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8 **UNITED STATES BANKRUPTCY COURT**

9 **CENTRAL DISTRICT OF CALIFORNIA**

10 **SANTA ANA DIVISION**

11
12 In re

13 FREMONT GENERAL CORPORATION,
14 a Nevada corporation,

15 Debtor.

16 Taxpayer ID No. 95-2815260,
17

Case No. 8:08-bk-13421-ES

Chapter 11 Case

Honorable Erithe A. Smith

**RANCH CAPITAL, LLC'S CHAPTER 11
PLAN OF REORGANIZATION FOR
FREMONT GENERAL CORPORATION**

DATE: [To Be Determined]

TIME: [To Be Determined]

CTRM: 5041



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1 Ranch Capital, LLC (“Ranch Capital”), holders of Equity Interests in Fremont General
2 Corporation (the “Debtor”), and RC Fremont, LLC (“RC Fremont”), a newly formed affiliated
3 investment entity that is controlled by Ranch Capital and that has been created for the purpose of
4 implementing the new equity investments described herein, hereby propose this Chapter 11 Plan
5 of Reorganization for Fremont General Corporation under § 11 U.S.C. 1121(c) for the resolution
6 of Claims and Equity Interests.

7 All Creditors, holders of Equity Interests and other parties in interest should refer to the
8 Disclosure Statement for a discussion of the Debtor’s history, business, properties and the results
9 of operations, events leading up to the contemplated restructuring, financial projections for future
10 operations, and for a summary and analysis of the Plan and certain related matters.

11 **I. DEFINITIONS**

12 The following Defined Terms (which appear in the Plan as capitalized terms), when used
13 in the Plan, have the meanings set forth below:

14 **“Administrative Claim”** means a claim for administrative costs or expenses that are
15 allowable under section 503(b) of the Bankruptcy Code or 28 U.S.C. § 1930. These costs or
16 expenses may include: (a) Non-Ordinary Course Administrative Claims; (b) Ordinary Course
17 Administrative Claims; (c) Professional Fee Claims; (d) Administrative Tax Claims; and (e) U.S.
18 Trustee Fees.

19 **“Allowed Administrative Claim”** means an Administrative Claim that is allowed by a
20 Final Order.

21 **“Allowed Claim”** or **“Allowed Equity Interest”** means a Claim or Equity Interest, other
22 than an Administrative Claim, to the extent that:

1 1. Either: (1) a proof of claim or proof of interest was timely filed prior to the Claims
2 Bar Date; or (2) a proof of claim or proof of interest is deemed timely filed either
3 under Bankruptcy Rule 3003(b)(1)-(2) or by a Final Order; and Either: (1) the
4 Claim or Equity Interest is not a Disputed Claim or a Disputed Equity Interest; or
5 (2) the Claim or Equity Interest is allowed either by a Final Order or under the
6 Plan.

7 Any portion of a Claim that is satisfied or released during the Case is not an Allowed
8 Claim.

9 **“Allowed Class ‘__’ Claim”** means an Allowed Claim classified in the specified Class.

10 **“Allowed Amount”** means the amount at which Claim is allowed.

11 **“Assets”** means all assets of the Debtor’s Estate including “property of the estate” as
12 described in section 541 of the Bankruptcy Code.

13 **“Avoidance Action”** means an adversary proceeding, lawsuit or other proceeding with
14 respect to Causes of Action arising under, relating to, or similar to sections 502(d), 506, 510, 542,
15 543, 544, 545, 547, 548, 549, 550, 551, 552 or 553 of the Bankruptcy Code, or any fraudulent
16 conveyance, fraudulent transfer or preference laws, or any Cause of Action arising under, or
17 relating to, any similar state law or federal law that constitutes property of the Estate under
18 section 541 of the Bankruptcy Code, whether or not an action is initiated on or before the
19 Effective Date.

20 **“Ballot”** means the ballot to vote to accept or reject the Plan.

21 **“Bankruptcy Code”** or **“Code”** means title 11 of the United States Code, 11 U.S.C.
22 §§ 101-1532, as now in effect or hereafter amended.

23 **“Bankruptcy Court”** or **“Court”** means the United States Bankruptcy Court for the
24 Central District of California, Santa Ana Division, or any other court that exercises competent
25 jurisdiction over the Case.

26 **“Bankruptcy Rules”** means, collectively, (a) the Federal Rules of Bankruptcy Procedure
27 promulgated under 28 U.S.C. § 2075, as amended from time to time; and (b) the Local
28

1 Bankruptcy Rules applicable to cases pending before the Bankruptcy Court, as now in effect or
2 hereafter amended.

3 **“Board of Directors”** means the board of directors of the Reorganized Debtor, the
4 composition of which is described in Section V.3 hereof.

5 **“Business Day”** means any day other than a Saturday, Sunday or a legal holiday (as
6 defined in Bankruptcy Rule 9006(a)).

7 **“Case”** means the case under chapter 11 of the Bankruptcy Code commenced by the
8 Debtor and bearing Case Number 8:08-bk-13421-ES.

9 **“Cash”** means cash or cash equivalents including, but not limited to, bank deposits,
10 checks or other similar items.

11 **“Causes of Action”** means any and all claims, demands, rights, actions, rights of action,
12 causes of action and suits of the Debtor or the Estate, of any kind or character whatsoever, known
13 or unknown, suspected or unsuspected, whether arising prior to, on or after the Petition Date, in
14 contract or in tort, at law or in equity or under any other theory of law, that the Debtor or the
15 Debtor’s Estate has or asserts or may have or assert against third parties, whether or not brought
16 as of the Effective Date, and which have not been settled or otherwise resolved by Final Order as
17 of the Effective Date, including but not limited to (1) rights of setoff, counterclaim or
18 recoupment, and claims on contracts or for breaches of duties imposed by law, (2) the right to
19 object to claims or interests, (3) such claims and defenses as fraud, mistake, duress and usury, (4)
20 Avoidance Actions, (5) claims for tax refunds (6) claims to recover outstanding accounts
21 receivable, (7) such claims and defenses as alter ego and substantive consolidation, and (8) any
22 other claims which may be asserted against third parties.

23 **“Claim”** means a claim—as the term “claim” is defined in section 101(5) of the
24 Bankruptcy Code—against the Debtor.

25 **“Claims Bar Date”** means (a) with respect to Claims other than those held by
26 governmental units, November 10, 2008, which was the last date for filing Claims against the
27 Estate pursuant to the Court’s Order entered on September 4, 2008; and (b) with respect to Claims
28 held by governmental units, December 15, 2008.

1 **“Claims Objection Deadline”** means the deadline for the Reorganized Debtor and parties
2 in interest to file objections to Claims as set forth in the Confirmation Order.

3 **“Class”** means a group of Claims or Equity Interests as classified in Section III.

4 **“Class 3C Plan Consideration”** has the meaning ascribed to such term in Section
5 III.E.3.c) of the Plan.

6 **“Class 3C Plan Proponents”** has the meaning ascribed to such term in Section III.E.3.c)
7 of the Plan.

8 **“Class 3C Plan Rejectors”** has the meaning ascribed to such term in Section III.E.3.c) of
9 the Plan.

10 **“Collateral”** means property, or an interest in property, of the Estate that is encumbered
11 by a Lien to secure payment or performance of a Claim.

12 **“Common Stock”** means the Common Stock, par value \$0.01 per share, of the
13 Reorganized Debtor.

14 **“Confirmation”** means the entry of the Order by the Bankruptcy Court confirming the
15 Plan pursuant to section 1129 of the Bankruptcy Code.

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

18 **“Confirmation Hearing”** means the hearing before the Court to consider the
19 confirmation of the Plan pursuant to section 1128(a) of the Bankruptcy Code, as such hearing
20 may be continued from time to time.

21 **“Confirmation Hearing Date”** means the first date on which the Bankruptcy Court holds
22 the Confirmation Hearing.

23 **“Confirmation Order”** means the order of the Bankruptcy Court confirming this Plan
24 under section 1129 of the Bankruptcy Code.

25 **“Creditor”** means the Holder of a Claim against the Debtor.

26 **“Creditors Committee”** means the Official Committee of Unsecured Creditors appointed
27 in the Case by the Office of the U.S. Trustee for the Central District of California.

28 **“Debtor”** means Fremont General Corporation, a Nevada corporation.

1 **“Disbursing Agent”** means the Reorganized Debtor or its designee retained to make
2 Distributions pursuant to Section VIII of the Plan.

3 **“Disclosure Statement”** means the disclosure statement relating to the Plan, including,
4 without limitation, all exhibits and schedules thereto, as approved by the Bankruptcy Court
5 pursuant to section 1125 of the Bankruptcy Code.

6 **“Disclosure Statement Order”** means the Order entered by the Bankruptcy Court
7 approving the Disclosure Statement.

8 **“Disputed Amount”** means the lesser of (a) the liquidated amount set forth in the proof
9 of claim filed with the Bankruptcy Court relating to a Disputed Claim, (b) if the Bankruptcy
10 Court has estimated such Disputed Claim pursuant to section 502(c) of the Bankruptcy Code, the
11 amount of a Disputed Claim as estimated by the Bankruptcy Court, and (c) the amount of such
12 Disputed Claim allowed by the Bankruptcy Court pursuant to section 502 of the Bankruptcy
13 Code, or zero, if such Disputed Claim is disallowed by the Bankruptcy Court pursuant to such
14 section, in either case, regardless of whether the order or judgment allowing or disallowing such
15 Claim has become a Final Order.

16 **“Disputed Claim”** means any Claim: (a) as to which a proof of claim has been filed and
17 the dollar amount of such Claim, respectively, is not specified in a fixed amount; (b) prior to the
18 deadline to object to such Claim, as to which a proof of claim has been filed and the dollar
19 amount of such Claim is specified in a fixed liquidated amount, the extent to which the stated
20 amount of such Claim exceeds the amount of such Claim listed in the Schedules; (c) prior to the
21 deadline to object to such Claim, as to which a proof of claim has been filed and such Claim is
22 not included in the Schedules; (d) with respect to a proof of claim that is filed or is deemed filed
23 under Bankruptcy Rule 3003(b)(1) and is listed as contingent, disputed or unliquidated; (e) as to
24 which an objection has been filed or is deemed to have been filed pursuant to any order approving
25 procedures for objecting to Claims and such objection has neither been overruled nor been denied
26 by a Final Order and has not been withdrawn; or (f) with respect to an Administrative Claim, as to
27 which an objection: (1) has been timely filed (or the deadline for objection to such Administrative
28 Claim has not expired) and (2) has neither been overruled nor been denied by a Final Order and

1 has not been withdrawn; provided, however, that in each case, a Claim or Administrative Claim
2 shall not be deemed to be a Disputed Claim to the extent that the Reorganized Debtor otherwise
3 agrees with any such Claim or Administrative Claim, and such Claim or Administrative Claim is
4 Allowed under the Bankruptcy Code or by Final Order, as applicable.

