

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
(Greenbelt Division)

In re:

*

KH FUNDING COMPANY,

*

Case No. 10-37371-TC
(Chapter 11)

Debtor.

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**THIRD AMENDED JOINT PLAN OF LIQUIDATION OF KH FUNDING
COMPANY AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS
PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE**

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Dated: April 6, 2012

KH Funding Company, debtor in possession (the “Debtor”) and the Official Committee of Unsecured Creditors (the “Committee”) in the Debtor’s above-captioned case hereby propose the following Third Amended Joint Plan of Liquidation of KH Funding Company and the Official Committee of Unsecured Creditors Pursuant to Chapter 11 of the Bankruptcy Code (the “Plan”) pursuant to 11 U.S.C. § 1121:

Preliminary Statement

The Plan sets forth a proposal for the satisfaction of all Claims¹ against the Debtor. Along with the Plan, Creditors entitled to vote will receive a Ballot for voting on the Plan and a Disclosure Statement that provides information concerning the Debtor and the Plan.

The Disclosure Statement accompanying the Plan, and the exhibits thereto, include a discussion of the Debtor’s history, business, results of operations and properties, the post-petition liquidation of substantially all of the Debtor’s assets, a summary of the assets and liabilities of the Debtor, a summary of what Creditors and Interest Holders can expect to receive under the Plan, a summary of the procedures and voting requirements necessary for confirmation of the Plan and a discussion of certain alternatives to the Plan in the event that the Plan is not confirmed. All Holders of Claims and Interests should read the Disclosure Statement and the Plan carefully—and consult with their counsel and other applicable professionals—before voting to accept or reject the Plan.

As more fully described in the Disclosure Statement, the Plan must be approved by the requisite number and dollar amount of Creditors, and the Bankruptcy Court must find that the Plan meets the applicable legal standards before it can be confirmed.² If the Plan is not confirmed, the Bankruptcy Court may order the case dismissed or converted to a liquidating case under Chapter 7 of the Bankruptcy Code, or the Debtor or other parties in interest may propose a different plan.

ARTICLE 1 **DEFINITIONS**

1.1 As used in this Plan, the following terms shall have the respective meanings specified below. Unless otherwise indicated, the singular shall include the plural.

1.2 **“Administrative Claim”** means a Claim under Section 503(b) of the Bankruptcy Code that is entitled to priority under Section 507(a)(1) of the Bankruptcy Code, for costs or expenses of administration of the Chapter 11 Case, including, without limitation, any actual and necessary expenses of operating the business of the Debtor or preserving the estate, and any and all fees and expenses of Professionals to the extent allowed by the Bankruptcy Court under Sections 330, 331, or 503 of the Bankruptcy Code.

¹ Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in Article 1 of this Plan.

² Interest Holders will receive nothing under the Plan, and therefore, the Class of Interests is deemed to have rejected the Plan. Accordingly, acceptances are not being solicited from the Holders of Interests.

1.3 **“Allowed Claim”** or **“Allowed [] Claim”** means: (a) any Claim, proof of which is/was filed with the Bankruptcy Court on or before the applicable Bar Date, or which has been or hereafter is scheduled by the Debtor as liquidated in amount and not disputed or contingent and which, in either case, is a Claim as to which no objection to the allowance thereof has been filed within the applicable period of limitation (if any) for objection to Claims fixed by the Bankruptcy Court, or as to which any objection has been determined by an order or judgment of the Bankruptcy Court (allowing such Claim in whole or in part) that is no longer subject to appeal or certiorari proceedings, and as to which no appeal or certiorari proceeding is pending, or (b) a Claim that is allowed (i) in a Final Order or (ii) pursuant to the terms of the Plan.

1.4 **“Avoidance Actions”** means all claims and causes of action that the Debtor or its estate or the Committee have the power to assert pursuant to any or all of Sections 510, 544, 545, 547, 548, 549, 550, 551, and 553 of the Bankruptcy Code.

1.5 **“Assets”** means any and all real property or personal property assets, rights or interests of Debtor, whether tangible or intangible, and any proceeds realized therefrom, including without limitation, all cash of the Debtor and any right, claim, or cause of action, belonging to the Debtor or its estate or to the Committee.

1.6 **“Ballot”** means the form or forms of ballot that will be distributed along with the Disclosure Statement to Holders of Allowed Claims in classes that are Impaired under the Plan and entitled to vote, with which the Holders of impaired Claims may use to vote to accept or reject the Plan.

