTER 11 (BUSINESS) Case Number: <u>8:11-bk-14298-RK</u> Operating Report Number: <u>2</u> For the Month Ending: <u>31-May-11</u>
---	--

I. CASH RECEIPTS AND DISBURSEMENTS
A. (GENERAL ACCOUNT*)

1. TOTAL RECEIPTS PER ALL PRIOR GENERAL ACCOUNT REPORTS		32,610.78
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR GENERAL ACCOUNT REPORTS		561.55
3. BEGINNING BALANCE:		33,786.64
4. RECEIPTS DURING CURRENT PERIOD:		
Accounts Receivable - Post-filing	2,484.59	
Accounts Receivable - Pre-filing		
General Sales		
Other (Specify)		
**Other (Specify)		
TOTAL RECEIPTS THIS PERIOD:		2,484.59
5. BALANCE:		36,271.23
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD		
Transfers to Other DIP Accounts (from page 2)	23,000.00	
Disbursements (from page 2)	0.00	
TOTAL DISBURSEMENTS THIS PERIOD:***		23,000.00
7. ENDING BALANCE:		13,271.23
8. General Account Number(s):	#6479463223	
	#6124121499	
Depository Name & Location:	Wells Fargo Bank, N.A.	
	2640 Main Street, Suite R	
	Irvine, CA 92614	

* All receipts must be deposited into the general account.
 ** Include receipts from the sale of any real or personal property out of the ordinary course of business; attach an exhibit specifying what was sold, to whom, terms, and date of Court Order or Report of Sale.
 ***This amount should be the same as the total from page 2.

RECEIVED
 JUN 22 A 10:13

OFFICE OF US TRUSTEE
 SANTA ANA, CA

TOTAL DISBURSEMENTS FROM GENERAL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee or DIP account	Purpose	*Amount Transferred	**Amount Disbursed	Amount
05/31/11		6479463231	Pay property taxes	23,000.00		23,000.00
						0.00
						0.00
						0.00
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						0.00
TOTAL DISBURSEMENTS THIS PERIOD:				23,000.00	0.00	\$23,000.00

* Fill in amounts in this column if they are TRANSFERS to another DIP account (e.g. Payroll or Tax); the "amount" column will be filled in for you.
 ** Fill in amounts in this column if they are DISBURSEMENTS to outside payees; the "amount" column will be filled in for you.

GENERAL ACCOUNT
BANK RECONCILIATION

Bank statement Date: 5/31/2011 Balance on Statement: \$13,271.23

Plus deposits in transit (a):

<u>Deposit Date</u>	<u>Deposit Amount</u>
---------------------	-----------------------

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

TOTAL DEPOSITS IN TRANSIT

0.00

Less Outstanding Checks (a):

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>
---------------------	-------------------	---------------------

_____	_____	_____
_____	_____	_____
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_____	_____	_____
_____	_____	_____

TOTAL OUTSTANDING CHECKS:

0.00

Bank statement Adjustments: check fees - will be reversed

(36.55)

Explanation of Adjustments- interest income

0.02

ADJUSTED BANK BALANCE:

\$13,271.23

I. CASH RECEIPTS AND DISBURSEMENTS
B. (PAYROLL ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	_____	
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	_____	
3. BEGINNING BALANCE:	<table border="1"><tr><td>0.00</td></tr></table>	0.00
0.00		
4. RECEIPTS DURING CURRENT PERIOD: (Transferred from General Account)	_____	
5. BALANCE:	<table border="1"><tr><td>0.00</td></tr></table>	0.00
0.00		
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	<table border="1"><tr><td>0.00</td></tr></table>	0.00
0.00		
7. ENDING BALANCE:	<table border="1"><tr><td>0.00</td></tr></table>	0.00
0.00		
8. PAYROLL Account Number(s):	_____ _____	
Depository Name & Location:	_____ _____	

PAYROLL ACCOUNT
BANK RECONCILIATION

Bank statement Date: _____ Balance on Statement: _____

Plus deposits in transit (a):

<u>Deposit Date</u>	<u>Deposit Amount</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>
_____	_____	_____
_____	_____	_____
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_____	_____	_____
_____	_____	_____
_____	_____	_____

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments: _____
Explanation of Adjustments-

ADJUSTED BANK BALANCE: \$0.00

I. CASH RECEIPTS AND DISBURSEMENTS
C. (TAX ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR TAX ACCOUNT REPORTS	<u>200.00</u>
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR TAX ACCOUNT REPORTS	<u>42.55</u>
3. BEGINNING BALANCE:	<u>157.46</u>
4. RECEIPTS DURING CURRENT PERIOD: (Transferred from General Account)	<u>23,036.56</u>
5. BALANCE:	<u>23,194.02</u>
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	<u>22,891.28</u>
7. ENDING BALANCE:	<u>302.74</u>
8. TAX Account Number(s):	<u>#6124121473, #6479463231</u>
Depository Name & Location:	<u>Wells Fargo Bank, N.A.</u>
	<u>2540 Main Street, Suite %</u>
	<u>Irvine, CA 92614</u>

TAX ACCOUNT
BANK RECONCILIATION

Bank statement Date: 5/31/2011 Balance on Statement: \$302.74

Plus deposits in transit (a):

Deposit Date Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number Check Date Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments:

Explanation of Adjustments-

ADJUSTED BANK BALANCE: \$302.74

I. D SUMMARY SCHEDULE OF CASH

ENDING BALANCES FOR THE PERIOD:

(Provide a copy of monthly account statements for each of the below)

General Account: 13,271.23

Payroll Account:

Tax Account: 302.74

*Other Accounts: _____

*Other Monies: _____

**Petty Cash (from below): 0.00

TOTAL CASH AVAILABLE:

13,573.97

Petty Cash Transactions:

Date	Purpose	Amount
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
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_____	_____	_____

TOTAL PETTY CASH TRANSACTIONS:

0.00

II. STATUS OF PAYMENTS TO SECURED CREDITORS, LESSORS AND OTHER PARTIES TO EXECUTORY CONTRACTS

Creditor, Lessor, Etc.	Frequency of Payments (Mo/Qtr)	Amount of Payment	Post-Petition payments not made (Number)	Total Due
TOTAL DUE:				0.00

III. TAX LIABILITIES

FOR THE REPORTING PERIOD:

Gross Sales Subject to Sales Tax: _____
 Total Wages Paid: _____

	Total Post-Petition Amounts Owning	Amount Delinquent	Date Delinquent Amount Due
Federal Withholding			
State Withholding			
FICA- Employer's Share			
FICA- Employee's Share			
Federal Unemployment			
Sales and Use			
Real Property			
Other: _____			
TOTAL:	0.00	0.00	

IV. AGING OF ACCOUNTS PAYABLE AND RECEIVABLE

	*Accounts Payable	Accounts Receivable	
	Post-Petition	Pre-Petition	Post-Petition
30 days or less			442.57
31 - 60 days			
61 - 90 days			
91 - 120 days		4,237.57	
Over 120 days		151,667.02	
TOTAL:	0.00	155,904.59	442.57

V. INSURANCE COVERAGE

	Name of Carrier	Amount of Coverage	Policy Expiration Date	Premium Paid Through (Date)
General Liability	Golden Eagle Ins	\$1mm	2/22/2012	
Worker's Compensation				
Casualty				
Vehicle				
Others:				

VI. UNITED STATES TRUSTEE QUARTERLY FEES (TOTAL PAYMENTS)

Quarterly Period Ending (Date)	Total Disbursements	Quarterly Fees	Date Paid	Amount Paid	Quarterly Fees Still Owing
31-Mar-2011		325.00	28-Apr-2011	325.00	0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
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					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
		325.00		325.00	0.00

Page 12 of 16
 * Post-Petition Accounts Payable SHOULD NOT include professionals' fees and expenses which have been incurred but not yet awarded by the court. Post-Petition Accounts Payable SHOULD include professionals' fees and expenses authorized by Court Order but which remain unpaid as of the close of the period report

VII SCHEDULE OF COMPENSATION PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	* Authorized Gross Compensation	Gross Compensation Paid During the Month

VIII. SCHEDULE OF OTHER AMOUNTS PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	Description	Amount Paid During the Month

* Please indicate how compensation was identified in the order (e.g. \$1,000/week, \$2,500/month)

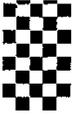
IX. PROFIT AND LOSS STATEMENT
(ACCRUAL BASIS ONLY)

	Current Month	Cumulative Post-Petition
Sales/Revenue:		
Gross Sales/Revenue	2,463.16	2,463.16
Less: Returns/Discounts		
Net Sales/Revenue	2,463.16	2,463.16
Cost of Goods Sold:		
Beginning Inventory at cost		
Purchases		
Less: Ending Inventory at cost		
Cost of Goods Sold (COGS)	0.00	0.00
Gross Profit	2,463.16	2,463.16
Other Operating Income (Itemize)		
Operating Expenses:		
Payroll - Insiders		
Payroll - Other Employees		
Payroll Taxes		
Other Taxes (Itemize)		
Depreciation and Amortization		
Rent Expense - Real Property		
Lease Expense - Personal Property		
Insurance		
Real Property Taxes	6,620.17	6,620.17
Telephone and Utilities		
Repairs and Maintenance		
Travel and Entertainment (Itemize)		
Miscellaneous Operating Expenses (Itemize)		
Total Operating Expenses	6,620.17	6,620.17
Net Gain/(Loss) from Operations	(4,157.01)	(4,157.01)
Non-Operating Income:		
Interest Income	2.06	2.06
Net Gain on Sale of Assets (Itemize)		
Other (Itemize)		
Total Non-Operating income	2.06	2.06
Non-Operating Expenses:		
Interest Expense	130,605.20	130,605.20
Legal and Professional (Itemize)	20,431.00	20,431.00
Other (Itemize) - (Itemize)	31,021.49	31,021.49
Total Non-Operating Expenses	182,057.69	182,057.69
NET INCOME/(LOSS)	(186,212.64)	(186,212.64)

(Attach exhibit listing all itemizations required above)

X. BALANCE SHEET
(ACCRUAL BASIS ONLY)

ASSETS	Current Month End	
Current Assets:		
Unrestricted Cash	33,944.10	
Restricted Cash		
Accounts Receivable	156,347.16	
Inventory		
Notes Receivable	13,438,366.18	
Prepaid Expenses		
Other (Itemize) - Retainers	186,653.05	
Total Current Assets		13,815,310.49
Property, Plant, and Equipment		
Accumulated Depreciation/Depletion		
Net Property, Plant, and Equipment		0.00
Other Assets (Net of Amortization):		
Due from Insiders		
Other (Itemize)	12,475,089.10	
Total Other Assets		12,475,089.10
TOTAL ASSETS		26,290,399.59
LIABILITIES		
Post-petition Liabilities:		
Accounts Payable	0.00	
Taxes Payable	6,620.17	
Notes Payable - Interest	107,199.25	
Professional fees - Legal	21,257.32	
Secured Debt - Interest	26,414.41	
Other (Itemize)	29,791.07	
Total Post-petition Liabilities		191,282.22
Pre-petition Liabilities:		
Secured Liabilities	7,044,741.59	
Priority Liabilities	198,094.24	
Unsecured Liabilities	40,636,009.27	
Other (Itemize)		
Total Pre-petition Liabilities		47,878,845.10
TOTAL LIABILITIES		48,070,127.32
EQUITY:		
Pre-petition Owners' Equity	(21,593,515.09)	
Post-petition Profit/(Loss)	(186,212.64)	
Direct Charges to Equity		
TOTAL EQUITY		(21,779,727.73)
TOTAL LIABILITIES & EQUITY		26,290,399.59



XI. QUESTIONNAIRE

- | | No | Yes |
|--|--------------|-------------|
| 1. Has the debtor-in-possession made any payments on its pre-petition unsecured debt, except as have been authorized by the court? If "Yes", explain below: | <u> x </u> | <u> </u> |
| <hr/> | | |
| 2. Has the debtor-in-possession during this reporting period provided compensation or remuneration to any officers, directors, principals, or other insiders without appropriate authorization? If "Yes", explain below: | <u> x </u> | <u> </u> |
| <hr/> | | |
| 3. State what progress was made during the reporting period toward filing a plan of reorganization | | |
| <hr/> | | |
| 4. Describe potential future developments which may have a significant impact on the case: | | |
| 5. Attach copies of all Orders granting relief from the automatic stay that were entered during the reporting period. | | |
| 6. Did you receive any exempt income this month, which is not set forth in the operating report? If "Yes", please set forth the amounts and sources of the income below. | <u> x </u> | <u> </u> |

I, David Lawlor
 declare under penalty of perjury that I have fully read and understood the foregoing debtor-in-possession operating report and that the information contained herein is true and complete to the best of my knowledge.