5 **“Disputed Equity Interest”** means any Equity Interest, as to which (a) an objection has
6 been timely filed, which has neither been overruled nor been denied by a Final Order and has not
7 been withdrawn or (b) is the subject of a filed Cause of Action that is related to such Equity
8 Interest which has not been settled or otherwise resolved by Final Order.

9 **“Distribution(s)”** means any transfer under the Plan of Cash or other property or
10 instruments to a Holder of an Administrative Claim, a Holder of an Allowed Claim, or to the
11 Holder of an Equity Interest.

12 **“Distribution Record Date”** means the record date for determining entitlement to receive
13 distributions under the Plan on account of Allowed Claims, which date shall be for all Holders of
14 Claims, excluding the Claims in Class 3(C), the third Business Day following the Confirmation
15 Date at 5 p.m. prevailing Pacific time.

16 **“Effective Date”** shall mean the first Business Day occurring ten (10) days after the
17 conditions to effectiveness have been met. However if the effectiveness of the Confirmation
18 Order is stayed other than by operation of Bankruptcy Rule 3020(e), then the Effective Date shall
19 mean the first Business Day occurring ten (10) days after the lifting of any such stay of the
20 Confirmation Order.

21 **“Equity Committee”** means the Official Committee of Equity Security Holders
22 appointed in the Case by the Office of the U.S. Trustee for the Central District of California.

23 **“Equity Interest”** means the interest—as the term “interest” is defined in Bankruptcy
24 Code section 101(17)—of any entity who holds an equity security in the Debtor no matter how
25 held, including issued and outstanding shares of Common Stock, preferred stock, stock options,
26 Warrants, membership interests, or other evidence of interests in securities of the Debtor;
27 provided, however, that in no event shall the TOPrS Claims be considered “Equity Interests.”

28 **“Equity Interest Holder(s)”** means the record Holder of an Equity Interest.

1 **“Estate”** means the estate created in the Case under section 541 of the Bankruptcy Code.

2 **“Exit Facility”** means the agreements and related documents and instruments evidencing
3 new financing in an amount of at least \$22.5 million and up to \$35 million to be obtained by the
4 Reorganized Debtor as of the Effective Date or as soon thereafter as is practicable, for, among
5 other purposes, to fund reserves, and working capital and general corporate needs after the
6 Effective Date.

7 **“FGCC”** means Fremont Credit Corporation, a California Corporation.

8 **“FGFI Trust”** means Fremont General Financing I, a statutory business trust, formed
9 under Delaware law pursuant to that certain “Amended and Restated Declaration of Trust” dated
10 as of March 6, 1996, for the sole purpose of issuing securities representing undivided beneficial
11 interests in the FGFI Trust’s assets.

12 **“Final Order”** means an order or judgment of the Court or other applicable court, as
13 entered on the applicable docket, that has not been reversed, stayed, modified or amended, and as
14 to which the time to appeal, petition for certiorari, or move for reargument or rehearing has
15 expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or
16 rehearing shall then be pending or as to which any right to appeal, petition for certiorari, reargue,
17 or rehear shall have been waived in writing in form and substance satisfactory to the Debtor prior
18 to the Effective Date or to the Reorganized Debtor after the Effective Date, as applicable, or, in
19 the event that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought,
20 such order or judgment of the Court or other applicable court shall have been affirmed by the
21 highest court to which such order or judgment was appealed, or certiorari has been denied, or
22 from which reargument or rehearing was sought, and the time to take any further appeal, petition
23 for certiorari or move for reargument or rehearing shall have expired.

24 **“FRC”** means Fremont Reorganizing Corporation f/k/a Fremont Investment & Loan, a
25 corporation organized under the laws of the state of California.

26 **“Fremont NOLs”** means the federal consolidated net operating loss carryovers of the
27 affiliated tax group of which the Debtor is the common parent.

28

1 **“General Unsecured Claim”** or “Unsecured Claim” means any Claim that is not an
2 Administrative Claim, a Secured Claim, a Priority Tax Claim, a Priority Non-Tax Claim, a
3 TOPrS Claim, or a Section 510(b) Claim.

4 **“Holder”** means the Holder of a Claim or Equity Interest against the Debtor.

5 **“Impaired”** means, when used with reference to a Claim or Equity Interest, a Claim or
6 Equity Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code and
7 the case law interpreting the statute.

8 **“Indenture Trustee”** means the Indenture Trustee for the Senior Notes or the Indenture
9 Trustee for the Junior Notes or the Guaranty.

10 **“Indenture Trustee Fees”** means the reasonable compensation, fees and expenses,
11 disbursements and indemnity claims, including without limitation, attorneys’ fees and agents’
12 fees, expenses and disbursements, incurred by the Indenture Trustee, whether prior to or after the
13 Petition Date and whether prior to or after consummation of the Plan.

14 **“Intercompany Claim”** means any Claim (i) of FGCC against FRC or the Debtor, (ii) of
15 FRC against FGCC or the Debtor, and (iii) of the Debtor against FRC or FGCC.

16 **“Investment Warrants”** has the meaning ascribed to such term in Section V.8.b) of the
17 Plan.

18 **“Junior Notes”** means the 9% Junior Subordinated Debentures due March 31, 2026.

19 **“Lender Warrants”** has the meaning ascribed to such term in Section V.8.a) of the Plan.

20 **“Lien”** means a lien, as defined in 11 U.S.C. § 101(37), except a lien that has been
21 avoided under chapter 5 of the Bankruptcy Code or that is otherwise avoidable or invalid under
22 the Bankruptcy Code or applicable law.

23 **“Loans”** means the residential mortgage loans owned by FRC.

24 **“Local Bankruptcy Rules”** means the Local Bankruptcy Rules for the United States
25 Bankruptcy Court for the Central District of California, as now in effect or hereafter amended.

26 **“Management Warrants”** has the meaning ascribed to such term in Section V.4 of the
27 Plan.

1 **“Non-Ordinary Course Administrative Claim”** means any Administrative Claim other
2 than an Ordinary Course Administrative Claim, Administrative Tax Claim, Professional Fee
3 Claim, Indenture Trustee Fees or U.S. Trustee Fees.

4 **“Noteholders”** means the Holders of Senior Notes.

5 **“Ordinary Course Administrative Claim”** means a claim for administrative costs or
6 expenses that are allowable under section 503(b) of the Bankruptcy Code that are incurred in the
7 ordinary course of the Debtor’s operations for goods and services and that are unpaid on the
8 Effective Date. Ordinary Course Administrative Claims do not include Professional Fee Claims,
9 U.S. Trustee Fees, Administrative Tax Claims or Non-Ordinary Course Administrative Claims.

10 **“Person”** means any natural person or entity.

11 **“Petition Date”** means June 18, 2008, the date on which the Debtor filed its voluntary
12 petition commencing the Case.

13 **“Plan”** means this plan of reorganization under chapter 11 of the Bankruptcy Code,
14 including, without limitation, all exhibits, supplements, appendices, and schedules hereto, either
15 in its present form or as it may be altered, amended, or modified from time to time.

16 **“Post-Petition Interest”** means, as to any Holder of an Allowed Claim, the rate of
17 interest to be accrued or paid on such Holder’s allowed Claim for the period (a) from the Petition
18 Date to and through the effective Date, interest at the federal judgment rate set forth in 28 U.S.C.
19 § 1961(a) in effect on the Petition Date, which was 2.51% (compounded annually) and (b) from
20 the Effective Date to and through the date upon which the Holders of Allowed Class 3A and 3B
21 are paid.

22 **“Post-Effective Date Merger Claims”** means any and all unpaid claims, liabilities for
23 obligations which immediately, prior to the occurrence of the Effective Date, were claims,
24 liabilities or obligations of FGCC and/or FRC.

25 **“Preferred Securities Guarantee”** means that certain “Preferred Securities Guarantee
26 Agreement” related to the TOPrS dated March 6, 1996, executed by the Debtor.

27 **“Priority Non-Tax Claims”** means Claims, other than Administrative Claims or Priority
28 Tax Claims, entitled to priority in right of payment under section 507(a) of the Bankruptcy Code.

1 **“Priority Tax Claim”** means a Claim that a governmental unit asserts against the Debtor
2 for taxes or related interest or penalties, which Claim is entitled to priority and allowable under
3 section 507(a)(8) of the Bankruptcy Code.

4 **“Professionals”** means those Persons (i) retained pursuant to an order of the Bankruptcy
5 Court in accordance with sections 327, 1103 and/or 1106 of the Bankruptcy Code and to be
6 compensated for services rendered prior to the Effective Date pursuant to sections 327, 328, 329,
7 330 and/or 331 of the Bankruptcy Code; or (ii) for which compensation and reimbursement has
8 been allowed by the Bankruptcy Court pursuant to sections 330 and 503(b)(2) of the Bankruptcy
9 Code.

10 **“Professional Fee Claim”** means:

11 (a) A claim under sections 327, 328, 330, 331, 503(b), 1103 or 1106 of the
12 Bankruptcy Code for compensation for professional services rendered or expenses
13 incurred prior to the Effective Date on the Estate’s behalf; or

14 (b) A claim either under section 503(b)(4) of the Bankruptcy Code for compensation
15 for professional services rendered or under section 503(b)(3)(D) of the bankruptcy
16 Code for expenses incurred prior to the Effective Date in making a substantial
17 contribution to the Estate.

18 **“Registration Rights Agreement”** means a registration rights agreement in a
19 commercially reasonable form acceptable to Ranch Capital that obligates the Reorganized
20 Debtor, at the request of Ranch Capital or RC Fremont, to register for resale certain shares of
21 Common Stock and the Warrants under the Securities Act of 1933 in accordance with the terms
22 set forth in such registration rights agreement.