1.7 **“Bankruptcy Code”** means the United States Bankruptcy Code, 11 U.S.C. §§ 101 et. seq., as now in effect or hereafter amended with regard to the Chapter 11 Case.

1.8 **“Bankruptcy Court”** means the United States Bankruptcy Court for the District of Maryland, Greenbelt Division.

1.9 **“Bankruptcy Rules”** means the Federal Rules of Bankruptcy Procedure, as amended from time to time, as applicable to the Chapter 11 Case, promulgated under 28 U.S.C. § 2075 and the Local Rules of the United States Bankruptcy Court for the District of Maryland.

1.10 **“Bar Date”** means the date (or dates) set by the Bankruptcy Court as the last day for filing proofs of Claim or Administrative Claims, as applicable, against the Debtor.

1.11 **“Business Day”** means any day *other* than a Saturday, Sunday, legal holiday (as such term is defined in Bankruptcy Rule 9006) or any other day that the Bankruptcy Court is closed.

1.12 **“Cash”** means cash and cash equivalents, including, but not limited to, wire transfers, checks, and other readily marketable direct obligations of the United States of America and certificates of deposit issued by banks.

1.13 **“Chapter 11 Case”** means the above-captioned Chapter 11 Case pending for the Debtor.

1.14 **“Claim”** means a claim as defined in Section 101(5) of the Bankruptcy Code or any portion thereof.

1.15 **“Class”** means a category of Claims or Interests that are substantially similar in nature to each other, as classified pursuant to the Plan.

1.16 **“Committee”** means the Official Committee of Unsecured Creditors appointed by the Office of the United States Trustee on January 20, 2011.

1.17 **“Confirmation”** means the entry of the Confirmation Order on the docket of the Bankruptcy Court.

1.18 **“Confirmation Date”** means the date of entry of an order of the Bankruptcy Court confirming this Plan in accordance with the provisions of the Bankruptcy Code.

1.19 **“Confirmation Hearing”** means that hearing held before the Bankruptcy Court to consider Confirmation of the Plan, as such hearing may be adjourned or continued from time to time.

1.20 **“Confirmation Order”** means the order of the Bankruptcy Court confirming the Plan pursuant to Section 1129 of the Bankruptcy Code.

1.21 **“Creditor”** means any person or entity having a Claim against the Debtor, including without limitation a Claim that arose on or before the Petition Date or a Claim against the Debtor’s estate of any kind specified in Sections 502(g), 502(h), or 502(i) of the Bankruptcy Code.

1.22 **“Debtor”** means KH Funding Company.

1.23 **“Debtor in Possession”** means the Debtor in its capacity and with the status and rights conferred by Sections 1107 and 1108 of the Bankruptcy Code.

1.24 **“Disbursing Agent”** means, as applicable, (a) the Plan Administrator; (b) such Entity selected by the Plan Administrator to make or facilitate distributions under the Plan; or (c) any other Entity in its capacity as Disbursing Agent under Sections 6.1, 6.4(b), or 6.4(c) of this Plan subject to and as limited by those Sections 6.1, 6.4(b), or 6.4(c) of this Plan.

1.25 **“Disclosure Statement”** means the disclosure statement respecting the Plan, as approved by the Bankruptcy Court as containing adequate information in accordance with Section 1125 of the Bankruptcy Code, all exhibits and annexes thereto, and any amendments or modifications thereof.

1.26 **“Disputed Claim”** means any Claim or Interest not otherwise Allowed or paid pursuant to the Plan or an order of the Bankruptcy Court (a) that has been or hereafter is listed on the Schedules as unliquidated, contingent, or disputed, and that has not been resolved by written agreement of the parties or a Final Order, (b) proof of which was required to be filed by order of the Bankruptcy Court but as to which a proof of Claim or Interest was not timely or properly filed, (c) that is disputed in accordance with the provisions of the Plan, or (d) as to which the Debtor, the Post-Confirmation Debtor or the Plan Administrator, as applicable, have interposed a timely objection or request for estimation in accordance with the Bankruptcy Code, the Bankruptcy Rules, and any orders of the Bankruptcy Court, or that is otherwise disputed by the Debtor, the Post-Confirmation Debtor or the Plan Administrator, as applicable, in accordance with applicable law, which objection, request for estimation, or dispute has not been withdrawn or determined by a Final Order.