Date

6/21/11

Page 16 of 16

Principal for debtor-in-possession

Account number: 6479463223 ■ May 1, 2011 - May 31, 2011 ■ Page 2 of 4



Activity summary

Beginning balance on 5/1	\$2,900.86
Deposits/Credits	2,480.70
Withdrawals/Debits	-325.00
Ending balance on 5/31	\$5,056.56
Average ledger balance this period	\$3,685.95

Account number: 6479463223

BOUNDARY BAY CAPITAL LLC
DEBTOR IN POSSESSION
CH11CASE#11-14298 (CCA)
OPERATING ACCOUNT

California account terms and conditions apply

For Direct Deposit and Automatic Payments use:
Routing Number (RTN): 121042882

For Wire Transfers use:
Routing Number (RTN): 121000248

Overdraft Protection

This account is not currently covered by Overdraft Protection. If you would like more information regarding Overdraft Protection and eligibility requirements please call the number listed at the top of your statement or visit your Wells Fargo branch.

Transaction history

Date	Check Number	Description	Deposits/ Credits	Withdrawals/ Debits	Ending daily balance
5/4	1001	Check		325.00	2,575.86
5/5		Check Printing Charge Debit - Reversal	36.55		2,612.41
5/10		Deposit	59.01		2,671.42
5/19		Deposit	1,942.57		4,613.99
5/19		Deposit	442.57		5,056.56
Ending balance on 5/31					5,056.56
Totals			\$2,480.70	\$325.00	

The Ending Daily Balance does not reflect any pending withdrawals or holds on deposited funds that may have been outstanding on your account when your transactions posted. If you had insufficient available funds when a transaction posted, fees may have been assessed.

Summary of checks written (checks listed are also displayed in the preceding Transaction history)

Number	Date	Amount
1001	5/4	\$325.00

Account transaction fees summary

Service charge description	Units used	Units included	Excess units	Service charge per excess units (\$)	Total service charge (\$)
Paid and Deposited Items	5	150	0	0.50	0.00
Total service charges					\$0.00

Help our environment! Turn off paper statements and go online. If 20 percent of U.S. businesses & households switched to online statements & e-bills only, over 1.8 million trees would be saved each year. Switching to online-only statements is easy - it only takes a few seconds. Simply sign on at wells.fargo.com/turnoffpaper and choose the "Online Only" delivery option.

Account number: **6124121499** ■ May 1, 2011 - May 31, 2011 ■ Page 2 of 3



Activity summary

Beginning balance on 5/1	\$31,210.78
Deposits/Credits	3.89
Withdrawals/Debits	- 23,000.00
Ending balance on 5/31	\$8,214.67
Average ledger balance this period	\$30,468.84

Account number: **6124121499**

**BOUNDARY BAY CAPITAL LLC
DEBTOR IN POSSESSION
CH11CASE#11-14298 (CCA)
OPERATING ACCOUNT**

California account terms and conditions apply

For Direct Deposit and Automatic Payments use
Routing Number (RTN): 121042882

For Wire Transfers use
Routing Number (RTN): 121000248

Interest summary

Interest paid this statement	\$3.89
Average collected balance	\$30,468.84
Annual percentage yield earned	0.15%
Interest earned this statement period	\$3.89
Interest paid this year	\$5.94

Transaction history

Date	Description	Deposits/ Credits	Withdrawals/ Debits	Ending daily balance
5/31	* Online Transfer Ref #1bexf40jlx to Business Checking Cashier Check		23,000.00	
5/31	Interest Payment	3.89		8,214.67
Ending balance on 5/31				8,214.67
Totals		\$3.89	\$23,000.00	

The Ending Daily Balance does not reflect any pending withdrawals or holds on deposited funds that may have been outstanding on your account when your transactions posted. If you had insufficient available funds when a transaction posted, fees may have been assessed.

* Indicates transactions that count toward Federal Reserve Board Regulation D limits. Please refer to your Account Agreement for complete details of the federally-mandated transaction limits for savings accounts.

Help our environment! Turn off paper statements and go online. If 20 percent of U.S. businesses & households switched to online statements & e-bills only, over 1.8 million trees would be saved each year. Switching to online-only statements is easy - it only takes a few seconds. Simply sign on at wellsfargo.com/turnoffpaper and choose the "Online Only" delivery option.

Use online tools at home or anywhere with Internet access. Monitor transactions with free alerts*. Transfer funds between accounts anytime. View account activity in one secure place. For even more convenience use our mobile banking site: wf.com*. Go to wellsfargo.com (consumer accounts) or wellsfargo.com/biz (business accounts) to sign up or sign on today.

*Wells Fargo Mobile Banking access is free to our customers; however, your mobile carrier's messaging and web access charges may apply.

Account number: **6479463231** ■ May 1, 2011 - May 31, 2011 ■ Page 2 of 4



Activity summary

Beginning balance on 5/1	\$63.45
Deposits/Credits	23,036.55
Withdrawals/Debits	- 22,891.28
Ending balance on 5/31	\$208.72
Average ledger balance this period	\$103.50

Account number: **6479463231**

**BOUNDARY BAY CAPITAL LLC
DEBTOR IN POSSESSION
CH11CASE#11-14298 (CCA)
TAX ACCOUNT**

California account terms and conditions apply

For Direct Deposit and Automatic Payments use

Routing Number (RTN): 121042882

For Wire Transfers use

Routing Number (RTN): 121000248

Overdraft Protection

This account is not currently covered by Overdraft Protection. If you would like more information regarding Overdraft Protection and eligibility requirements please call the number listed at the top of your statement or visit your Wells Fargo branch.

Transaction history

Date	Check Number	Description	Deposits/ Credits	Withdrawals/ Debits	Ending daily balance
5/5		Check Printing Charge Debit - Reversal	36.55		100.00
5/31		Online Transfer Ref #10ex14QJix From Business Market Rate	23,000.00		
5/31	5001	Savings Cashier Check Check		22,891.28	208.72
Ending balance on 5/31					208.72
Totals			\$23,036.55	\$22,891.28	

The Ending Daily Balance does not reflect any pending withdrawals or holds on deposited funds that may have been outstanding on your account when your transactions posted. If you had insufficient available funds when a transaction posted, fees may have been assessed.

Summary of checks written (checks listed are also displayed in the preceding Transaction history)

Number	Date	Amount
5001	5/31	22,891.28

Account transaction fees summary

Service charge description	Units used	Units Included	Excess units	Service charge per excess units (\$)	Total service charge (\$)
Paid and Deposited Items	1	150	0	0.50	0.00
Total service charges					\$0.00

Help our environment! Turn off paper statements and go online. If 20 percent of U.S. businesses & households switched to online statements & e-bills only, over 1.8 million trees would be saved each year. Switching to online-only statements is easy - it only takes a few seconds. Simply sign on at wellsfargo.com/turnoffpaper and choose the "Online Only" delivery option.

Account number: **6124121473** ■ May 1, 2011 - May 31, 2011 ■ Page 2 of 3



Activity summary

Beginning balance on 5/1	\$94.01
Deposits/Credits	6.01
Withdrawals/Debits	- 6.00
Ending balance on 5/31	\$94.02
Average ledger balance this period	\$100.01

Account number: **6124121473**

**BOUNDARY BAY CAPITAL LLC
DEBTOR IN POSSESSION
CH11CASE#11-14298 (CCA)
TAX ACCOUNT**

California account terms and conditions apply

For Direct Deposit and Automatic Payments use
Routing Number (RTN): 121042882

For Wire Transfers use
Routing Number (RTN): 121000248

Interest summary

Interest paid this statement	\$0.01
Average collected balance	\$100.01
Annual percentage yield earned	0.12%
Interest earned this statement period	\$0.01
Interest paid this year	\$0.02

Transaction history

Date	Description	Deposits/ Credits	Withdrawals/ Debits	Ending daily balance
5/5	Monthly Service Fee Reversal	6.00		100.01
5/31	Interest Payment	0.01		
5/31	Monthly Service Fee		6.00	94.02
Ending balance on 5/31				94.02
Totals		\$6.01	\$6.00	

The Ending Daily Balance does not reflect any pending withdrawals or holds on deposited funds that may have been outstanding on your account when your transactions posted. If you had insufficient available funds when a transaction posted, fees may have been assessed.

Help our environment! Turn off paper statements and go online. If 20 percent of U.S. businesses & households switched to online statements & e-bills only, over 1.8 million trees would be saved each year. Switching to online-only statements is easy - It only takes a few seconds. Simply sign on at wellsfargo.com/turnoffpaper and choose the "Online Only" delivery option.

Use online tools at home or anywhere with Internet access. Monitor transactions with free alerts*. Transfer funds between accounts anytime. View account activity in one secure place. For even more convenience use our mobile banking site: wf.com*. Go to wellsfargo.com (consumer accounts) or wellsfargo.com/biz (business accounts) to sign up or sign on today.

*Wells Fargo Mobile Banking access is free to our customers; however, your mobile carrier's messaging and web access charges may apply.

