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UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

In re CREDITWEST CORPORATION a California corporation, Debtors	Case No. 10-11212 (Chapter 11) **DISCLOSURE STATEMENT FOR CREDITORS' COMMITTEE'S PLAN OF REORGANIZATION**

THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA AS CONTAINING ADEQUATE INFORMATION AS REQUIRED BY THE BANKRUPTCY CODE FOR SOLICITATION OF ACCEPTANCES OF THE CHAPTER 11 PLAN OF REORGANIZATION DATED JULY 30, 2010, AND FILED BY THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS IN THIS PROCEEDING. HOWEVER, APPROVAL OF THE DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT OF THE PLAN BY THE COURT. THE COURT HAS MADE NO INDEPENDENT INVESTIGATION OR DETERMINATION OF ANY FACTUAL STATEMENTS OR DOLLAR VALUES SET FORTH IN THE PLAN OR THE DISCLOSURE STATEMENT.

I. EXECUTIVE SUMMARY

This Disclosure Statement has been prepared by the Official Committee of Unsecured

Creditors (the "Committee") in this Chapter 11 case to give Creditors sufficient information to intelligently vote on the accompanying Creditor's Committee Plan of Reorganization. [1] Creditors should consult their own advisors before making a decision on how to vote.

WHO IS PROPOSING THIS PLAN ?

This Plan is being proposed by the Official Committee of Unsecured Creditors. The Committee is a group of 5 creditors holding combined claims of almost $2,000,000 against the Debtor Creditwest. The Committee was appointed by the Office of the U.S. Trustee, a component of the U.S. Department of Justice, pursuant to Bankruptcy Code Sections 1102 and 1103. The job of the Committee is to participate in the formulation of a Chapter 11 Plan, . represent the overall interests of unsecured creditors and protect their interestsm, and provide supervision of the debtor in possession[2].

Most Chapter 11 Plans are proposed by the debtor; i.e., the bankrupt entity. In this case the Committee is proposing its own Plan because it vigorously objects to the management of the Debtor. The Committee contends that the Debtor's management is **not** acting in the best interests of Creditors, and it is only through a Creditor's Plan that any return can be salvaged for Creditors.

WHY THE SECURED CREDITORS SHOULD VOTE FOR THE PLAN

The Debtor's Secured Creditors should vote for the Plan because it will provide them with prompt, full payment of their contract rate of return.

WHY UNSECURED CREDITORS SHOULD VOTE FOR THE PLAN

In the Committee's unanimous opinion, all unsecured Creditors should vote for the Plan, because if the Plan is not confirmed the likely scenario is that the Debtor's business will continue to diminish under current management and Creditors will get nothing. The Debtor disputes this

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[1] Capitalized terms are defined in the Plan.

[2] House Report No. 95-595, 95th Cong., 1st Sess. (1977) p. 401

view.

HOW TO VOTE ON THE PLAN

An acceptance or rejection of the Plan may be voted by completing the ballot which accompanies the Plan and mailing, faxing, or emailing it to MacConaghy & Barnier, PLC, attorneys for the Committee, 645 First Street West, Sonoma, California 95476, (707) 935-7501, macclaw@macbarlaw.com.

DISCLAIMER OF FINANCIAL INFORMATION PROVIDED BY THE DEBTOR

In order to comply with requirements of Bankruptcy Code Section 1125 concerning the adequacy of Disclosure Statements, the Committee as a Plan proponent must provide the best available financial information concerning the Debtor. Virtually all of the financial information contained in this Disclosure Statement comes from unaudited data under the Debtor's control. The Committee cannot independently verify the accuracy of this information.

II. SIGNIFICANT FINANCIAL INFORMATION CONCERNING THE DEBTOR

A. SUMMARY OF THE DEBTOR'S BUSINESS

The Debtor is a California corporation organized in 1999. It is controlled and primarily owned by two families. It is in the business of purchasing and servicing "subprime" retail installment sales contracts for used vehicles. These credit instruments typically have a very high interest rate, sometimes in excess of 20% per annum, but they require very active and expensive servicing and have a high rate of default.

A typical example of the way the Debtor's business works is the following: A retail used care dealer sells a car for $11,000, and finances $10,000 of the purchase price for 42 months at a high-interest rate. The dealer then sells the $10,000 financing agreement to the Debtor for $10,000. The dealer gets an immediate cash advance of $7,000. The remaining $3,000 is held back as the "dealer reserve account". As the consumer borrower pays off the balance, the Debtor repays or credits the dealer with the balance in the dealer reserve account. The Debtor gets all of the interest and bears the collection costs. Depending on the dealer involved, there are different

"recourse" arrangements as to the dealer's ongoing financial responsibility for the payments by the consumer-borrower. Some of the Debtor's contracts are "full recourse", meaning that the dealer effectively guaranties the payment throughout the life of the retail installment contract. In these situations, the dealer typically gets a higher percentage; e.g., 80%, of the initial payment. Others are full recourse for only the first 60 days of the life of the loan; after that the liability of the dealer is limited to the amount in the dealer reserve.