1.27 **“Effective Date”** means the first Business Day of the first full month after the date on which each of the conditions set forth in Section 8.1 of the Plan have been satisfied or waived (if waivable) in accordance with Section 8.2 of the Plan.

1.28 **“Entity”** has the meaning set forth in Section 101 of the Bankruptcy Code.

1.29 **“Fee Claim”** means a Claim by a Professional Person for compensation, indemnification or reimbursement of expenses pursuant to Sections 327, 328, 330, 331, 503(b) or 1103(a) of the Bankruptcy Code in connection with the Chapter 11 Case.

1.30 **“Final Order”** means an order entered by the Bankruptcy Court or any other court exercising jurisdiction over the subject matter and the parties, as to which (i) no appeal, certiorari proceeding, or other review or rehearing has been requested or is still pending, and (ii) the time for filing a notice of appeal or petition for certiorari or further review or rehearing has expired; *provided, however*, that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed relating to such order shall not prevent such order from being a Final Order.

1.31 **“General Unsecured Claim”** means any Claim against the Debtor other than an Administrative Claim, Priority Tax Claim, Priority Claim, Secured Claim, Series 3 Note Claim, or Series 4 Note Claim.

1.32 **“Holder”** means an Entity holding a Claim or Interest.

1.33 **“Impaired”** means with respect to a Claim, an Interest, a Class of Claims, or a Class of Interests, a Claim, an Interest, a Class of Claims, or a Class of Interests that is impaired within the meaning of Section 1124 of the Bankruptcy Code.

1.34 **“Indenture”** means that Indenture dated August 2, 2004, as amended and supplemented in accordance with its terms, between the Debtor, Wells Fargo Bank, N.A., as indenture trustee, and Law Debenture Trust Company of New York, as indenture trustee.

1.35 **“Interest”** means any equity interest in the Debtor and any option, warrant or right, contractual or otherwise, to acquire or relating to any such interest.

1.36 **“Litigation”** means the interest of the Debtor or its estate, the Plan Administrator, or the Committee, as applicable, in any and all claims, rights or causes of action that have been or may be commenced by the Debtor or its estate, the Plan Administrator, or the Committee, as applicable. Litigation includes, without limitation, any: (i) Avoidance Actions; (ii) any causes of actions against past or current officers, directors or stockholders of the Debtor; (iii) any causes of action against Eagle Servicing LLC, its parents, affiliates or subsidiaries and any of their past or current members, stockholders, officers, directors, managers, attorneys, representatives or agents; (iv) any causes of action against Virginia Funding Group, LLC, its parents, affiliates or subsidiaries and any of their past or current members, stockholders officers, directors, managers, attorneys, representatives or agents; (v) any causes of action against Platinum Partnership LLC, its parents, affiliates or subsidiaries and any of their members, stockholders, officers, directors, managers, attorneys, representatives or agents; (vi) any cause of action against Jin Suk Kim or any entity in which she has or had an interest, its or their parents, affiliates or subsidiaries and its or their past or current officers, directors, members, stockholders, managers, shareholders, attorneys, representatives or agents; (vii) any cause of action for the turnover of property to the Debtor, the Plan Administrator, or the Committee, as applicable; (viii) any cause of action for the recovery of property or payment of money that belongs to or can be asserted by the Debtor or its estate, the Plan Administrator, or the Committee, as applicable; (ix) any cause of action for compensation for damages incurred by the Debtor or its estate; and (x) any equitable subordination actions against any Creditors; *provided, however*, Litigation shall not include any claims, rights or causes of action against any of the Released Parties (as defined in Section 10.8 of this Plan) to the extent such claims, rights or causes of action are released pursuant to this Plan.

1.37 **“Oversight Committee”** means the Committee as it shall be reconstituted and function after the Effective Date in accordance with the terms of this Plan, to oversee, as provided in the Plan, the actions of the Plan Administrator.

1.38 **“Person”** means a natural person or any legal entity or organization including, without limitation, any corporation, partnership (general or limited), limited liability company, business trust, unincorporated organization or association, joint stock company, trust, association, governmental body (or any agency, instrumentality or political subdivision thereof), or any other form of legal entity.

1.39 **“Petition Date”** means December 3, 2010, the date upon which the Debtor filed a petition under Chapter 11 of the Bankruptcy Code.

1.40 **“Plan”** means this Third Amended Joint Plan of Liquidation of KH Funding Company and the Official Committee of Unsecured Creditors Pursuant to Chapter 11 of the Bankruptcy Code, all exhibits hereto, and any amendments or modifications hereof.