CM/ECF - U.S. Bankruptcy Court (v3.3.3 - LIVE)

Page 1 of 2

Miscellaneous:

8:11-bk-14298-RK Boundary Bay Capital, LLC, a California limited li

Type: bk

Chapter: 11 v

Office: 8 (Santa Ana)

Assets: y

Judge: RK

Case Flag: PlnDue, DsclsDue

U.S. Bankruptcy Court

Central District Of California

Notice of Electronic Filing

The following transaction was received from Hutchison B Meltzer entered on 6/21/2011 at 7:23 PM PDT and filed on 6/21/2011

Case Name: Boundary Bay Capital, LLC, a California limited li

Case Number: 8:11-bk-14298-RK

Document Number: 46

Docket Text:

Monthly Operating Report. Operating Report Number: 2. For the Month Ending May 31, 2011 Filed by Debtor Boundary Bay Capital, LLC, a California limited liability company. (Meltzer, Hutchison)

The following document(s) are associated with this transaction:

Document description:Main Document

Original filename:H:\e-file\Boundary Bay\MOR #2.pdf

Electronic document Stamp:

[STAMP bkecfStamp_ID=1106918562 [Date=6/21/2011] [FileNumber=46681656-0] [96ec19f35609c998f926591d741f3a492b74c617744c7bb2f2dbcc689bf7354eb2aaeb26ce13077ac35661b6c9dc288861c59611448ca18abb161ce2f1fca2f]]

8:11-bk-14298-RK Notice will be electronically mailed to:

Paul S Arrow on behalf of Creditor Orange County Business Bank
parrow@buchalter.com, ifs_filing@buchalter.com

Daniel Denny on behalf of Interested Party Courtesy NEF
ddenny@gibsondunn.com

Beth Gaschen on behalf of Debtor Boundary Bay Capital, LLC, a California limited liability company
bgaschen@wglp.com

Nancy S Goldenberg on behalf of U.S. Trustee United States Trustee (SA)
nancy.goldenberg@usdoj.gov

Hutchison B Meltzer on behalf of Debtor Boundary Bay Capital, LLC, a California limited liability company

<https://ecf.cacb.uscourts.gov/cgi-bin/Dispatch.pl?656807723528644>

6/21/2011

CM/ECF - U.S. Bankruptcy Court (v3.3.3 - LIVE)

Page 2 of 2

hmeltzer@wglp.com

Hal M Mersel on behalf of Creditor California Bank & Trust, as Assignee to the F.D.I.C. as Receiver for
Alliance Bank
mark.mersel@bryancave.com

Evan D Smiley on behalf of Debtor Boundary Bay Capital, LLC, a California limited liability company
esmiley@wglp.com

United States Trustee (SA)
ustpregion16.sa.ecf@usdoj.gov

8:11-bk-14298-RK Notice will not be electronically mailed to:

Andrea A Jupina
POB 234192
Encinitas, CA 92023-4192

Evan D. Smiley
Weiland, Golden, Smiley, Wang Ekvall
650 Town Center Drive
Suite 950
Costa Mesa, CA 92626

COPY

UNITED STATES DEPARTMENT OF JUSTICE
OFFICE OF THE UNITED STATES TRUSTEE
CENTRAL DISTRICT OF CALIFORNIA

Filed Electronically
On 7-13-11
Docket No. 53

In Re:

Boundary Bay Capital, LLC

Debtor(s).

CHAPTER 11 (BUSINESS)
Case Number: 8:11-bk-14298-RK
Operating Report Number: 3
For the Month Ending: 30-Jun-11

I. CASH RECEIPTS AND DISBURSEMENTS
A. (GENERAL ACCOUNT*)

1. TOTAL RECEIPTS PER ALL PRIOR GENERAL ACCOUNT REPORTS	<u>36,832.78</u>
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR GENERAL ACCOUNT REPORTS	<u>23,561.55</u>
3. BEGINNING BALANCE:	<u>13,271.23</u>
4. RECEIPTS DURING CURRENT PERIOD:	
Accounts Receivable - Post-filing	<u>1,500.72</u>
Accounts Receivable - Pre-filing	<u> </u>
General Sales	<u> </u>
Other (Specify)	<u> </u>
**Other (Specify)	<u> </u>
TOTAL RECEIPTS THIS PERIOD:	<u>1,500.72</u>
5. BALANCE:	<u>14,771.95</u>
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD	
Transfers to Other DIP Accounts (from page 2)	<u>100.00</u>
Disbursements (from page 2)	<u>10,000.00</u>
TOTAL DISBURSEMENTS THIS PERIOD:***	<u>10,100.00</u>
7. ENDING BALANCE:	<u>4,671.95</u>
8. General Account Number(s):	<u>#6479463223</u>
Depository Name & Location:	<u>#6124121499</u>
	<u>Wells Fargo Bank, N.A.</u>
	<u>2640 Main Street, Suite R</u>
	<u>Irvine, CA 92614</u>

* All receipts must be deposited into the general account.
** Include receipts from the sale of any real or personal property out of the ordinary course of business; attach an exhibit specifying what was sold, to whom, terms, and date of Court Order or Report of Sale.
***This amount should be the same as the total from page 2.

RECEIVED
 2011 JUL 14 AM 10:23
 OFFICE OF US TRUSTEE
 SANTA ANA, CA

GENERAL ACCOUNT
BANK RECONCILIATION

Bank statement Date: 6/30/2011 Balance on Statement: \$4,671.95

Plus deposits in transit (a):

<u>Deposit Date</u>	<u>Deposit Amount</u>
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TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>
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TOTAL OUTSTANDING CHECKS: 0.00

Explanation of Adjustments-

ADJUSTED BANK BALANCE: \$4,671.95

I. CASH RECEIPTS AND DISBURSEMENTS
B. (PAYROLL ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	_____	
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	_____	
3. BEGINNING BALANCE:	<table border="1"><tr><td>0.00</td></tr></table>	0.00
0.00		
4. RECEIPTS DURING CURRENT PERIOD: (Transferred from General Account)	_____	
5. BALANCE:	<table border="1"><tr><td>0.00</td></tr></table>	0.00
0.00		
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	<table border="1"><tr><td>0.00</td></tr></table>	0.00
0.00		
7. ENDING BALANCE:	<table border="1"><tr><td>0.00</td></tr></table>	0.00
0.00		
8. PAYROLL Account Number(s):	_____	
Depository Name & Location:	_____ _____ _____	

PAYROLL ACCOUNT
BANK RECONCILIATION

Bank statement Date: _____ Balance on Statement: _____

Plus deposits in transit (a):

<u>Deposit Date</u>	<u>Deposit Amount</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>
_____	_____	_____
_____	_____	_____
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TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments:

Explanation of Adjustments-

ADJUSTED BANK BALANCE: \$0.00

I. CASH RECEIPTS AND DISBURSEMENTS
C. (TAX ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR TAX ACCOUNT REPORTS	<u>23,236.57</u>
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR TAX ACCOUNT REPORTS	<u>22,933.83</u>
3. BEGINNING BALANCE:	<u>302.74</u>
4. RECEIPTS DURING CURRENT PERIOD: (Transferred from General Account)	<u>100.01</u>
5. BALANCE:	<u>402.75</u>
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	<u>12.00</u>
7. ENDING BALANCE:	<u>390.75</u>
8. TAX Account Number(s):	<u>#6124121473, #6479463231</u>
Depository Name & Location:	<u>Wells Fargo Bank, N.A.</u> <u>2540 Main Street, Suite %</u> <u>Irvine, CA 92614</u>

TAX ACCOUNT
BANK RECONCILIATION

Bank statement Date: 6/30/2011 Balance on Statement: \$390.75

Plus deposits in transit (a):

<u>Deposit Date</u>	<u>Deposit Amount</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

TOTAL DEPOSITS IN TRANSIT

0.00

Less Outstanding Checks (a):

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>
_____	_____	_____
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TOTAL OUTSTANDING CHECKS:

0.00

Bank statement Adjustments:

Explanation of Adjustments-

ADJUSTED BANK BALANCE:

\$390.75

I. D SUMMARY SCHEDULE OF CASH

ENDING BALANCES FOR THE PERIOD:

(Provide a copy of monthly account statements for each of the below)

	General Account:	4,671.95
	Payroll Account:	
	Tax Account:	390.75
*Other Accounts:		
*Other Monies:		
	**Petty Cash (from below):	0.00

TOTAL CASH AVAILABLE: 5,062.70

Petty Cash Transactions:

Date	Purpose	Amount
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
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_____	_____	_____

TOTAL PETTY CASH TRANSACTIONS: 0.00

**II. STATUS OF PAYMENTS TO SECURED CREDITORS, LESSORS
AND OTHER PARTIES TO EXECUTORY CONTRACTS**

Creditor, Lessor, Etc.	Frequency of Payments (Mo/Qtr)	Amount of Payment	Post-Petition payments not made (Number)	Total Due
TOTAL DUE:				0.00

III. TAX LIABILITIES

FOR THE REPORTING PERIOD:

Gross Sales Subject to Sales Tax: _____

Total Wages Paid: _____

	Total Post-Petition Amounts Owning	Amount Delinquent	Date Delinquent Amount Due
Federal Withholding			
State Withholding			
FICA- Employer's Share			
FICA- Employee's Share			
Federal Unemployment			
Sales and Use			
Real Property			
Other: _____			
TOTAL:	0.00	0.00	

VII SCHEDULE OF COMPENSATION PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	*Authorized Gross Compensation	Gross Compensation Paid During the Month

VIII. SCHEDULE OF OTHER AMOUNTS PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	Description	Amount Paid During the Month
Heritage Capital Management, LLC		management fee	10,000.00

* Please indicate how compensation was identified in the order (e.g. \$1,000/week, \$2,500/month)

IX. PROFIT AND LOSS STATEMENT
(ACCRUAL BASIS ONLY)

	Current Month	Cumulative Post-Petition
Sales/Revenue:		
Gross Sales/Revenue	2,430.89	7,383.95
Less: Returns/Discounts		
Net Sales/Revenue	2,430.89	7,383.95
Cost of Goods Sold:		
Beginning Inventory at cost		
Purchases		
Less: Ending Inventory at cost		
Cost of Goods Sold (COGS)	0.00	0.00
Gross Profit	2,430.89	7,383.95
Other Operating Income (Itemize)		
Operating Expenses:		
Payroll - Insiders		
Payroll - Other Employees		
Payroll Taxes		
Other Taxes (Itemize)		
Depreciation and Amortization		
Rent Expense - Real Property		
Lease Expense - Personal Property		
Insurance		
Real Property Taxes	4,171.36	37,854.17
Telephone and Utilities		
Repairs and Maintenance		
Travel and Entertainment (Itemize)		
Miscellaneous Operating Expenses (Itemize)		
Total Operating Expenses	4,171.36	37,854.17
Net Gain/(Loss) from Operations	(1,740.47)	(30,470.22)
Non-Operating Income:		
Interest Income	0.73	6.69
Net Gain on Sale of Assets (Itemize)		
Other (Itemize)		
Total Non-Operating income	0.73	6.69
Non-Operating Expenses:		
Interest Expense	131,112.74	392,859.94
Legal and Professional (Itemize)	9,075.00	60,771.00
Other (Itemize) - (Itemize)	10,086.19	38,678.78
Total Non-Operating Expenses	150,273.93	492,309.72
NET INCOME/(LOSS)	(152,013.67)	(522,773.25)

(Attach exhibit listing all itemizations required above)

X. BALANCE SHEET
(ACCRUAL BASIS ONLY)

ASSETS	Current Month End	
Current Assets:		
Unrestricted Cash	<u>5,062.70</u>	
Restricted Cash		
Accounts Receivable	<u>156,347.16</u>	
Inventory		
Notes Receivable	<u>13,439,342.82</u>	
Prepaid Expenses		
Other (Itemize) - Retainers	<u>186,653.05</u>	
Total Current Assets		<u>13,787,405.73</u>
Property, Plant, and Equipment		
Accumulated Depreciation/Depletion		
Net Property, Plant, and Equipment		<u>0.00</u>
Other Assets (Net of Amortization):		
Due from Insiders		
Other (Itemize)	<u>12,475,089.10</u>	
Total Other Assets		<u>12,475,089.10</u>
TOTAL ASSETS		<u>26,262,494.83</u>
LIABILITIES		
Post-petition Liabilities:		
Accounts Payable	<u>800.00</u>	
Taxes Payable	<u>14,962.89</u>	
Notes Payable - Interest	<u>321,487.33</u>	
Professional fees - Legal	<u>68,748.03</u>	
Secured Debt - Interest	<u>74,381.07</u>	
Other (Itemize)	<u>19,558.75</u>	
Total Post-petition Liabilities		<u>499,938.07</u>
Pre-petition Liabilities:		
Secured Liabilities	<u>7,044,741.59</u>	
Priority Liabilities	<u>198,094.24</u>	
Unsecured Liabilities	<u>40,636,009.27</u>	
Other (Itemize)		
Total Pre-petition Liabilities		<u>47,878,845.10</u>
TOTAL LIABILITIES		<u>48,378,783.17</u>
EQUITY:		
Pre-petition Owners' Equity	<u>(21,593,515.09)</u>	
Post-petition Profit/(Loss)	<u>(522,773.25)</u>	
Direct Charges to Equity		
TOTAL EQUITY		<u>(22,116,288.34)</u>
TOTAL LIABILITIES & EQUITY		<u>26,262,494.83</u>

07/13/2011 10:30 343732310

PAGE 02/03

XI. QUESTIONNAIRE

1. Has the debtor-in-possession made any payments on its pre-petition unsecured debt, except as have been authorized by the court? If "Yes", explain below: No Yes
 x
-
2. Has the debtor-in-possession during this reporting period provided compensation or remuneration to any officers, directors, principals, or other insiders without appropriate authorization? If "Yes", explain below: No Yes
 x
-
3. State what progress was made during the reporting period toward filing a plan of reorganization
-
4. Describe potential future developments which may have a significant impact on the case:
5. Attach copies of all Orders granting relief from the automatic stay that were entered during the reporting period.
6. Did you receive any exempt income this month, which is not set forth in the operating report? If "Yes", please set forth the amounts and sources of the income below. No Yes
 x
-

I, David Lawlor declare under penalty of perjury that I have fully read and understood the foregoing debtor-in-possession operating report and that the information contained herein is true and complete to the best of my knowledge.