The Debtor must do five things right to make money: (1) select the right retail auto installment credit paper to buy, (2) price it correctly, (3) buy the right amount given the economies of scale, (4) efficiently collect from the consumer-borrowers, and (5) maintain an appropriate level of overhead and debt service expense.

B. THE DEBTOR'S FINANCIAL PROBLEMS

The Debtor was heavily leveraged. In the recent past, the Debtor has funded its purchase of retail auto installment credit paper from two sources. First, it has a revolving line of credit in the approximate amount of $7,000,000 from Texas Capital Bank, secured by a first position lien on all of the credit paper. Second, it has borrowed another $3,000,000 from receivables factors and private individuals on short term, interest-only notes. About half of these notes are held by the management/shareholders of the Debtor or their families (defined by the Bankruptcy Code as "Insiders").

At the peak of its operations, the Debtor had three locations – Rohnert Park, Sacramento, and San Diego. The Committee believes that the San Diego operation was financially disastrous. In a short period of time the Debtor lost over $1,000,000 on "non-recourse" transactions with a small group of dealers. The Debtor was force to close this office, even though it meant breaching its lease.

In an attempt to recover, the Debtor sold over $2,000,000 of its retail auto installment credit paper in bulk to Trifish Finance, Inc. and used the proceeds to cure various of its own credit defaults. While this transactions may have been necessary, in the Committee's opinion

the Debtor's remaining asset base was insufficient to generate the income sufficient to maintain the overhead expense of the Debtor's two remaining locations at Sacramento and Rohnert Park, especially given the nepotistic employment practices of the Debtor. Further, as the Committee understands it, when the Debtor made this and other bulk sales of its credit paper, it retained the liability on the Dealer Reserve Accounts associated with these transactions.

In early 2010, the Debtor's secured credit line with Texas Capital Bank matured. The Debtor was unable to refinance this obligation, and on April 4, 2010 it filed this Chapter 11 Case.

C. POST-BANKRUPTCY DEVELOPMENTS

Following the filing of the Chapter 11 Cases, the Debtors filed all required Schedules, Statements of Affairs, and other initial papers. As is noted above, the Office of the U.S. Trustee appointed a five person Official Committee of Unsecured Creditors, consisting of four private lenders and the holder of the largest Dealer Reserve Account. Three of the private lenders are experienced in the used car business.

The Debtor has been able to maintain a positive cash flow since the filing of the Chapter 11 Case. Pertinent portions of its motion recent Monthly Operating Report filed with Court are attached as Exhibit 1. However, in the Committee's opinion, which is shared by Texas Capital Bank, since the filing of the Chapter 11 case, the Debtor's financial condition is significantly deteriorating, because its asset base is shrinking at the rate of approximately $700,000 per month without a corresponding decrease in its liabilities.

The Debtor's financial records show gross consumer auto finance receivables of $16,432,352 as of June 30, 2010. However, the present value of these receivables is significantly less than the gross amount shown. The gross amount include unearned finance charges due in the future from consumer borrowers of approximately $3.5 million. (In other words, the Debtor's accounting is analogous to a person calculating his or her mortgage balance as the sum of all monthly payments due for the 30 year life of the loan). The gross amount

further include a significant amount of uncollectible receivables, which the Debtor calculates at around $500,000, but may actually be as much as $1.5 million. They further include at least $3 million due to retail auto dealers on the Dealer Reserve Claims, which must be paid back as the receivables are collected. In short, the Committee believes that the actual value of the Debtor's financial assets as of June 30, 2010 is approximately $10,000,000.

There have been a number of disputes between the Debtor's management and the Committee since the filing of the case. The Committee has advised the Debtor to close its Sacramento operation. The Debtor has refused. The Committee requested the Debtors to immediately terminate and/or limit the employment and compensation of certain family members and personal relations of management. The Debtor refused. Most importantly, in the Committee's opinion, the Debtor has not responsibly and diligently pursued efforts to sell its business as a going concern. (The Debtor vigorously disputes this characterization).