23 **“Reinstated or Reinstatement”** means (a) leaving unaltered the legal, equitable and
24 contractual rights to which a Claim entitles the Holder of such Claim, or (b) notwithstanding any
25 contractual provision or applicable law that entitles the Holder of such Claim to demand or
26 receive accelerated payment of such Claim after the occurrence of a default, (i) curing any such
27 default that occurred before or after the Petition Date, other than a default of a kind specified in
28 section 365(b)(2) of the Bankruptcy Code; (ii) reinstating the maturity of such Claim as such

1 maturity existed before such default; (iii) compensating the Holder of such Claim for any
2 damages incurred as a result of any reasonable reliance by such Holder on such contractual
3 provision or such applicable law; (iv) if such Claim arises from any failure to perform a non-
4 monetary obligation other than a default arising from failure to operate a nonresidential real
5 property lease subject to section 365(b)(1)(A) of the Bankruptcy Code, compensating the Holder
6 of such Claim (other than the debtor or an insider) for any pecuniary loss incurred by such Holder
7 as a result of such failure; and (v) not otherwise altering the legal, equitable or contractual rights
8 to which such Claim entitles the Holder of such Claim.

9 **“Reorganized Debtor”** means the Fremont Ranch Corporation, from and after the
10 Effective Date.

11 **“Rights Of Action”** means any and all actions, causes of action, suits, accounts,
12 controversies, agreements, promises, rights to legal remedies, rights to equitable remedies, rights
13 to payment and claims, whether known, unknown, reduced to judgment, not reduced to judgment,
14 liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or
15 unsecured and whether asserted or assertable directly or derivatively, in law, equity or otherwise,
16 and whether commenced or arising before or after the Effective Date.

17 **“Secured Claim”** means a Claim that was secured by a Lien on Collateral as of the
18 Petition Date. A Claim is a Secured Claim only to the extent of the value of the claimholder’s
19 interest in the Collateral or to the extent of the amount subject to setoff, whichever is applicable,
20 and as determined under 11 U.S.C. § 506(a).

21 **“Schedules”** means the schedules of Assets and Liabilities filed by the Debtor on July 3,
22 2008, as amended, and as may be further amended.

23 **“Schedule of Assumed Agreements”** means the schedule of executory contracts and
24 unexpired leases that the Reorganized debtor will assume on the effective Date and the amounts,
25 if any, necessary to cure any defaults under such executory contracts and unexpired leases.

26 **“Section 510(b) Claim”** means any Claim for rescission of or damages arising from the
27 purchase or sale of a debt or equity security, including, without limitation, any Claims arising
28 from equity forward agreements and other understandings to purchase Equity Interests, which

1 Claim is subject to subordination in accordance with section 510(b) of the Bankruptcy Code. For
2 the avoidance of doubt, "Section 510(b) Claim" shall include any claim against the Estate for
3 reimbursement or contribution on account of a Section 510(b) Claim.

4 **"Senior Notes"** means the 7.875% Senior Notes due 2009, which were issued pursuant to
5 that certain indenture dated March 1, 1999, by and between The Bank of New York, as Trustee
6 and the Fremont General Corporation.

7 **"Subordinated Debenture"** means that certain 9% Junior Subordinated Debenture due
8 March 31, 2026, which was issued pursuant to that certain indenture dated March 6, 1996, and
9 which is the sole asset of the FGFI Trust.

10 **"TOPrS"** means the 9% Trust Originated Preferred Securities issued to the FGFI Trust
11 pursuant to the Fremont General Financing Declaration of Trust.

12 **"TOPrS Note"** has the meaning ascribed to such term in Section III.E.3.c) of the Plan.

13 **"TOPrS Payment"** has the meaning ascribed to such term in Section III.E.3.c) of the
14 Plan.

15 **"Unclassified Claim"** means any Claim which is not part of any Class.

16 **"Unimpaired"** means, when used with reference to a Claim or Equity Interest, a Claim or
17 Equity Interest that is not Impaired within the meaning of section 1124 of the Bankruptcy Code
18 and the case law interpreting the statute.

19 **"U.S. Trustee"** means the Office of the United States Trustee for the Central District of
20 California.

21 **"U.S. Trustee Fees"** means all fees and charges assessed against the Estate by the U.S.
22 Trustee and due pursuant to section 1930 of title 28 of the United States Code.

23 **"Warrants"** means the Investment Warrants, the Management Warrants, and the Lender
24 Warrants.

25 26 **II. RULES OF INTERPRETATION**

27 1. The rules of construction in section 102 of the Bankruptcy Code apply to this Plan.
28

1 2. Except as otherwise provided in the Plan, Bankruptcy Rule 9006(a) applies when
2 computing any time period under the Plan.

3 3. Any term used in the Plan that is not a defined term, but that is used in the
4 Bankruptcy Code or Bankruptcy Rules has the meaning assigned to such term in the Bankruptcy
5 Code or Bankruptcy Rules, as applicable, unless the context requires otherwise.

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

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

10 6. Any reference to a document or instrument being in a particular form or on
11 particular terms means that the document or instrument will be substantially in that form or on
12 those terms or as amended by the terms thereof.

13 7. Any reference to an existing document means the document as it has been, or may
14 be, amended or supplemented.

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

17 9. Unless otherwise specified, all references to Sections or Exhibits are references to
18 this Plan’s Sections or Exhibits.

19 10. Section captions and headings are used only as convenient references and do not
20 affect the Plan’s meaning.

21 **III. DESIGNATION OF CLASSES AND TREATMENT OF CLAIMS AND EQUITY**
22 **INTERESTS**

23 **A. Summary and Classification of Claims and Equity Interests**

24 This section classifies Claims against and Equity Interests in the Debtor, except for
25 Administrative Claims and Priority Tax Claims, which are not classified for all purposes
26 including, without limitation, voting, confirmation and distributions under this Plan. A Claim or
27 Equity Interest is classified in a particular Class only to the extent that the Claim or Equity
28

1 Interest falls within the Class description. The following chart summarizes unclassified Claims
2 and the Classes of Claims and Equity Interests under the Plan.

3 **B. Unclassified Claims**

Description	Voting
Ordinary Course Administrative Claims – liabilities incurred in the ordinary course of business for goods or services	Unimpaired, not entitled to vote – deemed to have accepted the Plan
Clerk’s Office Fees	Unimpaired, not entitled to vote – deemed to have accepted the Plan
Office of the U.S. Trustee	Unimpaired, not entitled to vote – deemed to have accepted to accept the Plan
Allowed Non-Ordinary Course Administrative Claims, Professional Fee Claims and Indenture Trustee Fees	Unimpaired, not entitled to vote – deemed to have accepted the Plan
Priority Tax Claims Arising Under 11 U.S.C. § 507(a)(8)	Unimpaired, not entitled to vote – deemed to have accepted the Plan

13 **C. Classified Claims**

Class	Description	Impaired	Voting
1	Allowed Secured Claims	No	Unimpaired, not entitled to vote – deemed to have accepted the Plan
2	Priority Non-Tax Claims	No	Unimpaired, not entitled to vote – deemed to have accepted the Plan
3A	General Unsecured Claims	No	Unimpaired, not entitled to vote – deemed to have accepted the Plan
3B	Claims of the Holders of the 7.875% Senior Notes	No	Unimpaired, not entitled to vote – deemed to have accepted the Plan
3C	Claims of the Holders of TOPrS and Junior Notes	<p><u>No</u> - if class votes to reject the Plan; <u>Yes</u> - if class votes to accept the Plan</p> <p>Class 3C shall be solicited to determine class</p>	<p>Holders of claims in this class may vote to accept a <i>pro rata</i> share of the following: (i) an aggregate Cash payment, (ii) Common Stock distribution, and (iii) an unsecured promissory note in lieu of reinstatement as set forth in greater detail in Section III.E.3.c hereunder. Unless the requisite number and amount of claims in this class vote to accept the Plan, only those class members voting in favor of the Plan will receive the foregoing, while the other class members (i.e., both such class members voting against the Plan and such class who fail to cast a vote) shall be reinstated and, as such, the class shall be deemed unimpaired as such term is defined in section 1124 of the Bankruptcy Code.</p>

1		acceptance and individual creditor election.	
2			
3			
4	4	Equity Interests	Yes Impaired and entitled to vote
5	5	Section 510(b) Claims	No (subject to available insurance proceeds) Unimpaired, not entitled to vote – deemed to have accepted the Plan
6			
7			

D. Treatment of Claims and Equity Interests

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

The treatment in this Plan is in full and complete satisfaction of the legal, contractual and equitable rights that each Person holding an Allowed Claim or Allowed Equity Interest may have in or against the Debtor, its estate, the Reorganized Debtor or its properties. This treatment supersedes and replaces any agreements of rights those persons may have in or against the Debtor, the Estate, the Reorganized Debtor or fair respective properties.

1. Administrative Claims

a) Ordinary Course Administrative Claims

Any Person holding an Ordinary course Administrative Claim may, but need not, file a motion or request for payment of its Claim. The Reorganized Debtor may file and objection to an Ordinary court Administrative Claim. Unless the Reorganized Debtor objects to an Ordinary Course Administrative Claim, such claim will be Allowed in accordance with the terms and conditions of the particular transaction or agreement that gave rise to the Claim.

b) Non-Ordinary Course Administrative Claims

Unless otherwise provided in the Plan or by Final Order of the Bankruptcy Court, Non-Ordinary Course Administrative Claims will be Allowed only if (1) on or before thirty (30 days) after the Effective Date the Person holding such Non-Ordinary Course Administrative Claim files

1 with the Court and serves upon the Reorganized Debtor a motion requesting allowance of the
2 Non-Ordinary Course Administrative Claim, and (2) the Court determines it is an Allowed Claim.

3 The Reorganized Debtor or any party in interest may file an objection to such motion
4 within the time provided by the Bankruptcy Rules or within any other period that the Court
5 establishes.

6 Persons holding Non-Ordinary Course Administrative Claims that do not timely file and
7 request payment will be forever barred from asserting those Claims against the Debtor, its estate,
8 the Reorganized Debtor, or their respective property.

9 Unless a Person holding an allowed Administrative Claim (other than U.S. Trustee Fees,
10 Professional Fees and Indenture Trustee Fees) agrees to different treatment, the Reorganized
11 Debtor or the Disbursing Agent will pay the Person holding such Allowed Administrative Claim
12 in Cash in the full Allowed Amount of such Allowed Administrative Claim on the latest of (a) the
13 Effective Date (or as soon thereafter as is practicable), (b) fifteen Business Days after the date on
14 which the Administrative Claim is Allowed, and (c) the date on which the Allowed
15 Administrative claim first becomes due and payable in accordance with its terms.