7/13/11
Date


Principal for debtor-in-possession

Account number: 6479463223 ■ June 1, 2011 - June 30, 2011 ■ Page 2 of 4



Activity summary

Beginning balance on 6/1	\$5,056.56
Deposits/Credits	6,500.00
Withdrawals/Debits	- 10,100.00
Ending balance on 6/30	\$1,456.56
Average ledger balance this period	\$3,619.89

Account number: 6479463223

BOUNDARY BAY CAPITAL LLC
DEBTOR IN POSSESSION
CH11CASE#11-14298 (CCA)
OPERATING ACCOUNT

California account terms and conditions apply

For Direct Deposit and Automatic Payments use

Routing Number (RTN): 121042662

For Wire Transfers use

Routing Number (RTN): 121000248

Overdraft Protection

This account is not currently covered by Overdraft Protection. If you would like more information regarding Overdraft Protection and eligibility requirements please call the number listed at the top of your statement or visit your Wells Fargo branch.

Transaction history

Date	Check Number	Description	Deposits/ Credits	Withdrawals/ Debits	Ending daily balance
6/13		Deposit	1,500.00		6,556.56
6/17		Online Transfer Ref #1bebx38Pk From Business Market Rate Savings for Mgmt Fee Payment	5,000.00		
6/17	1005	Check		10,000.00	1,556.56
6/30		Recurring Transfer Ref #Op657Vzksm to Business Market Rate Savings xxxxxx1473		100.00	1,456.56
Ending balance on 6/30					1,456.56
Totals			\$6,500.00	-\$10,100.00	

The Ending Daily Balance does not reflect any pending withdrawals or holds on deposited funds that may have been outstanding on your account when your transactions posted. If you had insufficient available funds when a transaction posted, fees may have been assessed.

Summary of checks written (checks listed are also displayed in the preceding Transaction history)

Number	Date	Amount
1005	6/17	10,000.00

Account transaction fees summary

Service charge description	Units used	Units included	Excess units	Service charge per excess units (\$)	Total service charge (\$)
Paid and Deposited Items	2	160	0	0.50	0.00
Total service charges					\$0.00

Looking for ways to cut costs? Direct Pay, through Wells Fargo Business Online, lets you make secure electronic payments. Paying employees and contractors by direct deposit helps save on labor - it's easy for you and convenient for them. You can also use Direct Pay to pay vendors as fast as the next business day. Learn more at wellsfargo.com/ublz/directpay.

Account number: 6124121499 ■ June 1, 2011 - June 30, 2011 ■ Page 2 of 3



Interest summary

Interest paid this statement	\$0.72
Average collected balance	\$5,881.33
Annual percentage yield earned	0.15%
Interest earned this statement period	\$0.72
Interest paid this year	\$6.66

Transaction history

Date	Description	Deposits/ Credits	Withdrawals/ Debits	Ending daily balance
6/17	* Online Transfer Ref #1betzz38Pk to Business Checking for Mgmt Fee Payment		5,000.00	3,214.87
6/30	Interest Payment	0.72		3,215.39
Ending balance on 6/30				3,215.39
Totals		\$0.72	\$5,000.00	

The Ending Daily Balance does not reflect any pending withdrawals or holds on deposited funds that may have been outstanding on your account when your transactions posted. If you had insufficient available funds when a transaction posted, fees may have been assessed.

* Indicates transactions that count toward Federal Reserve Board Regulation D limits. Please refer to your Account Agreement for complete details of the federally-mandated transaction limits for savings accounts.



IMPORTANT ACCOUNT INFORMATION

Save time with Online Bill Pay

Save time, avoid late fees, and save on postage costs. Be at ease knowing your payments get there fast-with over 90% of our top payees able to receive payments in 2 days or less. You can even make same day payments to Wells Fargo credit accounts, and to other select merchants. Pay your bills efficiently with Wells Fargo Bill Pay-backed by our Payment Guarantee. We guarantee your payments will be paid as scheduled, on time, every time. Go to wellsfargo.com or wellsfargo.com/biz to sign up or sign on today.

Account number: 6124121473 ■ June 1, 2011 - June 30, 2011 ■ Page 2 of 3



Interest summary

Interest paid this statement	\$0.01
Average collected balance	\$87.35
Annual percentage yield earned	0.13%
Interest earned this statement period	\$0.01
Interest paid this year	\$0.03

Transaction history

Date	Description	Deposits/ Credits	Withdrawals/ Debits	Ending daily balance
6/30	Recurring Transfer Ref #0pe57Vzksm From Business Checking-1000003223	100.00		
6/30	Interest Payment	0.01		194.03
Ending balance on 6/30				194.03
Totals		\$100.01	\$0.00	

The Ending Daily Balance does not reflect any pending withdrawals or holds on deposited funds that may have been outstanding on your account when your transactions posted. If you had insufficient available funds when a transaction posted, fees may have been assessed.

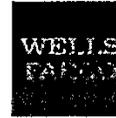


IMPORTANT ACCOUNT INFORMATION

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Account number: 6479463231 ■ June 1, 2011 - June 30, 2011 ■ Page 2 of 3



Activity summary

Beginning balance on 5/1	\$208.72
Deposits/Credits	0.00
Withdrawals/Debits	- 12.00
Ending balance on 6/30	\$196.72
Average ledger balance this period	\$208.72

Account number: 6479463231

BOUNDARY BAY CAPITAL LLC
DEBTOR IN POSSESSION
CH11CASE#11-14298 (CCA)
TAX ACCOUNT

California account terms and conditions apply

For Direct Deposit and Automatic Payments use
Routing Number (RTN): 121042882

For Wire Transfers use
Routing Number (RTN): 121000248

Overdraft Protection:

This account is not currently covered by Overdraft Protection. If you would like more information regarding Overdraft Protection and eligibility requirements please call the number listed at the top of your statement or visit your Wells Fargo branch.

Transaction history

Date	Check Number Description	Deposits/ Credits	Withdrawals/ Debits	Ending daily balance
6/30	Monthly Service Fee		12.00	196.72
Ending balance on 6/30				196.72
Totals		\$0.00	\$12.00	

The Ending Daily Balance does not reflect any pending withdrawals or holds on deposited funds that may have been outstanding on your account when your transactions posted. If you had insufficient available funds when a transaction posted, fees may have been assessed.

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IMPORTANT ACCOUNT INFORMATION

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Save time, avoid late fees, and save on postage costs. Be at ease knowing your payments get there fast with over 90% of our top payees able to receive payments in 2 days or less. You can even make same day payments to Wells Fargo credit accounts, and to other select merchants. Pay your bills efficiently with Wells Fargo Bill Pay-backed by our Payment Guarantee. We guarantee your payments will be paid as scheduled, on time, every time. Go to wellsfargo.com or wellsfargo.com/biz to sign up or sign on today.

CM/ECF - U.S. Bankruptcy Court (v3.3.3 - LIVE)

Page 1 of 2

Miscellaneous:

8:11-bk-14298-RK Boundary Bay Capital, LLC, a California limited li

Type: bk

Chapter: 11 v

Office: 8 (Santa Ana)

Assets: y

Judge: RK

Case Flag: PlnDue, DscIsDue

U.S. Bankruptcy Court

Central District Of California

Notice of Electronic Filing

The following transaction was received from Hutchison B Meltzer entered on 7/13/2011 at 3:57 PM PDT and filed on 7/13/2011

Case Name: Boundary Bay Capital, LLC, a California limited li

Case Number: 8:11-bk-14298-RK

Document Number: 53

Docket Text:

Monthly Operating Report. Operating Report Number: 3. For the Month Ending June 30, 2011 Filed by Debtor Boundary Bay Capital, LLC, a California limited liability company. (Meltzer, Hutchison)

The following document(s) are associated with this transaction:

Document description:Main Document

Original filename:H:\e-file\Boundary Bay\MOR #3.pdf

Electronic document Stamp:

[STAMP bkecfStamp_ID=1106918562 [Date=7/13/2011] [FileNumber=47333275-0] [73d5d7a39d77aaba7a48f88c5455096133a7a2ba64554d15b9123ae20f58ca8720405bec590b3076b6bacc8944c0221d9b9ed74549b48a1bea14f323a214cd19]]

8:11-bk-14298-RK Notice will be electronically mailed to:

Paul S Arrow on behalf of Creditor Orange County Business Bank
parrow@buchalter.com, ifs_filing@buchalter.com;salarcon@buchalter.com

Daniel Denny on behalf of Interested Party Courtesy NEF
ddenny@gibsondunn.com

Beth Gaschen on behalf of Debtor Boundary Bay Capital, LLC, a California limited liability company
bgaschen@wglip.com

Nancy S Goldenberg on behalf of U.S. Trustee United States Trustee (SA)
nancy.goldenberg@usdoj.gov

Hutchison B Meltzer on behalf of Debtor Boundary Bay Capital, LLC, a California limited liability company

<https://ecf.cacb.uscourts.gov/cgi-bin/Dispatch.pl?660712858578729>

7/13/2011

CM/ECF - U.S. Bankruptcy Court (v3.3.3 - LIVE)

Page 2 of 2

hmeltzer@wgllp.com

Hal M Mersel on behalf of Creditor California Bank & Trust, as Assignee to the F.D.I.C. as Receiver for
Alliance Bank
mark.mersel@bryancave.com

Evan D Smiley on behalf of Debtor Boundary Bay Capital, LLC, a California limited liability company
esmiley@wgllp.com

United States Trustee (SA)
ustpreion16.sa.ecf@usdoj.gov

8:11-bk-14298-RK Notice will not be electronically mailed to:

Andrea A Jupina
POB 234192
Encinitas, CA 92023-4192

Evan D. Smiley
Weiland, Golden, Smiley, Wang Ekvall
650 Town Center Drive
Suite 950
Costa Mesa, CA 92626

<https://ecf.cacb.uscourts.gov/cgi-bin/Dispatch.pl?660712858578729>

7/13/2011

COPY

UNITED STATES DEPARTMENT OF JUSTICE
OFFICE OF THE UNITED STATES TRUSTEE
CENTRAL DISTRICT OF CALIFORNIA

Filed Electronically
on 8-16-11
Docket No. 61

In Re: Boundary Bay Capital, LLC Debtor(s).	CHAPTER 11 (BUSINESS) Case Number: <u>8:11-bk-14298-RK</u> Operating Report Number: <u>4</u> For the Month Ending: <u>31-Jul-11</u>
---	--

I. CASH RECEIPTS AND DISBURSEMENTS
A. (GENERAL ACCOUNT*)

1. TOTAL RECEIPTS PER ALL PRIOR GENERAL ACCOUNT REPORTS	38,333.50
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR GENERAL ACCOUNT REPORTS	33,661.55
3. BEGINNING BALANCE:	4,671.95
4. RECEIPTS DURING CURRENT PERIOD:	
Accounts Receivable - Post-filing	1,085.13
Accounts Receivable - Pre-filing	
General Sales	
Other (Specify) <u>interest income</u>	0.11
**Other (Specify)	
TOTAL RECEIPTS THIS PERIOD:	1,085.24
5. BALANCE:	5,757.19
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD	
Transfers to Other DIP Accounts (from page 2)	100.00
Disbursements (from page 2)	3,650.00
TOTAL DISBURSEMENTS THIS PERIOD:***	3,750.00
7. ENDING BALANCE:	2,007.19

8. General Account Number(s):	#6479463223
	#6124121499
Depository Name & Location:	Wells Fargo Bank, N.A.
	2640 Main Street, Suite R
	Irvine, CA 92614

* All receipts must be deposited into the general account.
 ** Include receipts from the sale of any real or personal property out of the ordinary course of business; attach an exhibit specifying what was sold, to whom, terms, and date of Court Order or Report of Sale.
 ***This amount should be the same as the total from page 2.