D. THE ANTICIPATED SALE OF THE DEBTOR'S FINANCIAL ASSETS

In mid-June, 2010, the Committee received an inquiry concerning a possible purchase of the Debtor's financial assets (i.e., its retail auto installment credit paper) from County Financial Services, an established industry participant. The Committee immediately forwarded County Financial's request for information to the Debtor. There is a dispute between the Committee and the Debtor as to whether Debtor's management diligently responded. After a month, the Debtor finally provided the requested due diligence information to County Financial. Shortly after it received this information, County Financial made a proposal to purchase most of these assets for $9,150,000 cash, in a transaction which would include assumption of many or most of the Dealer Reserve Claims. Somewhat to the frustration of the Committee, the Debtor declined to accept or even attempt to negotiate a better deal.

The Committee has taken the initiative and is attempting to consummate a sale through the accompanying Plan. The Committee itself does not have the power or authority to bind the Debtor to sell its assets, but the Committee does have the power to seek appointment of a

Liquidating Trustee over the Debtor to do so. The Committee is doing this through its Plan.

III. SUMMARY OF THE COMMITTEE PLAN

This is a liquidating Plan of Reorganization. The Committee's Plan is premised on the successful closing of a cash sale of most the Debtor's financial assets to County Financial Services, or other Successful Bidder pursuant to an auction procedure specified in the Plan, which the Committee hopes and expects will generate proceeds considerably in excess of the initial $9,150,000 proposal of County Financial Services. Upon the closing of the sale, the Debtor will terminate operations and be dissolved. The Committee's Plan is further premised on the assumption that most of the Dealer Reserve Claim liabilities will be incorporated into this transaction. From the proceeds of sale, the Secured Claim of Texas Capital Bank will be satisfied. The balance will be placed under the control of a Liquidating Trustee – a professional fiduciary nominated by the Committee and appointed by the Court. The Liquidating Trustee will sell or abandon any assets not sold to the Successful Bidder. The Liquidating Trustee and the Committee will pursue appropriate litigation claims. In the meantime, the balance of funds created by these efforts will be distributed to Creditors in accordance with the priorities established by the Bankruptcy Code. This is discussed in detail below.

The treatment of claims and interests described below applies only to Allowed Claims. Determination of the amounts due to Creditors will be after reconciliation of the amount claimed by the Creditor in question with the Debtors' business records. In the event of a dispute, the Committee or the Liquidating Trustee will file objections to the allowance of the claim in question.

The treatment of each particular type of Creditor is described below.

A. CLASSIFIED CLAIMS AND INTERESTS

The Plan divides Claims and Interests into 9 classes. A description of each class and the its treatment under the Plan follows.

Class 1: Secured Claim of Texas Capital Bank

Texas Capital Bank holds a Secured Claim in the approximate amount of $7,000,000 secured by all of the Debtor's retail auto installment credit paper. The Plan provides that this debt will be cured and satisfied in full through the sale to the Successful Bidder. The Committee contends that as result of this cure through the Plan, all default interest and other penalties for non-payment will be voided under the rule of *In re Entz-White Lumber & Supply, Inc.* 850 F.2d 1338 (9th Cir. 1988). This Class is impaired and entitled to vote on the Plan.

Class 2: Secured Claim of Summit State Bank

Summit State Bank holds a Secured Claim in the approximate amount of $45,000 secured by certain executive automobiles used by the Debtor's management. The Plan provides that this Creditor will be free to exercise its right to repossess and resell those vehicles in accordance with State law. If there is a lawful deficiency claim, it will be treated as a Class 6 general unsecured claim. This Class is unimpaired and not entitled to vote on the Plan.

Class 3: Priority Claims for Wages and Employee Benefits.

Bankruptcy Code Section 507(a)(4) provides that unsecured claims for wages, salaries or commissions, including vacation, severance and sick leave pay earned within 180 days before the date of the filing of the Petition, in an amount not to exceed $10,950 for each individual, are entitled to priority. Bankruptcy Code Section 507(a)(5) provides a priority for unpaid contributions to employee benefit plans arising from services rendered within 180 days before the date of the filing of the Petition,, also with certain monetary limitations thereon. The Committee does not believe that the Debtor may owe priority wage and benefit claims of approximately $43,000. This class is unimpaired and not entitled to vote on the Plan.

Class 4: Priority Consumer Deposit Claims.

Bankruptcy Code Section 507(a)(7) provides that unsecured claims for consumer deposits owed by a debtor, in an amount not to exceed $2,425, for each individual, are entitled to priority. Priority consumer deposit claims include tenant security deposits. The Committee

does not believe that the Debtor owes any priority consumer deposit claims, but has made a provision for the payment of such claims if an Allowable proof of claim is timely filed by a priority consumer deposit claimant. This class is unimpaired and not entitled to vote on the Plan.