16 c) Deadline for Objections to Administrative Claims

17 All objections to allowance of Administrative Claims, excluding Professional Fee Claims
18 and Indenture Trustee Fees, must be filed by any parties in interest no later than sixty (60) days
19 after the Administrative Claims Bar Date (the "Administrative Claims Objection Deadline.") The
20 Administrative Claims Objection Deadline may be extended for a one-time sixty (60) day period
21 by the Reorganized Debtor by filing a notice of the extended Administrative Claim Objection
22 Deadline with the Bankruptcy Court. Thereafter, it may only be extended by an order of the
23 Bankruptcy Court.

24 If no objection to an Administrative Claim is filed on or before the Administrative Claim
25 Objection Deadline, then the Administrative Claim will be deemed Allowed as of that date.

26 d) Administrative Claim Reserve

27 On the Confirmation Date, the Debtor shall provide a good faith estimate of the aggregate
28 amount of unpaid Administrative Claims and shall establish an Administrative Claims Reserve a

1 as segregated interest bearing account in order to make the payments to holders of Administrative
2 Claims such Administrative Claims become Allowed and/or are scheduled to be paid pursuant to
3 the Plan.

4 e) U.S. Trustee Fees

5 Quarterly fees owed to the Office of the U.S. Trustee will be paid prior to the Effective
6 Date by the Debtor, and after the Effective Date by the Reorganized Debtor when due in
7 accordance with applicable law 28 U.S.C. § 1930. The Reorganized Debtor will continue to file
8 reports showing the calculation of such fees until the Case is closed under section 350 of the
9 Bankruptcy Code.

10 f) Indenture Trustee Fees

11 The Reorganized Debtor will pay or cause to be paid in full and in Cash, without
12 reduction to the recovery of applicable Holders of Allowed Claims, any and all Indenture Trustee
13 Fees and other amounts that are due to each of the Indenture Trustees and its counsel as of the
14 Effective Date on or before the later of: (i) the Effective Date; or (ii) five (5) days after the date
15 on which the Reorganized Debtor receives from such Indenture Trustee a reasonably and
16 customary detailed itemized statement of such amounts so long as the Reorganized Debtor does
17 not, within such five (5) day period, give written notice to such Indenture Trustee that it disputes
18 the amount requested or any part thereof and all such amounts shall be deemed Allowed without
19 further application to or order from the Court.

20 The Reorganized Debtor's objection shall be limited to a "reasonableness standard" and
21 whether the amounts sought are actually due and payable under the particular Indenture. If the
22 Reorganized Debtor gives such Indenture Trustee timely written notice that it disputes the amount
23 requested or any part thereof, the Reorganized Debtor will promptly pay or cause to be paid any
24 undisputed amounts and any pending disputed items shall be promptly presented to and
25 determined by the Court, the sole questions being whether the amounts in dispute are due and
26 payable under the particular Indenture and satisfy the "reasonableness standard"; any unpaid
27 amounts shall be promptly paid upon determination by the Court that such amounts are due and
28 owing under the respective Indenture Trustee Fees. The Reorganized Debtor shall also promptly

1 pay or cause to be paid in full any and all fees and expenses that will be incurred in connection
2 with the distributions to be made by the Indenture Trustees under the Plan to the extent such fees
3 and costs are provided for by the Indentures.

4 Any claim for Indenture Trustee's fees and expenses arising after the Effective Date shall
5 be paid in the ordinary course of business by the Reorganized Debtor. Nothing in the Plan shall
6 be deemed to impair, waive, extinguish, or negatively impact any charging lien of an Indenture
7 Trustee.

8 g) Professional Fee Claims

9 Any professional seeking allowance of a Professional Fee Claim for services rendered
10 prior to the Effective Date must (1) file their application for allowance of compensation and
11 reimbursement of expenses on or before forty-five (45) days after the Effective Date or such other
12 date as may be set by the Bankruptcy Court, and (2) have the fees and expenses allowed by a
13 Final Order. Any party in interest may file an objection to such an application within the time
14 provided by the Local Bankruptcy Rules or within any other period that the Court sets.
15 Professionals holding Professional Fee Claims who do not timely file and serve their applications
16 for payment will be forever barred from asserting these Claims against the Reorganized Debtor or
17 its property.

18 2. Priority Tax Claims

19 Unless the Holder of an Allowed Priority Tax Claim agrees to different treatment or there
20 is a Final Order of the Court providing for different treatment, each Holder of Allowed Priority
21 Tax Claim will receive, in the sole discretion of the Reorganized Debtor, (a) Cash in the full
22 amount of the Allowed Priority Tax Claim on the latest of (i) the Effective Date, or as soon
23 thereafter as is practicable, (ii) fifteen Business Days after the date on which the Priority Tax
24 Claim is Allowed; or (b) payment in equal quarterly payments over a period not exceeding five
25 years after the date of the order for relief entered against the Debtor in accordance with section
26 1129(a)(9)(C) of the Bankruptcy Code, together with simple interest at the rate determined by
27 applicable nonbankruptcy law from the Effective Date.
28

1 **E. Allowance and Treatment of Classified Claims and Interests**

2 1. Secured Claims (Class 1)

3 Each holder of an Allowed Secured Claim will be placed in a separate subclass and each
4 subclass will be treated as a separate Class for distribution purposes. On or as soon as practical
5 after the Effective Date, each Holder on Allowed Secured Claim in full and final satisfaction of
6 such Claim, in the sole discretion of the Reorganized Debtor, except to the extent any holder of an
7 Allowed Secured Claim agrees to a different treatment, either:

- 8 (a) collateral securing such Allowed Secured Claim;
9 (b) cash in an amount equal to the value of the collateral securing such Allowed
10 Secured Claim;
11 (c) the treatment required under section 1124(2) of the Bankruptcy Code for such
12 Claim to be reinstated or rendered impaired.

13 2. Priority Non-Tax Claims (Class 2)

14 All Allowed Priority Non-Tax Claims not previously paid will be paid in full, in cash
15 (except to the extent that the holder of such Claim agrees to a different treatment) on the Effective
16 Date or as soon thereafter as is practicable after such Claim becomes an Allowed Priority Non-
17 Tax Claim.

18 3. General Unsecured Claims (Class 3)

19 Class 3 is comprised of all General Unsecured Claims, which are Claims, not entitled to
20 priority under section 507(a) of the Bankruptcy Code.

21 a) Class 3A (General Unsecured Claims).

22 Class 3A comprises all of the General Unsecured Claims against the Debtor, other than
23 the claims of Holders of Senior Notes or TOPrS or Junior Notes. In full satisfaction of the
24 Allowed Class 3A Claim that has not been satisfied, compromised, settled or extinguished as of
25 the Effective Date, unless the Holder accepts different treatment, each such Holder of an Allowed
26 Class 3A Claim shall be entitled to receive in full and complete satisfaction of its Allowed Claim,
27 Cash plus Post-Petition Interest in the Allowed Amount on the Effective Date or as soon
28

1 thereafter as is practicable. Ranch Capital does not believe that Holders of Class 3A Claims are
2 impaired and, therefore, such Holders are deemed to accept the Plan and not entitled to vote on
3 the Plan.

4 b) Class 3B (Senior Note Claims).

5 Class 3B comprises all of the Senior Note Claims against the Debtor. The Senior Note
6 Claims shall be Allowed in the aggregate amount of \$176,402,106.56. On the Effective Date,
7 each Holder of such Claim shall be deemed to have an Allowed Class 3B Claim in an Allowed
8 Amount equal to the sum of (x) the principal amount of the Claim of such Holder as of the
9 Petition Date plus (y) any and all interest which accrued on such holder's Claim any time on or
10 before the Petition Date, plus (z) Post-Petition Interest (which is not included in the calculation
11 above) or such amount of interest which accrued on such Holders' Claims after the Petition Date
12 as is required to satisfy the requirements of section 1124 of the Bankruptcy Code. In full
13 satisfaction of the Allowed Class 3B Claims that has not been satisfied, settled, compromised or
14 extinguished as of the Effective Date, each such Holder shall be entitled to receive the Allowed
15 Amount of its Claim in Cash on the Effective Date or as soon thereafter as is practicable. Ranch
16 Capital does not believe that the Holders of Class 3B Claims are impaired and, therefore, such
17 Holders are deemed to accept the Plan not entitled to vote on the Plan.

18 c) Class 3C (Junior Note and TOPrS Claims)

19 Class 3C comprises all of the Junior Note and TOPrS Claims. The Junior Note Claims
20 shall be allowed in the aggregate amount of \$107,422,680.93.

21 If Class 3C vote to accept the Plan, then the Holders of Allowed Class 3C Claims will
22 receive their *pro rata* share of the following: (i) on the Effective Date, or as soon thereafter as
23 sufficient Cash becomes available, \$50 million in Cash, without interest (the "TOPrS Payment"),
24 (ii) on the Effective Date, an unsecured promissory note (the "TOPrS Note") from the
25 Reorganized Debtor in an amount equal to the sum of (A) \$40 million and (B) accrued interest
26 from the Effective Date on \$40 million at 9% per annum payable in Cash in quarterly installments
27 on the last day of each quarter, which TOPrS Note shall mature on December 1, 2021, and
28 provided that the TOPrS Payment has been made, shall be callable in Cash by the Reorganized

1 Debtor at the full face amount plus interest then owning by the Reorganized Debtor upon the
2 second anniversary of the Effective Date, and (iii) on the Effective Date, 15 million shares of the
3 Common Stock (collectively, the “Class 3C Plan Consideration”). For the avoidance of doubt, if
4 the requisite number and amount of Holders of Allowed Class 3C Claims vote to accept the Plan
5 as set forth in section 1126(c) of the Bankruptcy Code, then all members of Class 3C (including
6 such Holders of Allowed Class 3C Claims that voted against the Plan and such Holders of
7 Allowed Class 3C Claims members that failed to cast a vote) shall receive the Class 3C Plan
8 Consideration described above. The Holders of Allowed Class 3C Claims that voted in favor of
9 the Plan, whether or not the Plan is approved under 11 U.S.C. § 1126(c), shall be referred to
10 herein as the “Class 3C Plan Proponents”, and the Holders of Allowed Class 3C Claims that did
11 not vote in favor of the Plan (whether they voted against the Plan or failed to vote), whether or
12 not the Plan is approved under 11 U.S.C. § 1126(c), shall be referred to herein as the “Class 3C
13 Plan Rejectors”.