RECEIVED
 2011 AUG 16 P 2:16

OFFICE OF US TRUSTEE
 SANTA ANA, CA

TOTAL DISBURSEMENTS FROM GENERAL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee or DIP account	Purpose	*Amount Transferred	**Amount Disbursed	Amount
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
07/08/11	1006	CMG, LLC	management fees		3,000.00	3,000.00
7/26/2011	1007	U.S. Trustee	trustee fees		650.00	650.00
7/31/2011		#6124121473	automatic transfer	100.00		100.00
						0.00
						0.00
						0.00
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						0.00
						0.00
TOTAL DISBURSEMENTS THIS PERIOD:				100.00	3,650.00	\$3,750.00

* Fill in amounts in this column if they are TRANSFERS to another DIP account (e.g. Payroll or Tax); the "amount" column will be filled in for you.
 ** Fill in amounts in this column if they are DISBURSEMENTS to outside payees; the "amount" column will be filled in for you.

GENERAL ACCOUNT
BANK RECONCILIATION

Bank statement Date: 7/31/2011 Balance on Statement: \$2,007.19

Plus deposits in transit (a):

<u>Deposit Date</u>	<u>Deposit Amount</u>

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>

TOTAL OUTSTANDING CHECKS: 0.00

Explanation of Adjustments-

ADJUSTED BANK BALANCE: \$2,007.19

I. CASH RECEIPTS AND DISBURSEMENTS
B. (PAYROLL ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	_____	
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	_____	
3. BEGINNING BALANCE:	<table border="1"><tr><td>0.00</td></tr></table>	0.00
0.00		
4. RECEIPTS DURING CURRENT PERIOD: (Transferred from General Account)	_____	
5. BALANCE:	<table border="1"><tr><td>0.00</td></tr></table>	0.00
0.00		
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	<table border="1"><tr><td>0.00</td></tr></table>	0.00
0.00		
7. ENDING BALANCE:	<table border="1"><tr><td>0.00</td></tr></table>	0.00
0.00		
8. PAYROLL Account Number(s):	_____	
Depository Name & Location:	_____	

PAYROLL ACCOUNT
BANK RECONCILIATION

Bank statement Date: _____ Balance on Statement: _____

Plus deposits in transit (a):

<u>Deposit Date</u>	<u>Deposit Amount</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
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_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments: _____
Explanation of Adjustments-

ADJUSTED BANK BALANCE: \$0.00

I. CASH RECEIPTS AND DISBURSEMENTS
C. (TAX ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR TAX ACCOUNT REPORTS	<u>23,336.58</u>
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR TAX ACCOUNT REPORTS	<u>22,945.83</u>
3. BEGINNING BALANCE:	<u>390.75</u>
4. RECEIPTS DURING CURRENT PERIOD: (Transferred from General Account - plus .03 interest)	<u>100.03</u>
5. BALANCE:	<u>490.78</u>
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	<u>12.00</u>
7. ENDING BALANCE:	<u>478.78</u>
8. TAX Account Number(s):	<u>#6124121473, #6479463231</u>
	<u>Wells Fargo Bank, N.A.</u>
Depository Name & Location:	<u>2540 Main Street, Suite %</u>
	<u>Irvine, CA 92614</u>

TAX ACCOUNT
BANK RECONCILIATION

Bank statement Date: 7/31/2011 Balance on Statement: \$478.78

Plus deposits in transit (a):

<u>Deposit Date</u>	<u>Deposit Amount</u>

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments: _____

Explanation of Adjustments-

ADJUSTED BANK BALANCE: \$478.78

II. STATUS OF PAYMENTS TO SECURED CREDITORS, LESSORS AND OTHER PARTIES TO EXECUTORY CONTRACTS

Creditor, Lessor, Etc.	Frequency of Payments (Mo/Qtr)	Amount of Payment	Post-Petition payments not made (Number)	Total Due
TOTAL DUE:				0.00

III. TAX LIABILITIES

FOR THE REPORTING PERIOD:

Gross Sales Subject to Sales Tax: _____

Total Wages Paid: _____

	Total Post-Petition Amounts Owing	Amount Delinquent	Date Delinquent Amount Due
Federal Withholding			
State Withholding			
FICA- Employer's Share			
FICA- Employee's Share			
Federal Unemployment			
Sales and Use			
Real Property			
Other:			
TOTAL:	0.00	0.00	

IV. AGING OF ACCOUNTS PAYABLE AND RECEIVABLE

	*Accounts Payable	Accounts Receivable	
	Post-Petition	Pre-Petition	Post-Petition
30 days or less			
31 - 60 days			
61 - 90 days			
91 - 120 days	800.00		
Over 120 days		155,904.59	
TOTAL:	800.00	155,904.59	0.00

V. INSURANCE COVERAGE

	Name of Carrier	Amount of Coverage	Policy Expiration Date	Premium Paid Through (Date)
General Liability	Golden Eagle Ins	\$1mm	2/22/2012	2/22/2012
Worker's Compensation				
Casualty				
Vehicle				
Others:				

VI. UNITED STATES TRUSTEE QUARTERLY FEES (TOTAL PAYMENTS)

Quarterly Period Ending (Date)	Total Disbursements	Quarterly Fees	Date Paid	Amount Paid	Quarterly Fees Still Owing
31-Mar-2011		325.00	28-Apr-2011	325.00	0.00
30-Jun-2011		650.00	26-Jul-2011	650.00	0.00
					0.00
					0.00
					0.00
					0.00
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					0.00
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					0.00
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					0.00
					0.00
					0.00
					0.00
		975.00		975.00	0.00

Page 12 of 16
 * Post-Petition Accounts Payable SHOULD NOT include professionals' fees and expenses which have been incurred but not yet awarded by the court. Post-Petition Accounts Payable SHOULD include professionals' fees and expenses authorized by Court Order but which remain unpaid as of the close of the period report

VII SCHEDULE OF COMPENSATION PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	*Authorized Gross Compensation	Gross Compensation Paid During the Month

VIII. SCHEDULE OF OTHER AMOUNTS PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	Description	Amount Paid During the Month
Heritage Capital Management, LLC - thru CMG, LLC		management fee	3,000.00

* Please indicate how compensation was identified in the order (e.g. \$1,000/week, \$2,500/month)

IX. PROFIT AND LOSS STATEMENT
(ACCRUAL BASIS ONLY)

	Current Month	Cumulative Post-Petition
Sales/Revenue:		
Gross Sales/Revenue	1,130.88	8,514.83
Less: Returns/Discounts		
Net Sales/Revenue	1,130.88	8,514.83
Cost of Goods Sold:		
Beginning Inventory at cost		
Purchases		
Less: Ending Inventory at cost		
Cost of Goods Sold (COGS)	0.00	0.00
Gross Profit	1,130.88	8,514.83
Other Operating Income (Itemize)		
Operating Expenses:		
Payroll - Insiders		
Payroll - Other Employees		
Payroll Taxes		
Other Taxes (Itemize)		
Depreciation and Amortization		
Rent Expense - Real Property		
Lease Expense - Personal Property		
Insurance		
Real Property Taxes	4,171.36	42,025.53
Telephone and Utilities		
Repairs and Maintenance		
Travel and Entertainment (Itemize)		
Miscellaneous Operating Expenses (Itemize)		
Total Operating Expenses	4,171.36	42,025.53
Net Gain/(Loss) from Operations	(3,040.48)	(33,510.70)
Non-Operating Income:		
Interest Income	0.14	6.83
Net Gain on Sale of Assets (Itemize)		
Other (Itemize)		
Total Non-Operating income	0.14	6.83
Non-Operating Expenses:		
Interest Expense	132,679.25	525,539.19
Legal and Professional (Itemize)	7,600.00	68,371.00
Other (Itemize) - (Itemize)	10,152.08	48,830.86
Total Non-Operating Expenses	150,431.33	642,741.05
NET INCOME/(LOSS)	(153,471.67)	(676,244.92)

(Attach exhibit listing all itemizations required above)

X. BALANCE SHEET
(ACCRUAL BASIS ONLY)

ASSETS	Current Month End	
Current Assets:		
Unrestricted Cash	<u>2,485.97</u>	
Restricted Cash		
Accounts Receivable	<u>155,904.59</u>	
Inventory		
Notes Receivable	<u>13,439,831.14</u>	
Prepaid Expenses		
Other (Itemize) - Retainers	<u>186,653.05</u>	
Total Current Assets		<u>13,784,874.75</u>
Property, Plant, and Equipment		
Accumulated Depreciation/Depletion		
Net Property, Plant, and Equipment		<u>0.00</u>
Other Assets (Net of Amortization):		
Due from Insiders		
Other (Itemize)	<u>12,475,089.10</u>	
Total Other Assets		<u>12,475,089.10</u>
TOTAL ASSETS		<u>26,259,963.85</u>
LIABILITIES		
Post-petition Liabilities:		
Accounts Payable	<u>800.00</u>	
Taxes Payable	<u>19,134.25</u>	
Notes Payable - Interest	<u>430,183.25</u>	
Professional fees - Legal	<u>76,425.13</u>	
Secured Debt - Interest	<u>98,364.40</u>	
Other (Itemize)	<u>25,971.73</u>	
Total Post-petition Liabilities		<u>650,878.76</u>
Pre-petition Liabilities:		
Secured Liabilities	<u>7,044,741.59</u>	
Priority Liabilities	<u>198,094.24</u>	
Unsecured Liabilities	<u>40,636,009.27</u>	
Other (Itemize)		
Total Pre-petition Liabilities		<u>47,878,845.10</u>
TOTAL LIABILITIES		<u>48,529,723.86</u>
EQUITY:		
Pre-petition Owners' Equity	<u>(21,593,515.09)</u>	
Post-petition Profit/(Loss)	<u>(676,244.92)</u>	
Direct Charges to Equity		
TOTAL EQUITY		<u>(22,269,760.01)</u>
TOTAL LIABILITIES & EQUITY		<u>26,259,963.85</u>

XI. QUESTIONNAIRE

- | | | |
|--|-----------|---------------|
| | <u>No</u> | <u>Yes</u> |
| 1. Has the debtor-in-possession made any payments on its pre-petition unsecured debt, except as have been authorized by the court? If "Yes", explain below: | <u>x</u> | <u> </u> |
| <hr/> | | |
| | <u>No</u> | <u>Yes</u> |
| 2. Has the debtor-in-possession during this reporting period provided compensation or remuneration to any officers, directors, principals, or other insiders without appropriate authorization? If "Yes", explain below: | <u>x</u> | <u> </u> |
| <hr/> | | |
| 3. State what progress was made during the reporting period toward filing a plan of reorganization. Expect to file the Disclosure Statement within the next week. | | |
| <hr/> | | |
| 4. Describe potential future developments which may have a significant impact on the case: | | |
| <hr/> | | |
| 5. Attach copies of all Orders granting relief from the automatic stay that were entered during the reporting period. | | |
| <hr/> | | |
| | <u>No</u> | <u>Yes</u> |
| 6. Did you receive any exempt income this month, which is not set forth in the operating report? If "Yes", please set forth the amounts and sources of the income below. | <u>x</u> | <u> </u> |
| <hr/> | | |

I, David Lawlor declare under penalty of perjury that I have fully read and understood the foregoing debtor-in-possession operating report and that the information contained herein is true and complete to the best of my knowledge.