Class 5: Administrative Convenience Claims

Bankruptcy Code Section 1122(b) permits a Plan proponent tor to separately classify and treat small claims for "administrative convenience". The Plan provides that Creditors holding Claims of less than $2,500.00 (other than Dealer Reserve Claims) will be designated an "Administrative Convenience Class". These Creditors will be paid a lump sum dividend of two thirds (2/3) of the amount of their claims on the Effective Date of the Plan. The Committee believes that the Class 5 Claims total approximately $16,000. This Class is impaired and entitled to vote on the Plan.

Class 6: Dealer Reserve Claims

The Debtor owes contingent, unliquidated liabilities to its retail auto dealer customers for the amounts held back in reserve on its purchase of retail auto installment credit paper. As the Committee calculates it, the scheduled amount of these claims is approximately $4,500,000. However, the Committee believes that the Debtor has separately booked set offs for existing bad consumer debts of approximately $1,500,000, so that the net Dealer Reserve Claims are approximately $3,000,000. This amount is subject to further deduction depending on the performance of the consumer credit obligations in question. It is the Committee's expectation that these Dealer Reserve Claims will be assumed and paid in the ordinary course of business by the Successful Bidder of the Debtor's assets. If any particular Dealer Reserve agreement is rejected, it will be treated as a Class 8 General Unsecured Claims. This Class is impaired and entitled to vote on the Plan.

Class 7: Insider Claims

The Committee estimates that "Insiders" (e.g., direct and indirect owners, managers, and their relatives) of the Debtor hold claims against the Debtor for "loans" totaling over

$1,250,000. The Committee believes that due to the undercapitalization and mismanagement of the Debtor, these claims should be subordinated to all other unsecured Creditors pursuant to Bankruptcy Code Section 510(c). The Plan provides that the Committee will prosecute that litigation. If that litigation is successful, the Claims will receive nothing. If the litigation is unsuccessful, the Class 7 Insider Claims will share on par with the General Unsecured Creditor Claims. This Class is impaired and entitled to vote on the Plan.

Class 8: Claims of General Unsecured Creditors

General Unsecured Creditors will be paid a Pro Rata dividend from the Available Cash remaining from the administration of the Debtor's financial assets after payment of the Class 1, 3, 4, and 5 Claims. The return to General Unsecured Creditors is uncertain and depends upon two variables. First, there is the question of how much will be available to distribute to these creditors, which is dependent upon the ultimate price achieved through the auction and liquidation process. The Committee's current assumption is that this amount will be $2,000,000, though it could be more or less. Second, there is the question of the amount of the total Class 8 Claims. The Committee believes that the minimum amount of allowable Class 8 Claims is approximately $2,500,000. However, that number could increase by the following amounts: (1) there are disputed tort and other litigation claims against the Debtor of approximately $600,000; (2) the Class 7 Insider Claims of $1,250,000 could be treated on par with other General Unsecured Creditor Claims if the Committee's litigation is unsuccessful; (3) significant lessor and Dealer Reserve Claims could be treated as general unsecured claims. Depending upon these variables, the dividend to the Class 8 Claims could be as much as 80% or as little as 25%. This Class is impaired and entitled to vote on the Plan.

Class 9: The Holders of Stock Interests in the Debtor

The holders of common or preferred stock Interests in the Debtor shall receive nothing under the Plan and their Interests shall be cancelled on the Effective Date. This Class is impaired and is deemed to have rejected the Plan pursuant to Bankruptcy Code Section 1126(g).

B. UNCLASSIFIED CLAIMS

Section 1123(a)(1) of the Bankruptcy Code provides that certain claims, including claims for post-petition administrative expenses (including professional fees) and certain claims by governmental units for taxes, are not classified under the Plan. Entities holding unclassified claims are not entitled to vote on the Plan.

Any unpaid professional fees incurred up through Confirmation will be paid if and when allowed by the Court pursuant to Bankruptcy Code Section 330. The Committee's' counsel estimates that there will be accrued and unpaid professional fees for all parties of approximately $150,000 as of the Effective Date of the Plan, though this number could be greater or lesser depending upon whether there is litigation over confirmation of the Plan and whether consummating the sale of the Debtor's assets is unduly complex. . All other post-petition administrative expenses, including quarterly fees due or to become due to the United States Trustee will be paid as of the Effective Date of the Plan. The Committee estimates that, other than professional fees, unpaid administrative expenses for all four cases will be less than $5,000.