14 If Class 3C does not vote in favor of the Plan, then the Class 3C Plan Rejectors shall retain
15 their legal, equitable, and contractual rights provided by the Indenture dated as of March 6, 1996,
16 and the Class 3C Plan Proponents shall receive their *pro rata* share of the Class 3C Plan
17 Consideration (*i.e.*, a *pro rata* share based on 100% participation of the Holders of Allowed Class
18 3C Claims in the Class 3C Plan Consideration). However, if the Court finds at the Confirmation
19 Hearing that the Class 3C Plan Rejectors have demonstrated that a contractual provision or
20 applicable nonbankruptcy law entitles such Class 3C Plan Rejectors to demand or receive
21 accelerated payment of Claims, the Reorganized Debtor will: (1) cure any such default that
22 occurred prepetition, other than a default of a kind specified in 11 U.S.C. § 365(b)(2) or of a kind
23 that § 365(b)(2) does not require to be cured, (2) reinstate the maturity of the Allowed Class 3C
24 Claims of such Class 3C Plan Rejectors as such maturity existed prior to the default, (3)
25 compensate such Class 3C Plan Rejectors for any damages incurred as a result of any reasonable
26 reliance by them on such contractual provision or such applicable law, and (4) if Allowed Class
27 3C Claims of such Class 3C Plan Rejectors arise from any failure to perform a nonmonetary
28 obligation, compensate such Class 3C Plan Rejectors (other than the Debtor or an insider) for the

1 actual pecuniary loss that it suffered as a result of such failure.

2 In the event the Court finds that Class 3C is impaired and Class 3C has not voted in favor
3 of the Plan, then the Class 3C Plan Rejectors shall retain all legal, equitable, and contractual
4 rights provided by the Indenture dated as of March 6, 1996 and Junior Notes (except that all
5 existing, continuing, or future non-monetary defaults that would prevent cure or reinstatement
6 under 11 U.S.C. § 1124 are hereby deemed waived), and the Class 3C Plan Proponents shall
7 receive their *pro rata* share of the Class 3C Plan Consideration (*i.e.*, a *pro rata* share based on
8 100% participation of the Holders of Allowed Class 3C Claims in the Class 3C Plan
9 Consideration). In such event, the Indenture and Junior Notes as they relate to the Allowed Class
10 3C Claims of the Class 3C Plan Rejectors shall be Reinstated and shall remain in full force and
11 effect and the Confirmation Order shall provide for such Reinstatement.

12 Nothing contained in this Plan shall be deemed to modify, impair, terminate, or otherwise
13 disturb in any way the provisions of section 510(a) of the Bankruptcy Code or the subordination
14 provisions in any applicable agreement, and all such rights are expressly preserved under this
15 Plan.

16 4. Class 4 (Equity Interest)

17 The holders of Allowed Equity Interests in the Debtor shall retain their Equity Interests
18 subject to the dilution as a result of (i) the issuance of additional shares of Common Stock to RC
19 Fremont and to Holders of Allowed Class 3C Claims receiving the Class 3C Consideration, in
20 each case, pursuant to the Plan, (ii) the issuance of shares of Common Stock upon exercise of the
21 Warrants, and (iii) the issuance of any shares Common Stock required for satisfaction of Allowed
22 Section 510(b) Claims.

23 5. Class of Claims Subordinated Under 11 U.S.C. § 510(b) (Class 5)

24 The treatment of Class 5 Claims is subject to a Final Order determining that (a) a Section
25 510(b) is an Allowed Claim (b) the Claim subject to subordination under Section 510(b) of the
26 Bankruptcy Code. Upon the entry of a Final Order, or as soon as practicable thereafter, the
27 Holder of such Allowed 510(b) Claim will receive shares of stock in the Reorganized Debtor
28 based on the average trading price of the Common Stock for the thirty (30) days preceding the

1 date on which any Section 510(b) Claim becomes an Allowed Claim in full and final satisfaction
2 of its Claim. If the Court enters a Final Order finding that the Allowed Claims should not be
3 subordinated pursuant to 11 U.S.C. § 510(b), then the Holders of such Allowed Claims shall
4 receive the same treatment provided for Class 3A General Unsecured Claims. The amount of any
5 such Allowed Claim shall limited to the coverage amount of insurance policies maintained by the
6 Debtor in satisfaction thereof.

7 **IV. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

8 1. Treatment of Contracts and Leases.

9 Effective upon Confirmation of the Plan, the Debtor will reject all executory contracts and
10 unexpired leases between the Debtor and any other party that have not previously been rejected,
11 other than the Executive Employment Agreements and those executory contracts and unexpired
12 leases which are listed on the Schedule of Assumed Agreements to be filed twenty-one (21) days
13 before the Confirmation Hearing Date with the Bankruptcy Court of executory contracts and
14 unexpired leases to be assumed under the Plan at confirmation. That Schedule of Assumed
15 Agreements will list the amount of the proposed cure payment required by 11 U.S.C. § 365(b)(1).

16 2. Objections and Cure

17 Any party that objects to the assumption of its executory contract or unexpired lease by
18 the Debtor or to the proposed cure payment must file with the Court and serve on interested
19 parties a written objection with supporting evidence that states the basis for the objection. This
20 objection must be filed with the Court and served no later than ten (10) days before the
21 Confirmation Hearing. Any entity that fails to timely file and serve an opposition will be deemed
22 to have waived any and all objections to the proposed assumption or the amount of the proposed
23 cure payment. In the absence of a timely objection by such a party, the Confirmation Order shall
24 constitute a final determination of the amount of the cure payment and that the Reorganized
25 Debtor has shown adequate assurances of its future performance.

26 In the event of a dispute regarding the cure payment, adequate assurances, or some other
27 matter related to assumption, the cure payment required by 11 U.S.C. § 365(b)(1) shall not be
28 made until after entry of a Final Order resolving the dispute and approving the assumption.

1 Pending the entry of a Final Order, the executory contract or unexpired lease at issue will be
2 deemed assumed by the Reorganized Debtor unless otherwise ordered by the Court, Upon
3 payment of the cure amount required by 11 U.S.C. § 365(b)(1), any prepetition or postpetition
4 arrearage or other Claim asserted in a proof of Claim or listed in the Schedules shall be deemed
5 satisfied in full and the Claim shall be deemed disallowed, without further order of the Court or
6 action by any party.

7 All Allowed Claims arising from the rejection of executory contracts or unexpired leases
8 will be treated as Class 3A General Unsecured Claims, and a proof of claim must be filed with the
9 Bankruptcy Court and served on the Reorganized Debtor within thirty (30) days of the Effective
10 Date of the Plan or be forever barred and unenforceable against the Debtor, the Reorganized
11 Debtor, or their property.

12 3. Insurance Policies and Other Assumed Contracts

13 Notwithstanding any other provision of the Plan, the Debtor's D&O Insurance Policies
14 shall remain in force and shall be enforceable on and after the Effective Date, and, to the extent
15 the D&O Insurance Policies constitute executory contracts under the Bankruptcy Code, they shall
16 be assumed on the Effective Date. On the Effective Date, the Reorganized Debtor shall assume
17 all executory contracts and unexpired leases of the Debtor listed on the Schedule of Assumed
18 Agreements including, without limitation, each of the Executive Employment Agreements and,
19 for the avoidance of doubt, each of the D&O Policies. With regard to the Executive Employment
20 Agreements, each of the executive's duties and responsibilities will remain the same in all
21 respects.

22 4. Considerations of Insurance Company Claims

23 Westchester Surplus Lines Insurance Company ("WSLIC") and Pacific Employers
24 Insurance Company ("PEIC") are members of the ACE Group of companies. Prepetition,
25 WSLIC issued to the Debtor a claims made directors and officers excess liability insurance policy
26 for claims made against the insured for wrongful acts occurring between January 1, 2008 and
27 December 31, 2014 (the "WSLIC Policy"). PEIC issued prepetition to the Debtor high-deductible
28 workers compensation occurrence policies for the calendar years 2000, 2001, 2002, and possibly

1 additional years (the “PEIC Policies”). The WSLIC Policy and the PEIC Policy are together
2 referred to as the “ACE Policies.” Unless rejected pursuant to the Plan, in which case Claims will
3 be treated solely as set forth in the Plan, nothing in the Disclosure Statement, the Plan, the
4 Confirmation Order, any exhibit to the Plan or any other Plan document (together, the “Plan
5 Documents”) (including any provision that purports to be preemptory or supervening), shall in
6 any way operate to, or have the effect of, impairing in any respect the legal, equitable, or
7 contractual rights and defenses, if any, of the insured or the insurer with respect to the ACE
8 Policies or any prepetition agreement with the Debtor related to any of the ACE Policies (the
9 “ACE Policies and Related Agreements”). Unless rejected pursuant to the Plan, in which case the
10 terms of the Plan shall govern, the rights and obligations of the insured and insurer shall be
11 determined under the ACE Policies and Related Agreements and under applicable nonbankruptcy
12 law. Any assumption in the Plan Documents of the ACE Policies and Related Agreements will
13 not enlarge the prepetition rights of the insured or insurers thereunder.

14 **V. MEANS OF EFFECTUATING THE PLAN**

15 1. Merger

16 On the Effective Date of the Plan, the following two-step merger will occur: first, FGCC
17 will merge into the Reorganized Debtor or the Debtor, as the case may be, and then FRC will
18 merge into the Reorganized Debtor or the Debtor, again as the case may be (together, the
19 “Merger”). The resulting entity will be called Fremont Ranch Corporation (the “Reorganized
20 Debtor”). As provided under applicable law, the Merger will be caused by the issuance of a
21 resolution by the New Board (defined below) and the reconstituted boards of the subsidiaries
22 (collectively, the New Boards”), and the New Boards will take all necessary steps required of it to
23 effectuate the Merger as authorized by the Confirmation Order. The Reorganized Debtor will
24 then continue to operate its business in the ordinary course and will perform its obligations under
25 the Plan.

26 On the asset side, the effect of the Merger will be that the assets of the Debtor, FGCC, and
27 FRC will become assets of the Reorganized Debtor and continue to be managed by the
28 Reorganized Debtor. On the liability side, any existing liabilities of FGCC and FRC that are

1 outstanding as of the date of the Merger will become obligations of the Reorganized Debtor. The
2 liabilities of FGCC and FRC will be assumed and satisfied by the Reorganized Debtor in the
3 ordinary course of business in accordance with applicable non-bankruptcy law and are not
4 classified or treated as Claims under the Plan. The stock of FGCC and FRC will be cancelled and
5 all intercompany claims between the Debtor, FGCC, and FRC will be eliminated.