1.41 **“Plan Administrator”** means (subject to approval by the Bankruptcy Court in the Confirmation Order) BDO Consulting, a Division of BDO USA, LLP. The Plan

Administrator shall be the representative of the estate for the purposes of administering the Plan. The term Plan Administrator shall also include any successor plan administrator duly appointed.

1.42 **“Plan Expenses”** means all actual, reasonable, and necessary costs and expenses to be incurred after the Effective Date in connection with the administration of the Plan at the direction of the Plan Administrator in accordance with Section 5.3 of this Plan.

1.43 **“Plan Objection Deadline”** means the deadline established by the Bankruptcy Court for filing and serving objections to Confirmation of the Plan.

1.44 **“Post-Confirmation Debtor”** means the Debtor in its post-Effective Date status as provided for in this Plan.

1.45 **“Priority Claim”** means any Claim against the Debtor other than an Administrative Claim or Priority Tax Claim entitled to priority in payment under Section 507(a) of the Bankruptcy Code.

1.46 **“Priority Tax Claim”** means any Claim for taxes against the Debtor, including without limitation any interest and penalties due thereon, entitled to priority in payment pursuant to Section 507(a)(8) of the Bankruptcy Code.

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

1.48 **“Property”** means all property of the Debtor’s estate of any nature whatsoever, real or personal, tangible or intangible, previously or now owned by the Debtor, or acquired by the Debtor’s estate, as defined in Section 541 of the Bankruptcy Code.

1.49 **“Pro Rata”** means, as of any certain date, with respect to any Allowed Claim in any Class, the proportion that such Allowed Claim bears to the aggregate amount of all Claims, including Disputed Claims, in such Class.

1.50 **“Reserve Fund”** means the segregated interest bearing account(s) into which all reserved cash provided for in the Plan shall be deposited on the Effective Date or as soon thereafter as is practicable.

1.51 **“Schedules”** means the Debtor’s Schedules of Assets and Liabilities filed with the Bankruptcy Court pursuant to Bankruptcy Rule 1007 as they may be amended or supplemented from time to time pursuant to Bankruptcy Rules 1007 and 1009.

1.52 **“Secured Claim”** means all or that portion of a debt existing on the Petition Date, as finally allowed and approved by the Bankruptcy Court, to the extent that such debt is

not greater than the value of the assets of the Debtor that the Bankruptcy Court finds are valid security for such debt.

1.53 **“Series 3 Notes”** means the Series 3 Senior Secured Investment Debt Securities issued by the Debtor, from time to time prior to the Petition Date, pursuant to the Indenture.

1.54 **“Series 4 Notes”** means the Series 4 Subordinated Unsecured Investment Debt Securities issued by the Debtor, from time to time prior to the Petition Date, pursuant to the Indenture.

1.55 **“Series 3 Note Claims”** means those Claims arising in connection with the Indenture and the Series 3 Notes.

1.56 **“Series 4 Note Claims”** means those Claims arising in connection with the Indenture and the Series 4 Notes.

1.57 **“Series 3 Note Secured Claim”** means the portion of the Series 3 Note Claim that is a Secured Claim based upon the first priority security interest in and lien upon the funds on deposit in the Debtor’s Sandy Springs Bank and LFA Investment Services and the proceeds thereof as of the Petition Date in the amount of \$54,823.00 as approved by the Stipulation and Consent Order Avoiding Preferential Transfer and Preserving Such Transfer for the Benefit of the Debtor’s Bankruptcy Estate [Docket No. 245].

1.58 **“Series 3 Trustee”** means Wells Fargo Bank, N.A. in its capacity as indenture trustee under the Indenture. As of the Petition Date, the Series 3 Trustee served as indenture trustee under the Indenture for the holders of Series 3 Notes.

1.59 **“Series 3 Trustee Charging Lien”** means the lien of the Series 3 Trustee, arising under the Indenture, upon, including without limitation, distributions relating to or on account of the Series 3 Note Claims and Series 4 Note Claims, securing the payment of, including without limitation, the fees and expenses of the Series 3 Trustee as set forth in the Indenture.

1.60 **“Series 4 Trustee”** means Law Debenture Trust Company of New York in its capacity as indenture trustee under the Indenture. As of the Petition Date, the Series 4 Trustee served as indenture trustee under the Indenture for the holders of Series 4 Notes.