8/15/11
Date


Page 16 of 16 Principal for debtor-in-possession

Business Market Rate Savings

Account number: 6124121473 ■ July 1, 2011 - July 31, 2011 ■ Page 1 of 3



BOUNDARY BAY CAPITAL LLC
DEBTOR IN POSSESSION
CH11CASE#11-14298 (CCA)
TAX ACCOUNT
17801 CARTWRIGHT RD
IRVINE CA 92614-6216

Questions?

Available by phone 24 hours a day, 7 days a week:

1-800-CALL-WELLS (1-800-225-5935)

TTY: 1-800-877-4833

En español: 1-877-337-7454

Online: wellsfargo.com/biz

Write: Wells Fargo Bank, N.A. (114)

P.O. Box 6995

Portland, OR 97228-6995

Your Business and Wells Fargo

Access Wells Fargo/Gallup's Small Business Index reports, press releases and podcasts at wellsfargobusinessinsights.com/small-business-index. The quarterly index reflects small business owner optimism, perceptions of current conditions (past 12 months) and future expectations (next 12 months) relating to financial situation, revenues, cash flow, capital spending, jobs and credit availability.



IMPORTANT ACCOUNT INFORMATION

Starting August 14, 2011, if you currently receive a separate monthly statement for this and other accounts, they may be combined if they have the same account owner(s) and same mailing address. The information you currently receive will not change - it will simply be consolidated into one easy-to-read statement to save you time when organizing your financial records. We hope you will enjoy this new convenience and "greener" approach. If you do not want your statements combined, please talk to your banker or call the number on your statement.

Activity summary

Beginning balance on 7/1	\$194.03
Deposits/Credits	0.03
Withdrawals/Debits	- 0.00
Ending balance on 7/31	\$194.06
Average ledger balance this period	\$194.03

Account number: 6124121473

BOUNDARY BAY CAPITAL LLC
DEBTOR IN POSSESSION
CH11CASE#11-14298 (CCA)
TAX ACCOUNT

California account terms and conditions apply

For Direct Deposit and Automatic Payments use

Routing Number (RTN): 121042882

For Wire Transfers use

Routing Number (RTN): 121000248

Account number: 6124121473 ■ July 1, 2011 - July 31, 2011 ■ Page 2 of 3



Interest summary

Interest paid this statement	\$0.03
Average collected balance	\$194.03
Annual percentage yield earned	0.18%
Interest earned this statement period	\$0.03
Interest paid this year	\$0.06

Transaction history

<u>Date</u>	<u>Description</u>	<u>Deposits/ Credits</u>	<u>Withdrawals/ Debits</u>	<u>Ending daily balance</u>
7/29	Interest Payment	0.03		194.06
Ending balance on 7/31				194.06
Totals		\$0.03	\$0.00	

The Ending Daily Balance does not reflect any pending withdrawals or holds on deposited funds that may have been outstanding on your account when your transactions posted. If you had insufficient available funds when a transaction posted, fees may have been assessed.

Account number: 6124121473 ■ July 1, 2011 - July 31, 2011 ■ Page 3 of 3



General statement policies for Wells Fargo Bank

■ Notice: Wells Fargo Bank, N.A. may furnish information about accounts belonging to individuals, including sole proprietorships, to consumer reporting agencies.

You must describe the specific information that is inaccurate or in dispute and the basis for any dispute with supporting documentation.

Account Balance Calculation Worksheet

- 1. Use the following worksheet to calculate your overall account balance.
2. Go through your register and mark each check, withdrawal, ATM transaction, payment, deposit or other credit listed on your statement.
3. Use the chart to the right to list any deposits, transfers to your account, outstanding checks, ATM withdrawals, ATM payments or any other withdrawals (including any from previous months) which are listed in your register but not shown on your statement.

ENTER

A. The ending balance shown on your statement \$ _____

ADD

B. Any deposits listed in your register or transfers into your account which are not shown on your statement. ... TOTAL \$ _____

CALCULATE THE SUBTOTAL (Add Parts A and B)

..... TOTAL \$ _____

SUBTRACT

C. The total outstanding checks and withdrawals from the chart above - \$ _____

CALCULATE THE ENDING BALANCE (Part A + Part B - Part C)

This amount should be the same as the current balance shown in your check register \$ _____

Table with 3 columns: Number, Items Outstanding, Amount. Includes a Total amount \$ row at the bottom right.

Business Market Rate Savings

Account number: 6124121499 ■ July 1, 2011 - July 31, 2011 ■ Page 1 of 3

**WELLS
FARGO**

BOUNDARY BAY CAPITAL LLC
DEBTOR IN POSSESSION
CH11CASE#11-14298 (CCA)
OPERATING ACCOUNT
17801 CARTWRIGHT RD
IRVINE CA 92614-6216

Questions?

Available by phone 24 hours a day, 7 days a week:

1-800-CALL-WELLS (1-800-225-5935)

TTY: 1-800-877-4833

En español: 1-877-337-7454

Online: wellsfargo.com/biz

Write: Wells Fargo Bank, N.A. (114)

P.O. Box 6895

Portland, OR 97228-6995

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Activity summary

Beginning balance on 7/1	\$3,215.39
Deposits/Credits	0.11
Withdrawals/Debits	- 3,000.00
Ending balance on 7/31	\$215.50
Average ledger balance this period	\$892.80

Account number: 6124121499

**BOUNDARY BAY CAPITAL LLC
DEBTOR IN POSSESSION
CH11CASE#11-14298 (CCA)
OPERATING ACCOUNT**

California account terms and conditions apply

For Direct Deposit and Automatic Payments use

Routing Number (RTN): 121042882

For Wire Transfers use

Routing Number (RTN): 121000248

Account number: 6124121499 ■ July 1, 2011 - July 31, 2011 ■ Page 2 of 3



Interest summary

Interest paid this statement	\$0.11
Average collected balance	\$892.80
Annual percentage yield earned	0.15%
Interest earned this statement period	\$0.11
Interest paid this year	\$6.77

Transaction history

<i>Date</i>	<i>Description</i>	<i>Deposits/ Credits</i>	<i>Withdrawals/ Debits</i>	<i>Ending daily balance</i>
7/8	* Online Transfer Ref #1bmq7B8R4 to Business Checking Mgmt Fees		3,000.00	215.39
7/29	Interest Payment	0.11		215.50
Ending balance on 7/31				215.50
Totals		\$0.11	\$3,000.00	

The Ending Daily Balance does not reflect any pending withdrawals or holds on deposited funds that may have been outstanding on your account when your transactions posted. If you had insufficient available funds when a transaction posted, fees may have been assessed.

* Indicates transactions that count toward Federal Reserve Board Regulation D limits. Please refer to your Account Agreement for complete details of the federally-mandated transaction limits for savings accounts.

Account number: 6124121499 July 1, 2011 - July 31, 2011 Page 3 of 3



General statement policies for Wells Fargo Bank

Notice: Wells Fargo Bank, N.A. may furnish information about accounts belonging to individuals, including sole proprietorships, to consumer reporting agencies. If this applies to you, you have the right to dispute the accuracy of information that we have reported by writing to us at: Overdraft Collections and Recovery, P.O. Box 5058, Portland, OR 97208-5058.

You must describe the specific information that is inaccurate or in dispute and the basis for any dispute with supporting documentation. In the case of information that relates to an identity theft, you will need to provide us with an identity theft report.

Account Balance Calculation Worksheet

- 1. Use the following worksheet to calculate your overall account balance.
2. Go through your register and mark each check, withdrawal, ATM transaction, payment, deposit or other credit listed on your statement. Be sure that your register shows any interest paid into your account and any service charges, automatic payments or ATM transactions withdrawn from your account during this statement period.
3. Use the chart to the right to list any deposits, transfers to your account, outstanding checks, ATM withdrawals, ATM payments or any other withdrawals (including any from previous months) which are listed in your register but not shown on your statement.

ENTER
A. The ending balance shown on your statement \$

ADD
B. Any deposits listed in your register or transfers into your account which are not shown on your statement.
TOTAL \$

CALCULATE THE SUBTOTAL
(Add Parts A and B)
TOTAL \$

SUBTRACT
C. The total outstanding checks and withdrawals from the chart above - \$

CALCULATE THE ENDING BALANCE
(Part A + Part B - Part C)
This amount should be the same as the current balance shown in your check register \$

Table with 3 columns: Number, Items Outstanding, Amount. Includes a 'Total amount \$' row at the bottom.

Advantage Business Package Checking

Account number: 6479463223 ■ July 1, 2011 - July 31, 2011 ■ Page 1 of 3



BOUNDARY BAY CAPITAL LLC
DEBTOR IN POSSESSION
CH11CASE#11-14298 (CCA)
OPERATING ACCOUNT
17801 CARTWRIGHT RD
IRVINE CA 92614-6216

Questions?

Available by phone 24 hours a day, 7 days a week:

1-800-CALL-WELLS (1-800-225-5935)

TTY: 1-800-877-4833

En español: 1-877-337-7454

Online: wellsfargo.com/biz

Write: Wells Fargo Bank, N.A. (114)

P.O. Box 6995

Portland, OR 97228-6995

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Account options

A check mark in the box indicates you have these convenient services with your account. Go to wellsfargo.com/biz or call the number above if you have questions or if you would like to add new services.

Business Online Banking	<input checked="" type="checkbox"/>
Rewards for Business Check Card	<input type="checkbox"/>
Online Statements	<input checked="" type="checkbox"/>
Business Bill Pay	<input type="checkbox"/>
Business Spending Report	<input checked="" type="checkbox"/>
Overdraft Protection	<input type="checkbox"/>



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Activity summary

Beginning balance on 7/1	\$1,456.56
Deposits/Credits	4,085.13
Withdrawals/Debits	- 3,650.00
Ending balance on 7/31	\$1,891.69
 Average ledger balance this period	 \$1,885.76

Account number: 6479463223

BOUNDARY BAY CAPITAL LLC
DEBTOR IN POSSESSION
CH11CASE#11-14298 (CCA)
OPERATING ACCOUNT

California account terms and conditions apply

For Direct Deposit and Automatic Payments use

Routing Number (RTN): 121042882

For Wire Transfers use

Routing Number (RTN): 121000248

Account number: 6479463223 ■ July 1, 2011 - July 31, 2011 ■ Page 2 of 3



Overdraft Protection

This account is not currently covered by Overdraft Protection. If you would like more information regarding Overdraft Protection and eligibility requirements please call the number listed at the top of your statement or visit your Wells Fargo branch.