6 Although the Reorganized Debtor will be assuming the liabilities of FGCC and FRC
7 through the Merger, the Reorganized Debtor will create a reserve of \$35 million for Repurchase
8 Claims and for other known and unknown Post Effective Date Merger Claims. In the event that
9 the Repurchase Claims and the Post Effective Date Merger Claims exceed the sums being
10 reserved therefor, the Reorganized Debtor will be liable for such claims. From time to time (but
11 no less than annually), the Reorganized Debtor may have such reserves reevaluated by a third
12 party, financial expert (such as, LECG, LLC), and if appropriate based on such reevaluation,
13 adjust such reserves.

14 2. Postconfirmation Business Operations of the Reorganized Debtor

15 Under the projected business plan, the Reorganized Debtor will continue to maintain the
16 existing assets and business of Debtor and will source and invest in residential real estate
17 development and potentially other opportunities as proposed by Ranch Capital. All such
18 investments shall be pursuant to the direction of the New Board.

19 3. The Reorganized Debtor's Board of Directors Team

20 On the Effective Date of the Plan, the existing board of directors for the Debtor will be
21 replaced by a new seven (7)-member board of directors (the "New Board"). The New Board will
22 be comprised of the following members: (1) the Chairman of the Reorganized Debtor, (2) the
23 Chief Executive Officer of the Reorganized Debtor, (3) two members selected by holders of the
24 Common Stock issued in connection with the Plan, and (4) the remaining three members being
25 independent directors initially selected by the initial four members of the New Board. The
26 existing boards of the Debtor's subsidiaries will also be reconstituted.

1 4. The Reorganized Debtor's Management

2 The Reorganized Debtor will enter into a management agreement with Ranch Capital
3 pursuant to which Ranch Capital will provide a Chairman (Lawrence Hershfield), a senior
4 managerial position for Randall Jenson, and Ranch Capital's current Chief Financial Officer
5 (Nathan Birchall) to serve as Senior Vice President of Finance to the Reorganized Debtor, each of
6 whom shall have the authority commensurate with such title to act on behalf of the Reorganized
7 Debtor. In consideration of such management agreement, the Reorganized Debtor shall pay
8 Ranch Capital a management fee of \$2,000,000 per annum (payable in advance on a monthly
9 basis) and warrants with a 10-year term and exercise price of \$0.75 per share to purchase a
10 number of shares of Common Stock equal to 32.425 million (less the number of shares of
11 Common Stock subject to the Lender Warrants) (the "Management Warrants"); provided, that the
12 annual management fee will be evaluated in good faith by the New Board and Ranch Capital
13 annually based on the scope of services being provided by Ranch Capital, it being agreed and
14 acknowledged that such fee shall be equitably increased to the extent that the business of the
15 Reorganized Debtor grows or expands. Ranch Capital may elect to reduce the number of
16 Management Warrants issued to it in the event that additional shares of Common Stock are
17 required to be purchased by RC Fremont as a result of a Common Stock Shortfall (pursuant to
18 Section V.8.b below), if such reduction is required in order to comply with the requirements of
19 Section 382(l)(5) of the Internal Revenue Code. During the term of the management agreement,
20 the Reorganized Debtor shall have a right of first offer on commercially reasonable terms on all
21 newly sourced residential real estate deals of Ranch Capital. Ranch Capital shall seek assumption
22 by the Reorganized Debtor of the employment agreements of Richard Sanchez (Interim President
23 and Interim Chief Executive Officer), Don Royer (Executive Vice President and General
24 Counsel) and Thea Stuedli (Executive Vice President and Chief Financial Officer). Additional
25 senior management will be determined by Ranch Capital.

26 5. The Reporting Requirements

27 The Reorganized Debtor will remain a public company with Equity Interests trading on
28 the pink sheets. The Reorganized Debtor will seek an accommodation from the SEC of filing and

1 past due reporting requirements, if feasible, commencing with a comprehensive Annual Report on
2 Form 10K in the first quarter in which the Plan goes effective, which is anticipated to be the first
3 quarter of 2010. In the event that the Reorganized Debtor is unable to obtain the requested
4 accommodation or if there are other impediments, the Reorganized Debtor will become current in
5 its SEC reporting requirements as soon as practicable following the Effective Date.

6 6. Articles of Incorporation and By-Laws

7 The certificate or articles of incorporation and by-laws of the Debtor shall be amended as
8 necessary to satisfy the provisions of this Plan and the Bankruptcy Code. After the Effective Date,
9 the Reorganized Debtor may amend and/or restate its certificate or articles of incorporation and
10 bylaws as permitted by applicable law. The new certificate or article shall (i) include, among
11 other things, pursuant to section 1123(a)(6) of the Bankruptcy Code a provision prohibiting the
12 issuance of non-voting equity securities, but only to the extent required by section 1123(a)(6) of
13 the Bankruptcy Code; (ii) authorize the issuance of additional Common Stock and Warrants, and
14 (iii) contain whatever trading restrictions, if any, are necessary to preserve the Fremont NOLs.

15 7. Corporate Action

16 On the Effective Date, the adoption of the Certificate of Incorporation or similar
17 organizational documents, the adoption of the By-Laws, the selection of directors and officers for
18 Reorganized Debtor, and all other actions contemplated by this Plan shall be deemed authorized
19 and approved in all respects (subject to the provisions of this Plan). All matters provided for in
20 this Plan involving the corporate structure of the Debtor or the Reorganized Debtor, and any
21 corporate action required by the Debtor or the Reorganized Debtor in connection with this Plan,
22 shall be deemed to have timely occurred in accordance with applicable law and shall be in effect,
23 without any requirement of further actions by the security holders or directors of the Debtor or the
24 Reorganized Debtor. On the Effective Date, the appropriate officers of Reorganized Debtor and
25 members of the New Board of Reorganized Debtor are authorized and directed to issue, execute
26 and deliver the agreements, and other documents as required by the Plan, including the Warrants
27 and the Registration Rights Agreement.

28

1 8. New Financing

2 (a) On the Effective Date or as soon thereafter as is practicable, the Exit Facility,
3 together with new promissory notes evidencing obligations of the Reorganized Debtor
4 thereunder, and all other documents, instruments, mortgages, and agreements to be entered into,
5 delivered, or confirmed thereunder on the Effective Date, shall become effective. In
6 consideration of the Exit Facility, the Reorganized Debtor will likely issue Warrants to purchase
7 shares of Common Stock to the lenders thereunder (the “Lender Warrants”) on the same terms as
8 the Management Warrants. The obligations incurred by the Reorganized Debtor pursuant to the
9 Exit Facility and related documents shall be paid as set forth in the Exit Facility and related
10 documents. RC Fremont shall file with the Bankruptcy Court a commitment letter with respect to
11 the Exit Facility as soon as obtained, but not later than ten (10) days prior to the Confirmation
12 Hearing.

13 (b) On the Effective Date, RC Fremont will invest at least \$7,831,800 (and up to
14 \$14,581,800) in the Reorganized Debtor by purchasing (i) 12 million shares of Common Stock
15 (plus a number of shares equal to the Common Stock Shortfall) for \$0.45 per share and (ii)
16 Warrants (with a term of 10 years and an exercise price of \$0.75 per share) to purchase 24.318
17 million shares of the Common Stock for \$0.10 per Warrant (the “Investment Warrants”). In
18 addition, in the event that fewer than 15 million shares of Common Stock are issued as Class 3C
19 Plan Consideration (such difference, the “Common Stock Shortfall”), on the Effective Date, RC
20 Fremont will purchase an additional number of shares of Common Stock equal to the Common
21 Stock Shortfall at \$0.45 per share.

22 9. Cancellation of Senior Notes; Release of Indenture Trustee

23 (a) On the Effective Date, except as otherwise provided for herein, (a) Senior Notes
24 shall be deemed extinguished, cancelled and of no further force or effect, and (b) the obligations
25 of the Debtor (and Reorganized Debtor) under any agreements, indentures, or certificates of
26 designations governing the Senior Notes and any other note, bond, or indenture evidencing or
27 creating any indebtedness or obligation of any Debtor with respect to the Senior Notes or other
28 indebtedness (excluding the TOPrS, the Junior Notes, and the Equity Interests as described

1 above) shall be discharged in each case without further act or action under any applicable
2 agreement, law, regulation, order, or rule and without any action on the part of the Bankruptcy
3 Court or any Person; provided, however, that the Senior Notes and the Indenture shall continue to
4 effect solely for the purposes of (i) allowing the holders of Senior Notes to receive the
5 distributions provided for Holders hereunder, (ii) allowing the Disbursing Agent or the Indenture
6 Trustee, as the case may be, to make distributions on account of the Senior Note Claims, and (iii)
7 preserving the rights of the Indenture Trustee.

8 (b) Subsequent to the performance by the Indenture Trustee or its agents of any duties
9 that are required under the Plan, the Confirmation Order and/or under the terms of the Indenture,
10 the Indenture Trustee and its agents shall be relieved of, and released from, all obligations
11 associated with the Senior Notes arising under the Indenture or under other applicable agreements
12 or law and the Indenture shall be deemed to be discharged.

13 10. Authorization and Issuance of Common Stock

14 (a) Reorganized Debtor shall (i) authorize on the Effective Date up to 27 million
15 shares of Common Stock for issuance pursuant to the Plan, (ii) reserve for issuance up to 56.743
16 million shares of Common Stock to satisfy the required shares to be issuable under the Warrants,
17 and (iii) reserve for the issuance of stock to the Holders of Allowed Section 510(b) Claims, if any.

18 (b) The issuance of Common Stock under the Plan shall be authorized under Section
19 1145 of the Bankruptcy Code as of the Effective Date without further act or action by any Person,
20 except as may be required by the Reorganized Debtor, the By-laws, or applicable law, regulation,
21 order or rule; and all documents evidencing same shall be executed and delivered as provided for
22 in the Plan.