1.61 **“Series 4 Trustee Charging Lien”** means the lien of the Series 4 Trustee, arising under the Indenture, upon, including without limitation, distributions relating to or on account of the Series 3 Note Claims and Series 4 Note Claims, securing the payment of, including without limitation, the fees and expenses of the Series 4 Trustee as set forth in the Indenture.

1.62 **“Unimpaired”** means any Claim that is not impaired within the meaning of Section 1124 of the Bankruptcy Code.

1.63 **“Voting Deadline”** means the deadline established by Final Order of the Bankruptcy Court for receipt of Ballots voting to accept or reject the Plan.

1.64 **“Voting Record Date”** means the date as of which the identity of Holders of Claims is set for purposes of determining the Entities entitled to receive and vote on the Plan. Pursuant to Bankruptcy Rules 3017(d) and 3018(a), the Voting Record Date shall be the date of entry of the Bankruptcy Court’s order approving the Disclosure Statement or such other date as the Bankruptcy Court may set.

1.65 All terms not expressly defined herein have the respective meanings given such terms in Section 101 of the Bankruptcy Code or as otherwise defined in applicable provisions of the Bankruptcy Code, the Plan, or the Disclosure Statement. Defined terms importing the plural only shall also include the singular where the context requires. Unless otherwise specified herein, any reference to an Entity as a Holder of a Claim includes that Entity’s successors, assigns, and affiliates. The rules of construction set forth in Section 102 of the Bankruptcy Code will apply. In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

ARTICLE 2

PROVISIONS FOR PAYMENT OF ALLOWED ADMINISTRATIVE AND PRIORITY TAX CLAIMS

2.1 Administrative Claims and Priority Tax Claims are not classified in this Plan. The treatment of and consideration to be received by Holders of Allowed Administrative Claims and Allowed Priority Tax Claims pursuant to this Article II of the Plan shall be in full and complete satisfaction, settlement, release, and discharge of such Claims. The Debtor’s obligations in respect of such Allowed Administrative and Priority Tax Claims shall be satisfied in accordance with the terms of this Plan.

2.2 Treatment of Administrative Claims Other Than Fee Claims. Except to the extent the Holder of an Allowed Administrative Claim agrees otherwise, each Holder of an Allowed Administrative Claim shall be paid in respect of such Allowed Claim the full amount thereof, without interest, in Cash, as soon as practicable after the later of (i) the Effective Date or (ii) the date on which such Claim becomes an Allowed Claim.

2.3 Treatment of Fee Claims. All Professionals seeking allowance by the Bankruptcy Court of a Fee Claim (a) shall file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred by a date that is not later than the date that is forty-five (45) calendar days after the Effective Date; and (b) shall be paid by the Post-Confirmation Debtor, in such amounts as are approved by the Bankruptcy Court (i) upon the later of (x) the Effective Date and (y) ten (10) calendar days after the date upon which the order relating to the allowance of any such Fee Claim is entered, or (ii) upon such other terms as may be mutually agreed upon between the holder of such Fee Claim and the Post-Confirmation Debtor.

2.4 Treatment of Priority Tax Claims. Each Holder of an Allowed Priority Tax Claim shall be paid in respect of such Allowed Priority Tax Claim either (a) the full amount thereof,

without post-petition interest or penalty, in Cash, as soon as practicable after the later of (i) the Effective Date or (ii) the date on which such Priority Tax Claim becomes an Allowed Claim or (b) such lesser amount as the Holder of an Allowed Priority Tax Claim and the Debtor might otherwise agree or (c) at the election of the Post-Confirmation Debtor, in accordance with Section 1129(a)(9)(C) of the Bankruptcy Code, in Cash, in up to twenty equal quarterly installments (and in such event, interest shall be paid on the unpaid portion of such Allowed Priority Tax Claims at a rate to be agreed to by the Post-Confirmation Debtor and the appropriate governmental unit, or, if they are unable to agree, as determined by the Bankruptcy Court), commencing as soon as practicable after the later of (i) the Effective Date or (ii) the date on which such Priority Tax Claim becomes an Allowed Claim.