All tax claims entitled to priority under Bankruptcy Code Section 507(a)(8) will receive deferred cash payments over a period not to exceed five (5) years after the Petition Date, as provided by Bankruptcy Code Section 1129(a)(9)(C). Tax claims will bear interest at the rate specified in Section 6621 of the Internal Revenue Code. Unclassified Tax Claims do not include local real estate taxes, which are separately classified as Class 1, as described below, due to the secured status of those Claims. The Committee believes that the Debtor owes unclassified Tax Claims of $800.00.

C. OTHER PROVISIONS OF THE COMMITTEE PLAN

The Committee Plan contains a number of other provisions concerning its implementation. The following is a summary. Consult the Committee Plan itself for details.

1. Sale of Financial Assets

The most significant aspect of the Committee Plan is the provision for the auction sale of

most of the Debtor's consumer credit paper to the Successful Bidder through the auction procedure set forth in detail in the Plan. The Committee believes that, as of the date of hearing on this Disclosure Statement, County Financial Services will make a binding offer to purchase these assets at an acceptable price and qualify as the "Stalking Horse Bidder". The initial bid by County Financial Services or another buyer will be subject to overbidding through a detailed auction procedure. The Successful Bidder will acquire the assets. In the event the "Stalking Horse Bidder" is outbid, it will receive a "break-up fee" in the amount of $100,000 to compensate it for its time and expense in performing due diligence and tying up its capital resources. The minimum initial overbid is set at $200,000, to ensure that there are sufficient funds to pay the "break-up fee" and generate an additional return for the Estate.

2. Key Employee Retention Plan

To ensure that there is a smooth transition between the Estate and the Successful Bidder, the Plan provides that certain designated employees of the Debtor who remain on staff through the closing will be paid a retention bonus equal to 30 days' salary.

3. Post Confirmation Management

Following Confirmation, the Debtor will be dissolved and its remaining business operations discontinued. The wind up of its affairs will be managed by a Liquidating Trustee – a professional fiduciary appointed by the Court. The Liquidating Trustee will be compensated on the same statutory commission basis as a Chapter 7 Trustee. In addition, the Liquidating Trustee will have the right to retain his or her own professionals, who will be compensated from the sales proceeds and other Estate assets. This expense could be considerable. The identity of the Liquidating Trustee will be set forth in the Confirmation Order.

4. Post-Confirmation Compensation and Reimbursement of Professionals.

All professionals employed by the Committee or the Liquidating Trustee shall be entitled to payment of their post-Confirmation fees and reimbursement of expenses in the ordinary course of business without the necessity of Court approval. Pre-confirmation compensation

remains subject to the noticed motion requirements of Bankruptcy Code Section 330.

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5. Executory Contracts

Bankruptcy Code Section 365 gives special consideration to "executory contracts", which are contracts requiring ongoing performance of both the debtor and the other party to the contract. In this Case "executory contracts" include the Debtor's two real property leases for its Rohnert Park and Sacramento locations. Unless these locations are taken by the Successful Bidder, it is anticipated that these leases will be rejected. The other executory contracts to which the Debtor is a party are the Dealer Reserve agreements. The Committee anticipates that these will be assumed and assigned to the Successful Bidder. The Committee does not believe that the Debtor is a party to any other "executory contracts". As a precautionary matter, the Plan provides that any such executory contract which exists is deemed rejected as of the Effective Date. However the Plan further provides that this designation may be changed and that any executory contract may be assumed or rejected up through the time of Confirmation. If there is a rejected executory contract is timely rejected by the Debtor, the holder of the contract right may have a "Rejection Claim" as defined in the Plan and subject to the deadlines and treatment specified therein.

6. Distributions and Claims.

Subject to the deadlines in the Plan, distributions will be made to a given Creditor when its Claims are Allowed Claims, as defined in the Plan. Proofs of Claim, when required, must be filed with the Bankruptcy Court no later than the applicable Claims Bar Date (which for most prepetition Claims was July 29, 2010) or the applicable Governmental Unit Claims Bar Date for prepetiton tax and similar Claims (September 27, 2010). However, Bankruptcy Rule 3001(b) provides that it is not necessary for a Creditor to file a proof of Claim if its Claim has been listed on the Debtor Schedules filed with the Bankruptcy Court pursuant to Section 521(a)(1) of the Bankruptcy Code and Rule 1007(a)(3) of the Bankruptcy Rules, and is not listed as disputed,

contingent, unliquidated or unknown as to amount. Except as provided by the Plan or as otherwise permitted by the Bankruptcy Court, the Bankruptcy Rules or applicable law, upon expiration of the applicable bar date, proofs of Claim may not be filed or amended unless the amendment is solely to decrease the amount or priority. Distributions to Creditors under the Plan will be made to the Persons shown on the Debtor's or the Bankruptcy Court's records on the Effective Date.