23 **VI. RETENTION OF JURISDICTION**

24 The Bankruptcy Court will retain jurisdiction of all matters arising in or related to the Plan
25 to the fullest extent provided by law until the Plan is fully consummated, including, without
26 limitations:

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

- 1 2. The estimation of any Claim;
- 2 3. The allowance or disallowance of Professional Fee Claims, compensation, or other
- 3 Administrative Claims;
- 4 4. To hear and determine Claims concerning taxes pursuant to sections 346, 505, 525,
- 5 and 1146 of the Bankruptcy Code;
- 6 5. To hear and determine any action or proceeding brought under sections 108, 510,
- 7 543, 544, 545, 547, 548, 549, 550, 551, and 553 of the Bankruptcy Code;
- 8 6. To hear and determine all actions and proceedings relating to pre-confirmation
- 9 matters;
- 10 7. To hear and determine any issue relating to the assumption or rejection of
- 11 executory contracts and unexpired leases;
- 12 8. To hear and determine any modification to the Plan in accordance with the
- 13 Bankruptcy Rules and the Bankruptcy Code;
- 14 9. To enforce and interpret terms of the Plan;
- 15 10. To correct any defects, cure any omissions, or reconcile any inconsistency in the
- 16 Plan or the Confirmation Order as may be necessary to carry out the purpose and intent of the
- 17 Plan;
- 18 11. To hear and determine such matters and make such orders as are consistent with
- 19 the Plan as may be necessary to carry out the provisions thereof and to adjudicate any disputes
- 20 arising under or related to any order entered by the Court in this Case; and The entry of an order
- 21 concluding and terminating this Case.

22 **VII. CLAIMS**

23 1. Post-Confirmation Claims Register

24 In connection with the discharge of its duties and obligations, the Reorganized Debtor
25 shall be entitled to retain a third party, including, without limitation, Kurtzman Carson
26 Consultants LLC, to maintain the official claims register for this Case (the “Post-Confirmation
27 Claims Register”). The Post-Confirmation Claims Register shall be based, in the first instance,
28 upon an updated claims database (the “Register Update”) that shall be filed by the Debtor at least

1 twenty-one (21) days prior to the Confirmation Hearing. On the Effective Date, the Register
2 Update shall be deemed to amend and supersede the Bankruptcy Court's official register, and
3 may thereafter be relied upon by the Reorganized Debtor and any retained third party as the
4 official Post-Confirmation Claims Register. Following the Effective Date, copies of the current
5 Post-Confirmation Claims Register may be obtained by any party in interest upon written request
6 to the Reorganized Debtor.

7 2. Claim Objections

8 The Reorganized Debtor or any other party in interest shall file objections to Claims or
9 Equity Interests within 180 days of the Effective Date. The Reorganized Debtor may obtain an
10 extension of this date by filing a motion in the Bankruptcy Court, based upon a showing of
11 "cause." If, at the time of any Distribution, a Claim or Equity Interest under the Plan is a Disputed
12 Claim or Disputed Equity Interest, the Reorganized Debtor shall have the right to hold in trust any
13 Cash that would be distributed to that Claim, including Post Petition Interest on such Claim or
14 Equity Interest Holder if the Claim or Equity Interest were Allowed and until the Claim or Equity
15 Interest is Allowed, if at all (the "Reserve Account"). Any unused funds in the Reserve Account,
16 not otherwise designated for payout under the Plan, shall be returned to the Reorganized Debtor
17 for use under the Plan, if required, and then to the Reorganized Debtor. Once a Claim or Equity
18 Interest becomes an Allowed Claim or Equity Interest, it will receive the treatment afforded by
19 the Plan.

20 **VIII. PROVISIONS GOVERNING DISBURSEMENTS**

21 **A. Dates of Distributions**

22 The Reorganized Debtor, the Disbursing Agent, or the Indenture Trustee, in the case of
23 the distributions to the Holders of Senior Notes, shall make each required Distribution by the date
24 stated in the Plan with respect to such Distribution. Any Distribution required to be made on the
25 Effective Date shall be deemed to be made on such date if made as soon as practicable after such
26 date. Any Distribution required to be made on the date on which a Claim becomes an Allowed
27 Claim shall be deemed to be made on such date if made on the nearest Distribution Date
28 occurring after such date.

1 **B. Manner of Distribution**

2 At the option of the Reorganized Debtor, monetary Distributions may be made in Cash, by
3 wire transfer, or by a check drawn on a domestic bank.

4 **C. Rounding of Payments**

5 Whenever payment of a fraction of a cent would otherwise be called for, the actual
6 payment shall reflect a rounding down of such fraction to the nearest whole cent. To the extent
7 Cash remains undistributed as a result of the rounding of such fraction to the nearest whole cent,
8 such Cash shall be treated as “Unclaimed Property” and shall be dealt with in accordance with the
9 Plan.

10 **D. Compliance with Tax Requirements**

11 The Reorganized Debtor shall comply with all withholding and reporting requirements
12 imposed by federal, state, or local taxing authorities in connection with making Distributions
13 pursuant to the Plan.

14 In connection with each Distribution with respect to which the filing of an information
15 return (such as an Internal Revenue Service Form 1099 or 1042) or withholding is required, the
16 Reorganized Debtor shall file such information return with the Internal Revenue Service and
17 provide any required statements in connection therewith to the recipients of such Distribution, or
18 effect any such withholding and deposit all moneys so withheld to the extent required by law.
19 With respect to any Person from whom a tax identification number, certified tax identification
20 number, or other tax information required by law to avoid withholding has not been received by
21 the Reorganized Debtor, then the Reorganized Debtor may, at its sole option, withhold the
22 amount required and distribute the balance to such Person or decline to make such Distribution
23 until the information is received.

24 **E. Distribution of Unclaimed Property**

25 If a Distribution is returned to the Reorganized Debtor as undeliverable, then such
26 Distribution amount shall be deemed to be “Unclaimed Property.” Nothing contained in the Plan
27 shall require the Reorganized Debtor, or anyone else, to attempt to locate such Person. The
28

1 Unclaimed Property shall be set aside and (in the case of Cash) held in a segregated interest-
2 bearing account to be maintained by the Reorganized Debtor. If such Person presents itself within
3 one (1) year following the Effective Date, the Unclaimed Property distributable to such Person,
4 together with any interest or dividends earned thereon, shall be paid or distributed to such Person.
5 If such Person does not present itself within one (1) year following the Effective Date, any such
6 Unclaimed Property and accrued interest or dividends earned thereon shall become the property
7 of the Reorganized Debtor for use under the Plan, if required, then to the Reorganized Debtor.

8 **F. No De Minimis Distributions**

9 If any single distribution required by the Plan would be for an amount of \$25.00 or less,
10 then the Reorganized Debtor shall not be required to process the distribution and may, at its
11 option, either add the distribution to the next distribution if the collective amount would be
12 greater than \$25.00 or may treat the distribution as Unclaimed Property in accordance with
13 Section E hereof.

14 **G. Setoff**

15 Any Claims of any nature which the Debtor or the Estate may have against the Holder of a
16 Claim may be, but are not required to be, set off against any Claim and the Distribution to be
17 made pursuant to the Plan in respect of such Claim. Neither the failure by the Reorganized Debtor
18 or any other Person to effect such a setoff nor the allowance of any Claim shall constitute a
19 waiver or a release of any claim which any or all of the foregoing may have against the Holder of
20 a Claim.

21 **H. Preservation of Causes of Action**

22 Except as otherwise provided in this Plan, all Causes of Action are retained and preserved
23 pursuant to section 1123(b) of the Bankruptcy Code including, without limitation, the pending or
24 contemplated Causes of Action identified on Exhibit 1 to the Disclosure Statement, a revised,
25 amended and modified version of which may be submitted prior to the ten (10) days prior to the
26 Confirmation Hearing. From and after the Effective Date, all Causes of Action will be prosecuted
27 or settled by the Reorganized Debtor. To the extent any Cause of Action is already pending on the
28 Effective Date, the Reorganized Debtor as successor to the Debtor will continue the prosecution

1 of such Cause of Action In addition, and without limiting the generality of Section of this Plan,
2 from and after the Effective Date (as a result of the Merger), the Reorganized Debtor is the
3 successor-interest to any and all interests of FGCC or FRC in any an all claims rights, and causes
4 of action which have been or could have been commenced by FGCC or FRC immediately prior to
5 the Effective Date. Notwithstanding the foregoing, nothing herein shall be deemed to require the
6 Reorganized Debtor to prosecute any Cause of Action.

7 **I. Application of Distribution Record Date**

8 At the close of business on the Distribution Record Date, the claims registers for all
9 Claims (excluding the TOPrS and the Junior Notes) and the transfer ledgers for the Senior Notes
10 shall be closed, and there shall be no further changes in the record holders of such Claims or such
11 Senior Notes. Except as provided herein, the Reorganized Debtor, the Disbursing Agent, the
12 Indenture Trustee, and each of their respective agents, successors, and assigns shall have no
13 obligation to recognize any transfer of Claims or any transfer of Senior Notes occurring after the
14 Distribution Record Date and shall be entitled instead to recognize and deal for all purposes
15 hereunder with only those record holders stated on the claims registers or transfer ledgers as of
16 the close of business on the Distribution Record Date irrespective of the number of distributions
17 to be made under the Plan to such Persons or the date of such distributions.

18 **IX. CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF
19 THE PLAN**

20 **A. Conditions to Confirmation**

21 The following are conditions precedent to the occurrence of the Confirmation Date, each
22 of which must be satisfied or waived in accordance with this Section of the Plan.

- 23 (a) a Final Order approving the Disclosure Statement and finding that it contains
24 adequate information pursuant to Section 1125 of the Bankruptcy Code shall have been entered;
25 (b) the assets and liabilities of the Debtor as described in the Disclosure Statement are
26 true, correct, and complete in all material respects; and
27 (c) the proposed Confirmation Order shall be in form and substance reasonably
28 satisfactory to Ranch Capital and RC Fremont and wholly consistent with the Ranch Capital Plan.

1 **B. Conditions to Effective Date**

2 The following conditions precedent must be satisfied or waived on or prior to the
3 Effective Date in accordance with this Section of the Plan:

4 (a) the Confirmation Order shall have been entered in form and substance reasonably
5 satisfactory to Ranch Capital and RC Fremont and shall be wholly consistent with the terms of
6 this Plan, and shall, among other things:

7 (i) provide that the Debtor and the Reorganized Debtor are authorized and
8 directed to take all actions necessary or appropriate to enter into, implement, and consummate the
9 contracts, instruments, releases, leases, indentures, and other agreements or documents created in
10 connection with the Plan;

11 (ii) approve the Exit Facility;

12 (iii) authorize the issuance of the additional Common Stock and the Warrants;

13 and

14 (iv) provide that notwithstanding Rule 3020(e) of the Bankruptcy Rules, the
15 Confirmation Order shall be immediately effective, subject to the terms and conditions of the
16 Plan;

17 (b) the Confirmation Order shall not then be stayed, vacated, or reversed;

18 (c) the documents evidencing the Exit Facility shall be in form and substance
19 reasonably acceptable to RC Fremont, and the lender or the agent for the lenders under the Exit
20 Facility;

21 (d) the By-laws and Articles of Incorporation, in form and substance reasonably
22 acceptable to Ranch Capital and RC Fremont shall have been adopted;

23 (e) all material authorizations, consents, and regulatory approvals required, if any, in
24 connection with consummation of the Plan shall have been obtained; and

25 (f) all material actions, documents, and agreements necessary to implement the Plan
26 shall have been effected or executed.