ARTICLE 3

CLASSIFICATION OF CLAIMS AND INTERESTS

3.1 Administrative Claims and Priority Tax Claims are unclassified. For purposes of this Plan, all other Claims and Interests are classified as follows:

Class	Status	Voting Rights
Class 1 – Priority Claims	Unimpaired	Not Entitled to Vote
Class 2 – Secured Claim (Tiray Spriggs Special Needs Trust)	Impaired	Entitled to Vote
Class 3 – Secured Claim (Market Street Mortgage, LLC)	Impaired	Entitled to Vote
Class 4 – Intentionally Omitted		
Class 5 – Intentionally Omitted		
Class 6 – Intentionally Omitted		
Class 7 – Series 3 Note Claims	Impaired	Entitled to Vote
Class 8 – Series 4 Note Claims	Impaired	Entitled to Vote
Class 9 – General Unsecured Claims	Impaired	Entitled to Vote
Class 10 – Equity Interests	Impaired	Not Entitled to Vote

ARTICLE 4

TREATMENT OF CLAIMS AND INTERESTS

4.1 The Debtor's obligations in respect of such Claims and Interests shall be satisfied in accordance with the terms of this Plan.

4.2 Treatment of Class 1 Claims - Priority Claims. Class 1 Claims are Unimpaired. Each Holder of an Allowed Class 1 Claim shall receive either (a) payment in full in Cash as soon as practicable after the later of (i) the Effective Date, and (ii) the date on which such Claim becomes an Allowed Claim or (b) as otherwise agreed by the Holder of such Allowed Class 1 Claim. The Holders of Claims in this Class are not entitled to vote.

4.3 Treatment of Class 2 Claim - Secured Claim (Tiray Spriggs Special Needs Trust).

The Class 2 Claim is Impaired. Class 2 consists of the Secured Claim of the Tiray Spriggs Special Needs Trust ("TSSN Trust") to the extent such claim is secured by a first priority deed of trust lien on a certain condominium property owned by the Debtor and located at 415 W Street, N.E., Washington D.C. In the event the Debtor and TSSN Trust enter into a written agreement prior to the Confirmation Date that is mutually acceptable to the Debtor, the Committee, and TSSN Trust and that is approved by the Bankruptcy Court (including but not limited to in connection with the Confirmation Hearing or Confirmation Order) providing for treatment of the Class 2 Claim, such agreement is incorporated into the Plan as a Plan supplement, and the Class 2 Claim shall be treated as set forth in that agreement. In the absence of a mutually acceptable agreement between TSSN Trust and the Debtor or the Post-Confirmation Debtor, and absent further order of the Bankruptcy Court or agreement among TSSN Trust and the Debtor or the Plan Administrator, and provided that the value of the collateral securing the claim of the TSSN Trust is less than the Class 2 Claim, as soon as practicable following the Effective Date (i) the Plan Administrator shall cause the Post-Confirmation Debtor to surrender to TSSN Trust possession and control of the collateral subject to TSSN Trust's properly perfected lien in full satisfaction of the Class 2 Claim, (ii) TSSN Trust shall be entitled to enforce its non-bankruptcy law rights and remedies as a holder of such lien, and (iii) neither the automatic stay of 11 U.S.C. § 362(a) nor any injunction under this Plan shall apply to such property as of the Effective Date. To the extent TSSN Trust's Claim is not a Secured Claim, it shall be treated as a Class 12 Claim.

4.4 Treatment of Class 3 Claim – Secured Claim (Market Street Mortgage, LLC).

The Class 3 Claim is Impaired. Class 3 consists of the Secured Claim of Market Street Mortgage, LLC ("MSM") to the extent such claim is secured by a first priority deed of trust lien on improved real property owned by the Debtor and located at 1323 Gallatin Street, N.W., Washington D.C. 20011. MSM shall retain its lien on the property securing the Class 3 Claim. Beginning the first calendar month following the Effective Date, interest shall accrue under the Note evidencing the Class 3 Claim, subject to the following modifications: (i) the interest rate for purposes of paragraph 1 of the Note shall be five percent (5%) per annum; and (ii) the Maturity Date (as defined in paragraph 2 of the Note) shall be December 31, 2014. The Class 3 Claim shall be paid from the proceeds of the sale of the property securing such Claim. If the property securing the Class 3 Claim is not sold prior to the Maturity Date (as modified pursuant to this Plan), and absent further order of the Bankruptcy Court or agreement between MSM and the Plan Administrator, (a) the Plan Administrator shall cause the Post-Confirmation Debtor to surrender to MSM possession and control of such property subject to MSM's properly perfected lien in full satisfaction of the Class 3 Claim, (ii) MSM shall be entitled to enforce its non-bankruptcy law rights and remedies as a holder of such lien, and (iii) neither the automatic stay of 11 U.S.C. § 362(a) nor any injunction under this Plan shall apply to such property as of the Maturity Date. To the extent MSM's Claim is not a Secured Claim, it shall be treated as a Class 12 Claim.