Transaction history

<u>Date</u>	<u>Check Number</u>	<u>Description</u>	<u>Deposits/ Credits</u>	<u>Withdrawals/ Debits</u>	<u>Ending daily balance</u>
7/8		Online Transfer Ref #ibemq7B8R4 From Business Market Rate	3,000.00		4,456.58
		Savings Mgmt Fees			
7/12	1006	Check		3,000.00	1,456.56
7/29		Deposit	1,085.13		
7/29	1007	Check		650.00	1,891.69
Ending balance on 7/31					1,891.69
Totals			\$4,085.13	\$3,650.00	

The Ending Daily Balance does not reflect any pending withdrawals or holds on deposited funds that may have been outstanding on your account when your transactions posted. If you had insufficient available funds when a transaction posted, fees may have been assessed.

Summary of checks written (checks listed are also displayed in the preceding Transaction history)

<u>Number</u>	<u>Date</u>	<u>Amount</u>	<u>Number</u>	<u>Date</u>	<u>Amount</u>
1006	7/12	3,000.00	1007	7/29	650.00

Account transaction fees summary

<u>Service charge description</u>	<u>Units used</u>	<u>Units Included</u>	<u>Excess units</u>	<u>Service charge per excess units (\$)</u>	<u>Total service charge (\$)</u>
Paid and Deposited Items	3	150	0	0.50	0.00
Total service charges					\$0.00

Advantage Business Package Checking

Account number: 6479463231 ■ July 1, 2011 - July 31, 2011 ■ Page 1 of 3

**WELLS
FARGO**

BOUNDARY BAY CAPITAL LLC
DEBTOR IN POSSESSION
CH11CASE#11-14298 (CCA)
TAX ACCOUNT
17801 CARTWRIGHT RD
IRVINE CA 92614-6216

Questions?

Available by phone 24 hours a day, 7 days a week:

1-800-CALL-WELLS (1-800-225-5935)

TTY: 1-800-877-4833

En español: 1-877-337-7454

Online: wells Fargo.com/biz

Write: Wells Fargo Bank, N.A. (114)

P.O. Box 6995

Portland, OR 97228-6995

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Account options

A check mark in the box indicates you have these convenient services with your account. Go to wells Fargo.com/biz or call the number above if you have questions or if you would like to add new services.

Business Online Banking	<input checked="" type="checkbox"/>
Rewards for Business Check Card	<input type="checkbox"/>
Online Statements	<input checked="" type="checkbox"/>
Business Bill Pay	<input type="checkbox"/>
Business Spending Report	<input checked="" type="checkbox"/>
Overdraft Protection	<input type="checkbox"/>



IMPORTANT ACCOUNT INFORMATION

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Activity summary

Beginning balance on 7/1	\$196.72
Deposits/Credits	0.00
Withdrawals/Debits	- 12.00
Ending balance on 7/31	\$184.72
Average ledger balance this period	\$196.72

Account number: 6479463231

BOUNDARY BAY CAPITAL LLC
DEBTOR IN POSSESSION
CH11CASE#11-14298 (CCA)
TAX ACCOUNT

California account terms and conditions apply

For Direct Deposit and Automatic Payments use

Routing Number (RTN): 121042862

For Wire Transfers use

Routing Number (RTN): 121000248

(114)
Sheet Seq = 0054883
Sheet 00001 of 00002

Account number: 6479463231 ■ July 1, 2011 - July 31, 2011 ■ Page 2 of 3



Overdraft Protection

This account is not currently covered by Overdraft Protection. If you would like more information regarding Overdraft Protection and eligibility requirements please call the number listed at the top of your statement or visit your Wells Fargo branch.

Transaction history

<i>Date</i>	<i>Check Number</i>	<i>Description</i>	<i>Deposits/ Credits</i>	<i>Withdrawals/ Debits</i>	<i>Ending daily balance</i>
7/29		Monthly Service Fee		12.00	184.72
Ending balance on 7/31					184.72
Totals			\$0.00	\$12.00	

The Ending Daily Balance does not reflect any pending withdrawals or holds on deposited funds that may have been outstanding on your account when your transactions posted. If you had insufficient available funds when a transaction posted, fees may have been assessed.

CM/ECF - U.S. Bankruptcy Court (v3.3.3 - LIVE)

Page 1 of 2

Miscellaneous:

8:11-bk-14298-RK Boundary Bay Capital, LLC, a California limited li

Type: bk	Chapter: 11 v	Office: 8 (Santa Ana)
Assets: y	Judge: RK	Case Flag: PlnDue, DsclsDue

**U.S. Bankruptcy Court
Central District Of California**

Notice of Electronic Filing

The following transaction was received from Hutchison B Meltzer entered on 8/16/2011 at 10:27 AM PDT and filed on 8/16/2011

Case Name: Boundary Bay Capital, LLC, a California limited li

Case Number: 8:11-bk-14298-RK

Document Number: 61

Docket Text:

Monthly Operating Report. Operating Report Number: 4. For the Month Ending July 31, 2011 Filed by Debtor Boundary Bay Capital, LLC, a California limited liability company. (Meltzer, Hutchison)

The following document(s) are associated with this transaction:

Document description:Main Document

Original filename:H:\e-file\Boundary Bay\MOR #4.pdf

Electronic document Stamp:

[STAMP bkecfStamp_ID=1106918562 [Date=8/16/2011] [FileNumber=48357440-0] [6fb42970207fb8041b459c3eba976896f7c6863e03c9b01c9119267db5476a678b98dd0ae70104ebbf9c311b9e941f61438edaa69515191ad6e71894eaf6fe]]

8:11-bk-14298-RK Notice will be electronically mailed to:

Paul S Arrow on behalf of Creditor Orange County Business Bank
parrow@buchalter.com, ifs_filing@buchalter.com;salarcon@buchalter.com

Daniel Denny on behalf of Interested Party Courtesy NEF
ddenny@gibsondunn.com

Beth Gaschen on behalf of Debtor Boundary Bay Capital, LLC, a California limited liability company
bgaschen@wglp.com

Nancy S Goldenberg on behalf of U.S. Trustee United States Trustee (SA)
nancy.goldenberg@usdoj.gov

Sheri Kanesaka on behalf of Interested Party Courtesy NEF
sheri.kanesaka@bryancave.com

<https://ecf.cach.uscourts.gov/cgi-bin/Dispatch.pl?730819642143774>

8/16/2011

CM/ECF - U.S. Bankruptcy Court (v3.3.3 - LIVE)

Page 2 of 2

Hutchison B Meltzer on behalf of Debtor Boundary Bay Capital, LLC, a California limited liability
company
hmeltzer@wgllp.com

Hal M Mersel on behalf of Creditor California Bank & Trust, as Assignee to the F.D.I.C. as Receiver for
Alliance Bank
mark.mersel@bryancave.com

Evan D Smiley on behalf of Debtor Boundary Bay Capital, LLC, a California limited liability company
esmiley@wgllp.com

United States Trustee (SA)
ustpreion16.sa.ecf@usdoj.gov

8:11-bk-14298-RK Notice will not be electronically mailed to:

Andrea A Jupina
POB 234192
Encinitas, CA 92023-4192

Evan D. Smiley
Weiland, Golden, Smiley, Wang Ekvall
650 Town Center Drive
Suite 950
Costa Mesa, CA 92626

Laura S Valverde

ASSETS VALUED - CHAPTER 11	Chapter 7	Chapter 11	
ASSETS			
Current Assets			
Cash	5,073.97	\$ 5,073.97 at 1/1/12	
Interest Income		\$ 162,393.18	
New Co.		750,000.00	
Rec - Birch Bay Partners	15,000.00	151,575.00 *	
Misc - Receivables	-	0.00	
Other Current Assets			
Investments			
Heritage Orcas	-	0.00 **	
Murrieta	1,000,000.00	2,950,000.00	
PCH	- **	0.00 ***	
Total Investments	<u>1,000,000.00</u>	<u>2,950,000.00</u>	
Notes Receivable			
Apex Capital/Industrial Rail - 1st	4,692,600.00	11,103,022.67 ****	
Apex Capital/Industrial Rail - 2nd	1,122,346.76	4,026,992.42 *****	
Apex Capital/Industrial Rail - 3rd	-	0.00	
CMG, LLC	-	441,583.00 *****	
First Credit Commercial	-	0.00	
Gilmartin	107,630.89	134,538.61	
Humphrey	99,034.36	123,792.95	
Lots 1-6, 23, LLC	15,280.70	152,807.00	
Siena Office Park	17,624.70	176,247.00	
Siena Vista	5,170.00	51,700.00	
Total Receivables	<u>6,059,687.41</u>	<u>16,210,683.65</u>	
TOTAL ASSETS AT LIQUIDATION	\$ 7,079,761.38	\$ 20,229,725.80	
Less: (Secured Creditor) Calif Bank & Trust	0.00 *****	0.00 *****	
Less: (Secured Creditor) Charles Dunn Company, Inc.	262,064.97	351,965.33	
Less: 8% Secured Promissory Note	160,000.00	185,600.00	
Less: Los Angeles County Tax Collector	17,943.25	22,874.46	
Less: Orange County Tax Collector	0.00 ***	0.00 ***	
Less: Riverside County Tax Collector	80,457.93	102,569.40	
Less: Franchise Tax Board	93,576.80	101,274.00	
Less: Enhanced Income Fund	4,258,064.55	5,599,762.63	
Less: Ongoing Expenses		972,481.15	
Less: Convenience Class		1,227.18	
Less: Chapter 7 Trustee fees	235,192.84		
Less: Chapter 7 Trustee attorney	200,000.00		
Less: Chapter 7 & 11 professional fees	100,000.00	545,000.00	
Less: Chapter 11 trade payables and administrative liabilities	264,147.84		
NET LIABILITIES AT LIQUIDATION	<u>\$ 5,671,448.18</u>	<u>\$ 7,882,754.15</u>	
(1) Balance for unsecured Claims	<u>\$ 1,408,313.20</u>	3.1275% <u>\$ 12,346,971.65</u>	27.2693%
(2) Total amount of unsecured claims (note holders)	<u>\$ 45,030,299.73</u>	<u>\$ 45,277,958.36</u>	

* Birch Bay receivable will be repaid in cash with sale of Lots and proceeds from JV

** Assumes no re-structuring of Heritage Orcas - could potentially over time yield some distributions

*** PCH property being abandoned to lender

**** Proceeds from projected lot sales and joint - Lots 1 & 2. Parcels L, M, N

***** Proceeds from projected lot sales and joint venture(s) - Lots 8, 44, 45, 59, Parcel A, B, C, G, H, I, J, K - net proceeds reflect \$3mm

***** Assumes 3% interest

***** No deficiency claim

ASSETS VALUED - CHAPTER 11

ASSETS

Current Assets

Cash
Interest Income
New Co.
Rec - Birch Bay Partners
Misc - Receivables

Other Current Assets

Investments

Heritage Orcas
Murrieta
PCH
Total Investments

Notes Receivable

Apex Capital/Industrial Rail - 1st
Apex Capital/Industrial Rail - 2nd
Apex Capital/Industrial Rail - 3rd
CMG, LLC
First Credit Commercial
Gilmartin
Humphrey
Lots 1-6, 23, LLC
Siena Office Park
Siena Vista
Total Receivables