Any party who acquires a claim against the Estate after the Effective Date must arrange with the holder on that date to receive distributions to which the transferee may be entitled. Neither the Committee nor the Liquidating Trustee will be required to track changes in ownership of claims after the Effective Date.

Objections to any Claim may be filed by any party in interest and shall be filed no later than the Claims Objection Date, which is defined in the Plan as 90 days after the Effective Date.

7. Reservation of Litigation Rights

Under the Plan the Estate is reserving all litigation rights and defenses against all Creditors and any third party, including without limitation (1) any claims and causes of action under the Bankruptcy "avoidance statutes" set forth in Bankruptcy Code Sections 502, 506, 510, 542, 542, 543, 544, 545, 547, 548, 549, 550, and 553 and (2) the right to object to any Claim, even if the Creditor in question votes to accept the Plan. If litigation claims exist against Affiliates or Insiders of the Debtors, they will be pursued by the Committee. If such claims exist against third parties, they will be pursued by the Liquidating Trustee. The failure of this Disclosure Statement to disclose or discuss any particular potential Claim objection, cause of action or claim for relief held by the Debtor or the Bankruptcy Estate is not and shall not be construed as a settlement, compromise, waiver, or release of any such Claim objection, cause of action or claim for relief. **The Claim of any Creditor is subject to objection by a party in interest and disallowance by the Court, even if that Creditor votes in favor of the Plan.**

8. Retention of Jurisdiction.

The Plan provides that the Bankruptcy Court shall retain broad jurisdiction under the Bankruptcy Code to adjudicate any disputes arising out of the Plan, the administration of the Cases, and claims for relief held by the Debtor, the Liquidating Trustee, or the Committee.

9. Persons Bound/Plan Injunction.

Confirmation of the Plan binds the Debtor, any entity acquiring property under or otherwise accepting the benefits of the Plan, and every Creditor and Equity Security Holder, whether or not such Creditor or Equity Security Holder has filed a proof of Claim or Interest in the Bankruptcy Cases, whether or not the Claim or Interest of such Creditor or Equity Security Holder is impaired under the Plan, and whether or not such Creditor or Equity Security Holder has accepted or rejected the Plan. The Confirmation Order shall further impose a "channeling injunction" to bar Creditors from taking any action to pursue their Claims other than through the Plan process.

IV. FEASIBILITY OF THE COMMITTEE PLAN

Because this is a liquidating plan, the only contingency is the closing of the sale of the Debtor's financial assets to the Successful Bidder. At this time, the Committee believes that there is a reasonable prospect that this will occur. A number of different parties, including County Financial Services, have expressed interest in a bulk sale of the Debtor's assets, and the Debtor has been able to successful arrange for bulk sales in the past.

If a satisfactory sale is not in escrow as of the Confirmation Hearing, the Committee reserves the right to withdraw or radically amend this Plan. Should the Committee file an amended Plan, the Court will determine whether a new disclosure statement is required.

Aside from financial matters, the Committee believes that it can comply with all technical requirements of the Bankruptcy Code necessary to confirm and substantially consummate the Plan.

V. ALTERNATIVES TO THE COMMITTEE'S PLAN

A. Chapter 7 Liquidation

In a Chapter 7 liquidation proceeding, the Debtor's interest in any assets of the Estate would vest in a Chapter 7 trustee, who would either release them to the respective secured creditors or attempt to sell those assets to third parties and distribute any proceeds pro rata to all creditors of the estate under the priorities established by Bankruptcy Code Section 507. A Chapter 7 Trustee also has the statutory power to assert "avoidance claims" and other litigation claims held by the Estate against third parties pursuant to Bankruptcy Code Sections 506, 510, 541, 544, 545, 547, 548, and 549, which can generate funds to pay unsecured creditors.

Because the Committee's Plan is a liquidating plan or reorganization, it is similar in operation to Chapter 7. However, the Committee believes that the Plan is more beneficial to creditors than Chapter 7 for a number of reasons.

First, under the Committee Plan the Estate is utilizing its power under Bankruptcy Code Section 1123(a)(5) to "cure" the secured indebtedness of Texas Capital Bank, which the Committee believes will save the Estate at least $250,000 in default rate interest and other penal fees. A Chapter 7 Trustee lacks these powers.

Second, under the Committee Plan the Debtor's business will continue to be operated by its key employees up through the closing of the sale to the Successful Bidder. This should maximize the value of the Debtor's assets to ensure a smooth transition to the new owner. Typically, a Chapter 7 Trustee would shut down the business as soon as he or she were appointed.

Third, under the Committee Plan, distributions to creditors will start shortly after Confirmation. In a Chapter 7 proceeding, distributions are not made until the end of the case, which could easily take 3 years or more.