4.5 Intentionally Omitted.

4.6 Intentionally Omitted.

4.7 Intentionally Omitted.

4.8 Treatment of Class 7 Claims – Series 3 Note Claims. Class 7 Claims are Impaired. On the Effective Date, in satisfaction of the Series 3 Note Secured Claim, the Plan Administrator shall cause to be released and paid to the Series 3 Trustee the funds securing the Series 3 Note Secured Claim for distribution in accordance with the applicable provisions of this Plan and the Indenture. The balance of the Series 3 Note Claims, to the extent they are Allowed Claims, shall be Allowed General Unsecured Claims and shall receive *pari passu* with Allowed Class 8 Claims (subject to the subordination provisions set forth in the Indenture and implemented by the Plan as noted and subject to the qualifications set forth herein) and Allowed Class 9 Claims a Pro Rata distribution of the liquidated assets of the estate after the payment or reserve for Administrative Claims, Priority Tax Claims, Priority Claims, Secured Claims, and Plan Expenses. All distributions on account of Series 4 Note Claims shall be remitted to the Series 3 Trustee until the Series 3 Note Claims have been paid in full and, thereafter, any such distributions in respect of Series 4 Note Claims shall be remitted to the Series 4 Trustee for distribution to the holders of Series 4 Note Claims as herein provided. Distributions that the Holders of Series 3 Notes are entitled to receive under this Plan shall constitute the sole source of recovery for the Holders of Series 3 Note Claims. The Holders of the Series 3 Notes are entitled to vote.

Consistent with Bankruptcy Rule 3003(c), the Debtor, Post-Confirmation Debtor, Plan Administrator and Committee, as applicable, shall recognize proofs of claim timely filed by the Series 3 Trustee in respect of the Series 3 Notes and Series 3 Note Claims. Accordingly, any claim arising under the Series 3 Notes or Indenture, proof of which is filed by the registered or beneficial holder of Series 3 Notes, shall be disallowed as duplicative of the Claim of Series 3 Trustee, without any further action of the Bankruptcy Court.

In accordance with Article VI hereof, all distributions relating to or on account of the Series 3 Note Claims and Series 4 Note Claims (until the Series 3 Note Claims have been paid in full) shall be made to the Series 3 Trustee subject to the express terms of the Plan, including, without limitation, the satisfaction of all fees and expenses secured by the Series 3 Trustee Charging Lien and Series 4 Trustee Charging Lien. After satisfaction of such fees and expenses secured by the Series 3 Trustee Charging Lien and the Series 4 Trustee Charging Lien, any funds received by the Series 3 Trustee and/or the Series 4 Trustee shall be distributed in accordance with this Plan. In the event the Series 3 Note Claims are paid in full, any subsequent distributions in respect of Series 4 Note Claims shall be remitted to the Series 4 Trustee for distribution to the holders of Series 4 Note Claims in accordance with and subject to the express terms of the Plan.

Any rights of the Series 4 Trustee under the Indenture or applicable law to challenge the provisions of the Indenture providing for the subordination in payment of the Series 4 Note Claims to the Series 3 Note claims shall be preserved and shall not be prejudiced by the terms of the Plan that recognize and respect the subordination provisions set forth in the Indenture. Nothing contained herein shall prejudice the rights of the Series 3 Trustee to seek to enforce the subordination provisions set forth in the Indenture and assert any defenses available under applicable law in response to any claims asserted by the Series 4 Trustee or otherwise.

4.9 Treatment of Class 8 Claims – Series 4 Note Claims. Class 8 Claims are Impaired. The Series 4 Note Claims, to the extent they are Allowed Claims, shall be Allowed General Unsecured Claims and shall receive *pari passu* with Allowed Class 7 Claims (subject to the subordination provisions set forth in the Indenture and implemented by the Plan as noted and subject to the qualifications set forth herein) and Allowed Class 9 Claims a Pro Rata distribution of the liquidated assets of the estate after the payment or reserve for Administrative Claims, Priority Tax Claims, Priority Claims, Secured Claims, and Plan Expenses. All distributions on account of Series 4 Note Claims shall be remitted to the Series 3 Trustee until the Series 3 Note Claims have been paid in full and, thereafter, any such distributions in respect of Series 4 Note Claims shall be remitted to the Series 4 Trustee for distribution to the holders of Series 4 Note Claims as herein provided. Distributions that the Holders of Series 4 Notes are entitled to receive under this Plan shall constitute the sole source of recovery for the Holders of Series 4 Note Claims. The Holders of the Series 4 Notes are entitled to vote.