TOTAL ASSETS AT LIQUIDATION

Less: (Secured Creditor) Calif Bank & Trust
Less: (Secured Creditor) Charles Dunn Company, Inc.
Less: 8% Secured Promissory Note
Less: Los Angeles County Tax Collector
Less: Orange County Tax Collector
Less: Riverside County Tax Collector
Less: Franchise Tax Board
Less: Enhanced Income Fund
Less: Ongoing Expenses
Less: Convenience Class
Less: Chapter 7 Trustee fees
Less: Chapter 7 Trustee attorney
Less: Chapter 7 & 11 professional fees
Less: Chapter 11 trade payables and administrative liabilities

NET LIABILITIES AT LIQUIDATION

(1) Balance for unsecured Claims
(2) Total amount of unsecured claims (note holders)

* Birch Bay receivable will be repaid in cash with sale of Lots and proceeds
** Assumes no re-structuring of Heritage Orcas - could potentially over time
*** PCH property being abandoned to lender
**** Proceeds from projected lot sales and joint - Lots 1 & 2. Parcels L, M,
***** Proceeds from projected lot sales and joint venture(s) - Lots 8, 44, 45 loan cost repayment
***** Assumes 3% interest
***** No deficiency claim

BOUNDARY BAY CAPITAL, LLC DEBTOR IN POSSESSION
1-YEAR FORECAST - Plan Protections

														Starting Cash	
														\$ 5879,597	
CASH - CONTRIBUTIONS - NOTE PAYABLES															
CASH - CONTRIBUTIONS - DISTRIBUTION FROM NEW CO.															
INTEREST INCOME															
INTEREST PAYMENTS - GILMARTIN & HUMPHREY															
CREDITORS SECURED CLAIMS															
1% Note - Secured by LICs 1 & 2															
Enhanced Income Fund 1, LLC															
Charles Dunn Capital, LLC - 5.5% 25yr amort															
Enhanced Income Fund 1, LLC															
TOTAL SECURED CLAIMS PAYMENTS															
CREDITORS UNSECURED PRIORITY CLAIMS															
Pre-petition taxes - Murietta (used 10% over 5 years)															
Pre-petition taxes - Los Angeles (used 10% over 5 years)															
Pre-petition FTB - 3% over 5 years paid quarterly															
TOTAL UNSECURED PRIORITY CLAIMS															
Equity Holders Payments															
Management Fees #															
Torstein Fees															
Insurance															
FDIC Taxes - Murietta - 4/1/11-12/31/11 **															
FDIC Taxes - Murietta (Original Industrial Rail (Quarterly))															
Legal Expenses - Welfare															
Committee Counsel															
Post-Confirmation Committee															
Tax Return Preparation Fees															
Consultants, engineers - costs for property improvements															
TOTAL PAYMENTS															
ENDING CASH BALANCE															

														Starting Cash	
														\$ 389,838.08	
CASH - CONTRIBUTIONS - NOTE PAYABLES															
CASH - CONTRIBUTIONS - NOTE PAYABLES															
INTEREST INCOME															
INTEREST PAYMENTS - GILMARTIN & HUMPHREY															
CREDITORS SECURED CLAIMS															
1% Note - Secured by LICs 1 & 2															
Enhanced Income Fund 1, LLC - 5.5% 25yr amort - Start 3/1/12															
Charles Dunn Capital, LLC - 5.5% 25yr amort - Start 3/1/12															
Enhanced Income Fund 1, LLC - 6.5% 25yr amort - Start 3/1/12															
TOTAL SECURED CLAIMS PAYMENTS															
CREDITORS UNSECURED PRIORITY CLAIMS															
Pre-petition taxes - Murietta (used 10% over 5 years)															
Pre-petition taxes - Los Angeles (used 10% over 5 years)															
Pre-petition FTB - 3% over 5 years paid quarterly															
TOTAL UNSECURED PRIORITY CLAIMS															
Equity Holders Payments															
Management Fees															
Torstein Fees															
Insurance															
FDIC Taxes - Murietta - 4/1/11-12/31/11 **															
FDIC Taxes - Murietta (Original Industrial Rail (Quarterly))															
Legal Expenses - Welfare															
Committee Counsel															
Post-Confirmation Committee															
Tax Return Preparation Fees															
Consultants, engineers - costs for property improvements															
TOTAL PAYMENTS															
ENDING CASH BALANCE															

	Year 7 Start	1/1-1/31/18	2/1-2/28/18	3/1-3/31/18	4/1-4/30/18	5/1-5/31/18	6/1-6/30/18	7/1-7/31/18	8/1-8/31/18	9/1-9/30/18	10/1-10/31/18	11/1-11/30/18	12/1-12/31/18	TOTALS
CASH - CONTRIBUTIONS - NOTE PYMT C/MG	384,289.81	7,142.00	7,142.00	7,142.00	7,142.00	7,142.00	7,142.00	7,142.00	7,142.00	7,142.00	7,142.00	7,142.00	7,142.00	\$ 81,977.00
SALE OF MURBETA														\$ 52,950,000.00
SALE OF PARCELS M & N														\$ 58,913,388.54
SALE OF LOT 39														\$ 130,964.38
INTEREST INCOME		2,673.20	2,587.74	2,822.82	1,421.10	1,328.55	1,256.47	2,590.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	\$ 19,259.38
CHEMICALS SECURED CLAIMS														
NEW CO - SECURED BY LOSS 1 & 2	66,000.00													
Enhanced Income Fund 1, LLC - 6% 25yr amort *	3,390,747.76	23,986.27	23,986.27	23,986.27	23,986.27	23,986.27	23,986.27	23,986.27	23,986.27	23,986.27	23,986.27	23,986.27	23,986.27	\$ 287,653.24
Charles Dunn Capital, LLC - 5.5% 25yr amort **	232,053.20	1,593.14	1,593.14	1,593.14	1,593.14	1,593.14	1,593.14	1,593.14	1,593.14	1,593.14	1,593.14	1,593.14	1,593.14	\$ 19,117.68
Enhanced Income Fund 1, LLC - 6.5% - 25yr amort ***	487,422.05	3,590.98	3,590.98	3,590.98	3,590.98	3,590.98	3,590.98	3,590.98	3,590.98	3,590.98	3,590.98	3,590.98	3,590.98	\$ 43,091.78
TOTAL SECURED CLAIMS PAYMENTS		\$ 29,170.39	\$ 29,170.39	\$ 29,170.39	\$ 29,170.39	\$ 29,170.39	\$ 29,170.39	\$ 29,170.39	\$ 29,170.39	\$ 29,170.39	\$ 29,170.39	\$ 29,170.39	\$ 29,170.39	\$ 350,444.69
Pre-petition taxes - Murfield (used 10% over 5 years)														
Pre-petition taxes - Los Angeles (used 10% over 5 years)														
Pre-petition taxes - 3% over 5 years paid quarterly														
TOTAL UNSECURED PRIORITY CLAIMS														
Equity Holders Payments														
Management Fees														
Insurance		6,284.00	6,284.00	6,284.00	6,284.00	6,284.00	6,284.00	6,284.00	6,284.00	6,284.00	6,284.00	6,284.00	6,284.00	\$ 79,000.00
Prob. Fees - Murfield					13,470.40			588.57	13,470.40				588.57	\$ 28,527.87
Prob. Fees - Charles Dunn/Industrial Rail (quarterly)														\$ 40,000.00
Legal Expenses														\$ 5,000.00
Tax Return Preparation Fees														
Post-Confirmation Committee														
Consultants, engineers - costs for property improvements		25,000.00												\$ 25,000.00
TOTAL PAYMENTS		\$ 470,545.39	\$ 46,060.96	\$ 35,454.39	\$ 148,924.79	\$ 46,050.96	\$ 36,504.39	\$ 435,059.96	\$ 67,840.79	\$ 29,370.39	\$ 429,370.39	\$ 39,370.39	\$ 29,986.96	\$ 1,805,109.75
ENDING CASH BALANCE	10,644,797.69	\$ (78,343.38)	\$ (112,664.50)	\$ (138,454.36)	\$ (278,818.09)	\$ (316,938.46)	\$ (344,204.38)	\$ 11,092,775.20	\$ 11,037,914.41	\$ 10,681,170.63	\$ 10,673,764.62	\$ 10,644,797.66	\$ 29,986.96	\$ 1,805,109.75

Remaining Balance 10,644,797.69

- * Balloon due 1/1/2019 - Enhanced Income 3,303,997.54
- ** Balloon due 1/1/2019 - Charles Dunn 218,141.57
- *** Balloon due 1/1/2019 - Enhanced Income 475,058.59
- Total Balloon payments due 3,997,805.70

Balance available & payments made to Equity Holders \$ 846,881.62

Equity Payment Available from 7 year plan \$ 700,000.00

TOTAL EQUITY PAYMENTS \$ 1,546,881.62

45,277,958.96	Rec'd to
27,289.93	Investors
27,289.93%	

INTEREST CALCULATIONS

111847.932	95590.28571	89889.70646	50756.47789	43862.94586	37927.20223	213899.4886	185017.4398	179579.8718	412934.2989	397811.7414	391108.8424
236047.8204	222011.2925	474584.1537	870182.4149	80323.982	854461.2505	708900.2478	652236.2384	619243.6631	474726.7777	431507.6571	580477.6277
408808.8564	571428.3353	590867.2782	427786.8978	394482.8407	249615.3869	166966.109	163558.412	1498736.742	1454150.659	1421936.838	1421936.838
11441.01477	1414921.808	1383375.925	1128038.034	1085829.521	1057438.193	1165286.512	1074563.285	1074563.285	2180394.811	2139614.358	2108246.916
1744088.218	1700620.871	2077256.003	1727056.024	203232.467	2093461.886	1754968.766	1674557.988	1481022.37	1335886.836	1294565.084	1270419.295
2031942.569	1869434.028	1872365.213	1534582.402	1489758.551	1994156.998	1568693.531	1516070.721	1481022.37	1084917.739	1028731.629	1528077.339
1071981.601	1035095.538	1008049.899	584441.2802	530020.82	502586.0117	1193958.59	1188470.8	1185531.41	1142780.102	1153986.56	11507988.6

NOTE: When using this form to indicate service of a proposed order, **DO NOT** list any person or entity in Category I. Proposed orders do not generate an NEF because only orders that have been entered are placed on the CM/ECF docket.

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:

650 Town Center Drive, Suite 950, Costa Mesa, California 92626

A true and correct copy of the foregoing document described as **DISCLOSURE STATEMENT DESCRIBING CHAPTER 11 PLAN** will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner indicated below:

I. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING("NEF") - Pursuant to controlling General Order(s) and Local Bankruptcy Rule(s) ("LBR"), the foregoing document will be served by the court via NEF and hyperlink to the document. On **August 30, 2011**, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following person(s) are on the Electronic Mail Notice List to receive NEF transmission at the email address(es) indicated below:

Service information continued on attached page

II. SERVED BY U.S. MAIL OR OVERNIGHT MAIL (indicate method for each person or entity served):

On **August 30, 2011**, I served the following person(s) and/or entity(ies) at the last known address(es) in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States Mail, first class, postage prepaid, and/or with an overnight mail service addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

III. SERVED BY PERSONAL DELIVERY, FACSIMILE TRANSMISSION OR EMAIL (indicate method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **August 30, 2011**, I served the following person(s) and/or entity(ies) by personal delivery, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on the judge will be completed no later than 24 hours after the document is filed.

The Honorable Robert Kwan, 411 W. 4th Street, Suite 2030, Santa Ana, CA 92701

Service information continued on attached page

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

August 30, 2011

Date

Kelly M. Rivera

Type Name

/s/ Kelly M. Rivera

Signature

SERVICE LIST

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Santa Ana, CA 92701

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c/o Covenant Management Group, LLC
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Irvine, CA 92612

Debtor

Securities and Exchange Commission
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