27
28

1 **C. Waiver of Conditions**

2 Each of the conditions set forth herein, with the express exception of the conditions
3 contained in Section (b), may be waived in whole or in part by Ranch Capital on notice to parties-
4 in-interest and without a hearing.

5 **X. EFFECT OF CONFIRMATION OF PLAN**

6 **A. Discharge**

7 Because the Plan does not contemplate the liquidation of substantially all of the property
8 of the estate and the Reorganized Debtor will engage in business after consummation of the Plan,
9 the rights under the Plan and the treatment of Claims and Equity Interests under the Plan will be
10 in exchange for, and in complete satisfaction, discharge, and release of all Claims and Equity
11 Interests of any nature whatsoever against the Debtor, the Reorganized Debtor, or their property,
12 except as otherwise provided in the Plan or the Confirmation Order.

13 1. On the Effective Date, the Debtor, except as otherwise provided in the Plan the
14 Debtor's Estate, Reorganized Debtor, and their property will be deemed discharged and released
15 from any and all Claims including without limitation, all demands, liabilities, Claims, that arose
16 before the Confirmation Date or that are based upon or otherwise relate to acts, events, omissions,
17 transactions or other activities of any kind that occurred before the Confirmation Date, and all
18 debts of the kind specified in Bankruptcy Code §§ 502(g), 502(h), or 502(i) regardless of
19 whether: (a) a proof of Claim based on such debt or Equity Interest is filed or deemed filed; (b) a
20 Claim based on such debt is allowable under Bankruptcy Code § 502; or (c) the Person holding
21 the Claim based on such a debt or Interest has accepted the Plan;

22 2. Except as provided in the Plan, all Persons will be precluded from asserting
23 against the Debtor, the Estate, or the Reorganized Debtor, or their property, any other or further
24 Claims based on, 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 up to
27 the Confirmation, will no longer be deemed in default. Moreover, to the extent that the Debtor
28

1 and Reorganized Debtor comply with the terms and conditions of the Plan, these obligations will
2 be deemed in good standing;

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

11 5. Subject to the limitations and conditions imposed under section 1125(e) of the
12 Bankruptcy Code, Persons who, in good faith and in compliance with applicable provisions of the
13 Bankruptcy Code, either solicit Plan acceptances or rejections or participate in the offer, issuance,
14 sale, or purchase of securities under the Plan will not be liable on account of their solicitation or
15 participation for violation of any applicable law, rule, or regulation governing the solicitation of
16 Plan acceptances or rejections or the offer, issuance, sale, or purchase of such securities.

17
18 Notwithstanding the foregoing, nothing in the Plan, or in any Order confirming the Plan,
19 shall preclude any party from pursuing their claims against the Debtor solely to the extent of
20 available insurance coverage and proceeds or preclude any party from seeking discovery from the
21 Debtor or the Reorganized Debtor as may be permitted by applicable law, and to the extent of
22 available insurance (and to that extent only), such claims shall not be discharged and released.
23 Moreover, nothing in the Plan or the Confirmation Order shall affect, release, enjoin, or impact in
24 any way the prosecution of any claims asserted or to be asserted against any non-Debtor,
25 including any non- Debtor defendants.

1 **XI. MISCELLANEOUS PROVISIONS**

2 **A. Severability of Plan Provisions**

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

14 **B. Exculpation**

15 As of the Effective Date, neither the Debtor, FGCC or FRC (including, without limitation,
16 their successors or assigns, including, without limitation, the Reorganized Debtor, the Disbursing
17 Agent, the Board of Directors and Board of Directors' Agents) or the Creditors' Committee or the
18 Equity Committee or the Indenture Trustees or Ranch Capital and, in each case, none of their
19 respective present or former officers, directors, employees, members, agents, representatives,
20 shareholders, attorneys, accountants, financial advisors, investment bankers, lenders, consultants,
21 experts, and professionals and agents for the foregoing shall have or incur any liability for, and
22 are expressly exculpated and released from, any Claims (including, without limitation, any
23 Claims whether known or unknown, foreseen or unforeseen, then existing or thereafter arising, in
24 law, equity or otherwise) for any past or present or future actions taken or omitted to be taken
25 under or in connection with, related to, effecting, or arising out of the Case including, without
26 limitation, the formulation, negotiation, documentation, preparation, dissemination,
27 implementation, administration, confirmation, or consummation of the Plan and the Disclosure
28 Statement; except only for actions or omissions to act to the extent determined by a court of

1 competent jurisdiction (in a Final Order) to be by reason of such party's gross negligence, willful
2 misconduct, or fraud, and in all respects, such party shall be entitled to rely upon the advice of
3 counsel with respect to its duties and responsibilities under the Plan. It being expressly
4 understood that any act or omission with the approval of the Bankruptcy Court will be
5 conclusively deemed not to constitute gross negligence, willful misconduct, or fraud unless the
6 approval of the Bankruptcy Court was obtained by fraud or misrepresentation.

7 **C. Governing Law**

8 Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy
9 Code and Bankruptcy Rules), the laws of (a) the State of California shall govern the construction
10 and implementation of the Plan and (except as may be provided otherwise in any such
11 agreements, documents, or instruments) any agreements, documents, and instruments executed in
12 connection with the Plan and (b) the laws of the state of incorporation of the Debtor shall govern
13 corporate governance matters; in each case without giving effect to the principles of conflicts of
14 law thereof.

15 **D. Vesting of Property of the Estate**

16 On the Effective Date, all Assets that are property of the Estate as of the Effective Date,
17 including all Causes of Action, Rights of Action and Avoidance Actions, will vest in the
18 Reorganized Debtor free and clear of the Claims of any Creditors, except as otherwise provided
19 in the Plan.

20 **E. Exemption from Securities Laws**

21 The issuance of the Common Stock pursuant to the Plan shall be exempt from any
22 securities laws regulation requirements to the fullest extent permitted by Section 1145 of the
23 Bankruptcy Code, section 4.2 of the Securities Act and any other applicable exemptions.

24 **F. Modification of Plan**

25 Ranch Capital and/or RC Fremont may modify the Plan at any time before confirmation
26 provided that the modifications meet the requirements of the Bankruptcy Code. Ranch Capital
27 and/or RC Fremont may also seek to modify the Plan at any time after confirmation only if (1) the
28

1 Plan has not been substantially consummated and (2) the Court authorizes the proposed
2 modifications after notice and a hearing.

3 **G. Post-Confirmation Status Report**

4 Within 120 days of the Confirmation Date, the Reorganized Debtor shall file a status
5 report with the Court explaining what progress has been made toward consummation of the
6 confirmed Plan. The status report shall be served on the United States Trustee and the members
7 of the Committees. Further status reports shall be filed every 180 days and served on the same
8 entities.

9 **H. The Committees**

10 Until the Effective Date, the Equity Committee and Creditors Committee shall continue in
11 existence. As of the Effective Date, the Equity Committee and Creditors Committee shall
12 terminate and disband and the members of the Equity Committee and the Creditors Committee
13 shall be released and discharged of and from all further authority, duties, responsibilities and
14 obligations related to and arising from their service as Committee members. Except as otherwise
15 provided in the Plan or Bankruptcy Court Order, the prohibition of members of the Equity
16 Committee from trading their respective Equity Interests shall cease as of the Confirmation Date.

17 **I. Notices**

18 Any notice, request, or demand required or permitted to be or provided under the Plan
19 shall be (a) in writing, (b) served by (i) certified mail, return receipt requested, (ii) hand delivery,
20 (iii) overnight delivery service, (iv) first class mail, or (v) facsimile transmission, and (c) deemed
21 to have been duly given or made when actually delivered or, in the case of notice by facsimile
22 transmission, when received and telephonically confirmed, addressed as follows:

23 *Counsel for Ranch Capital, LLC and RC Fremont, LLC*
24 *Munger, Tolles & Olson LLP*
25 *355 South Grand Avenue, Suite 3500*
26 *Los Angeles, CA 90071-1560*
27 *Facsimile: (213) 687-3702*
Attn: Thomas B. Walper
Derek J. Kaufman

28 *Counsel for the Creditors' Committee*

1 Klee, Tuchin, Bogdanoff & Stern LLP
2 Jonathan S. Shenson, Esq.
3 1999 Avenue of the Stars, 39th Floor
4 Los Angeles, California 90067
5 Facsimile: (310) 407-9090

6 *Debtor's Co-Reorganization Counsel*
7 Stutman, Treister & Glatt
8 Theodore Stolman, Esq.
9 1901 Avenue of the Stars, Suite 1200
10 Los Angeles, California 90067
11 Facsimile: (310) 228-5788

12 *Counsel for the Official Committee of Equity Holders*
13 Weiland, Golden, Smiley, Wang, Ekvall & Strok, LLP
14 Evan D. Smiley, Esq.
15 650 Town Center Drive, Suite 950
16 Costa Mesa, California 92626
17 Facsimile (714) 966-1002

18 **J. Payment of Ranch Capital Expenses**

19 On the Effective Date, the Reorganized Debtor shall pay the expenses of Ranch Capital
20 and RC Fremont incurred in preparing the Plan and Disclosure Statement, including reasonable
21 fees of its attorneys and advisors.


22 **K. Final Decree**

23 Upon substantial consummation of the Plan and the occurrence of the Effective Date, the
24 Estate shall be deemed fully administered as referred to in Bankruptcy Rule 3022, and the
25 Reorganized Debtor shall file a motion with the Court to obtain a final decree to close the
26 Reorganization Case.
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DATED: December 3, 2009

RANCH CAPITAL, LLC

By: 
Lawrence Hershfield
Authorized Signatory

MUNGER, TOLLES & OLSON LLP

By: /s/ Derek J. Kaufman
Derek J. Kaufman, Esq. (State Bar No. 243699)
Derek.Kaufman@mto.com
355 South Grand Avenue, Suite 3500
Los Angeles, CA 90071-1560
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Counsel for Ranch Capital, LLC and RC Fremont, LLC