B. The Debtor's Plan

The Bankruptcy Code permits different parties to propose competing plan of reorganization under certain circumstances. On July 15, 2010, the Debtor filed its own Plan and

Disclosure Statement. However, as of this writing, it has not sought approval of its Disclosure Statement or the permission to solicit acceptances from Creditors. The Debtor's Plan is a nullity until that occurs.

The Debtor's 7/15 Plan provides that the status quo will be maintained with respect to the Debtor's business operations, and the Debtor's 7/15 Plan purports to pay all creditors in full over five years. The Committee believes that its Plan is superior to the Debtor's 7/15 Plan for a number of reasons.

First, the Committee believes that there is no possibility, based on its past performance and current asset base, that the Debtor can pay its existing debts over 5 years, or at all. The Committee believes that Debtor will not make enough money to break even on post-confirmation operations, much less generate a surplus to pay its past debts.

Second, the Debtor's 7/15 Plan provides that in the event of a default – a certainty – all creditor claims get involuntarily converted into common stock interests in the Debtor. Under this scheme, the current stockholders would retain 49% of the stock and 51% of the stock would be distributed to "creditors". However, "creditors" include over $1,250,000 in Insider claims. So as a practical matter, the existing stockholders would continue to control the Debtor, and the bona fide unsecured creditors of the Debtor would be relegated to a powerless minority status.

Third, the Debtor's 7/15 Plan makes no distinction between "Insider" Claims and Claims held by bona fide trade creditors or unsecured lenders. The Debtor's 7/15 Plan fails to "reserve" litigation claims against Insiders for mismanagement, breach of fiduciary duty, preference liability, and other viable claims, giving these Insiders an unwarranted release of liability.

VI. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. In General

The following is a summary of certain United States federal income tax consequences of the Plan that may be material to Creditors and holders of common and/or preferred stock Interests (each a "Holder"). This discussion is included for general information purposes only

and is not intended to be, and is not, legal or tax advice to any particular Holder. This summary is based on the current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the Income Tax Regulations (the "Regulations") and other legal authorities, all of which are subject to change, possibly with retroactive effect. No rulings from the Internal Revenue Service (the "IRS") or opinions of counsel have been or will be requested concerning the matters discussed below. The tax consequences set forth in the following discussion are not binding on the IRS or the courts, and no assurance can be given that contrary positions will not be successfully asserted by the IRS or adopted by a court.

This summary does not address the taxation of the Debtor, Creditors, or the Holders under state, local law or foreign law.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY DEBTOR IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY DEBTOR OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

EACH HOLDER SHOULD CONSULT THE HOLDER'S OWN TAX ADVISOR TO DETERMINE THE HOLDER'S PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES AND OTHER TAX CONSEQUENCES TO THE HOLDER OF THE PLAN, INCLUDING ANY STATE, LOCAL AND FOREIGN TAX LAWS AND THE EFFECT OF ANY CHANGES IN SUCH LAWS.

B. Consequences to Debtor.

The Committee believes that the Debtor is a "C" corporation, and as such is taxed as a separate entity. The Debtor may incur a gain on the sale of its assets through the Plan, but their may be Net Operating Loss carryovers from prior years to offset these gains. If there is such a tax liability, it must be satisfied as an administrative priority expense from the proceeds of the

sale.

C. Consequences to Creditors.

Each Creditor should consult its own tax advisors concerning any income tax consequences of its respective treatment under the Plan.

D. Consequences to Stockholders.

Each Interest holder should consult its own tax advisors concerning any income tax consequences of its respective treatment under the Plan.

E. Wage Withholding.

If any Allowed Claim under the Plan constitutes "wages" for U.S. federal income tax purposes, the U.S. federal income tax rules applicable to wage withholding will apply to the payment of the Allowed Claim.

F. Backup Withholding.

U.S. federal income tax laws require that, to avoid backup withholding with respect to "reportable payments" (in an amount equal to 28%), a Creditor or Holder must (a) provide the Liquidating Trustee with its correct taxpayer identification number ("TIN") on IRS Form W-9 and certify as to its eligibility for exemption from backup withholding, or (b) establish a basis for exemption from backup withholding on an appropriate IRS Form W-8 (including a Form W-8BEN, W-8ECI, W-8EXP and W-8IMY) or IRS Form W-9, as applicable. Exempt Creditors and Holders (including, among others, all corporations and certain foreign individuals) are not subject to backup withholding and reporting requirements. If withholding is made and results in an overpayment of taxes, a refund may be obtained.

VII. VOTING, ACCEPTANCE AND CONFIRMATION

A. In General.

The Hon. Alan Jaroslovsky, Judge, United States Bankruptcy Court, has set a date for the hearing on the Confirmation of the Plan. The hearing is to held at the United States Bankruptcy Court, 99 South E Street., Santa Rosa, CA 95404. The Plan can be implemented only if accepted

by the requisite percentage of creditors and confirmed by the Bankruptcy Judge. Creditors entitled to vote should vote on the Plan by filling out and mailing the accompanying ballot to counsel. There is no assurance that, if accepted, the Plan will be confirmed by the Bankruptcy Judge.

B. Voting.

Only impaired classes under the Plan will be entitled to vote on the Plan. The definition of an "impaired" class of Creditors is set forth in Section 1124 of the Bankruptcy Code. Classes 1, 5, 6,7, and 8 are impaired by the Plan and entitled to vote. Class 9 is impaired, but pursuant to Section 1126(g) of the Bankruptcy Code it is conclusively presumed to have objected to the Plan and is thus not entitled to vote. No other Classes are impaired under the Plan. Pursuant to Section 1126(f) of the Bankruptcy Code, a class that is not impaired under the Plan, and each holder of a Claim or Interest of such class, are conclusively presumed to have accepted the Plan, and solicitation of acceptances with respect to such class from the holders of Claims or Interests of such class is not required. The Bankruptcy Code defines "acceptance" of a plan by a class of Creditors as acceptance by the holders of two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the claims of that class which actually cast ballots for acceptance or rejection of the Plan.

In addition to the requirement that a Creditor be in an "impaired class", in order for a creditor's vote to be counted, either for or against the Plan, the creditor must have either (1) filed a proof of claim on or before the "Claims Bar Date", which was previously set by the Court at June 7, 2010, or (2) have been listed by the Debtor in the Schedule of Liabilities as having a claim which was noncontingent and undisputed.

IF YOU HAVE ALREADY FILED A CLAIM YOU NEED NOT REFILE FOR THE PURPOSE OF VOTING ON THE PLAN.

If a Creditor wishes to vote for or against the Plan, the Creditor should complete an acceptance or rejection of the Plan on the form ballot enclosed herewith which must be returned

pursuant to the instructions set forth thereon.

C. Confirmation

If no impaired Creditor classes accept the Plan, it cannot be confirmed. If at least one impaired class of Creditors accepts the Plan, the Court will hold a Confirmation Hearing. At the Confirmation hearing , the Bankruptcy Judge has the duty to determine whether the Plan meets the requirements of Section 1129 of the Bankruptcy Code. The principal requirements of Section 1129 include the following: (1) that the proponents of the Plan have complied with the applicable provisions of the Bankruptcy Code on all matters connected with the case; (2) that the Plan has been proposed in good faith, and not by any means forbidden by law; (3) that the requisite amount of creditors have accepted the Plan or that the creditors are receiving an amount not less than they would receive if liquidation under Chapter 7 took place; (4) that at least one class of Creditors has accepted the Plan; and (5) that confirmation of the Plan is not likely to be followed by liquidation, or the need for further financial reorganization of the debtor; and (6) that the Debtor and the Plan in all other respects comply with applicable law. Only if such determinations are made will the Judge confirm the Plan.

If there are impaired Creditor classes which have rejected the Plan, the Bankruptcy Judge may order Confirmation over its rejection, but only if the Judge first determines that the rights of non-consenting classes of creditors are protected under Bankruptcy Code Section 1129(b) and other applicable law. The Committee intends to seek confirmation under Bankruptcy Code Section 1129(b) of this Plan.

D. Modification of the Plan.

The Committee may propose amendments to or modifications of the Plan under Section 1127(a) of the Bankruptcy Code and Bankruptcy Rule 3019 at any time prior to the conclusion of the hearing on Confirmation of the Plan. After the Confirmation Date, the Committee of the Liquidating Trustee may modify the Plan in accordance with Section 1127(b) of the Bankruptcy

Code and Bankruptcy Rule 3019.

V. CONCLUSION

It is time to "stop the bleeding" and stop running the Debtor's business for its management and shareholders. The Committee believes that its Plan of Reorganization realistically affords to Creditors their best opportunity for receiving a prompt, meaningful dividend. The Committee respectfully request Creditors vote to accept the Plan.

Dated: July 30, 2010

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF THE ESTATE OF CREDITWEST CORPORATION

By: /s/ Giulano R. Delapa
Giulano R. Delapa, Its Chair

Dated: July 30, 2010

MacCONAGHY & BARNIER, PLC

/s/ Jean Barnier
By Jean Barnier
Attorneys for the Official Committee of Unsecured Creditors