Consistent with Bankruptcy Rule 3003(c), the Debtor, Post-Confirmation Debtor, Plan Administrator and Committee, as applicable, shall recognize proofs of claim timely filed by the Series 4 Trustee in respect of the Series 4 Notes and Series 4 Note Claims. Accordingly, any claim arising under the Series 4 Notes or Indenture, proof of which is filed by the registered or beneficial holder of Series 4 Notes, shall be disallowed as duplicative of the Claim of Series 4 Trustee, without any further action of the Bankruptcy Court.

In accordance with Article VI hereof, all distributions relating to or on account of the Series 3 Note Claims and Series 4 Note Claims (until the Series 3 Note Claims have been paid in full) shall be made to the Series 3 Trustee subject to the express terms of the Plan, including, without limitation, the satisfaction of all fees and expenses secured by the Series 3 Trustee Charging Lien and Series 4 Trustee Charging Lien. After satisfaction of such fees and expenses secured by the Series 3 Trustee Charging Lien and the Series 4 Trustee Charging Lien, any funds received by the Series 3 Trustee and/or the Series 4 Trustee shall be distributed in accordance with this Plan. In the event the Series 3 Note Claims are paid in full, any subsequent distributions in respect of Series 4 Note Claims shall be remitted to the Series 4 Trustee for distribution to the holders of Series 4 Note Claims in accordance with and subject to the express terms of the Plan.

Any rights of the Series 4 Trustee under the Indenture or applicable law to challenge the provisions of the Indenture providing for the subordination in payment of the Series 4 Note Claims to the Series 3 Note claims shall be preserved and shall not be prejudiced by the specific terms of the Plan that recognize and respect the subordination provisions set forth in the Indenture. Nothing contained herein shall prejudice the rights of the Series 3 Trustee to seek to enforce the subordination provisions set forth in the Indenture and assert any defenses available under applicable law in response to any claims asserted by the Series 4 Trustee or otherwise.

4.10 Treatment of Class 9 Claims - General Unsecured Claims. Class 9 Claims are Impaired. Each Holder of an Allowed Class 9 Claim shall receive in respect of such Claim its Pro Rata distribution of the liquidated assets of the estate after the payment or reserve for Administrative Claims, Priority Tax Claims, Priority Claims, Secured Claims, and Plan Expenses. The Holders of Claims in this Class are entitled to vote.

4.11 Treatment of Class 10 Interests. Class 10 Interests are Impaired. The Holders of Class 10 Interests shall receive no distribution. On the Effective Date, all Class 10 Interests shall be deemed canceled, null and void, and of no force and effect. The Holders of Class 10 Interests are deemed to reject the Plan and are not entitled to vote.

4.12 Disallowance of Certain Charges. All penalties, default interest, loan fees, or late charges that may have accrued or will become due prior or subsequent to the Effective Date are disallowed.

4.13 Voting Classes. Each Holder of an Allowed Claim in Class 2, Class 3, Class 7, Class 8 and Class 9 is entitled to vote either to accept or to reject the Plan. Only those votes cast by Holders of Allowed Claims shall be counted in determining whether acceptances have been received sufficient in number and amount to obtain Confirmation.

4.14 Acceptance by Impaired Classes. An Impaired Class of Claims shall have accepted the Plan if: (a) the Holders (other than any Holder designated under Section 1126(e) of the Bankruptcy Code) of at least two-thirds in amount of the Allowed Claims actually voting in such Class have voted to accept the Plan, and (b) the Holders (other than any Holder designated under Section 1126(e) of the Bankruptcy Code) of more than one-half in number of the Allowed Claims actually voting in such Class have voted to accept the Plan. Class 1 and Class 9 are deemed to have accepted the Plan and are not entitled to vote thereon.

4.15 Presumed Rejection of Plan. The Holders of Class 10 Equity Interests shall not receive any distributions under the Plan and are therefore deemed to reject the Plan and are not entitled to vote.

4.16 Nonconsensual Confirmation. Because Class 10 is deemed to reject the Plan by operation of law, the Debtor and the Committee will request that the Bankruptcy Court confirm the Plan in accordance with Section 1129(b) of the Bankruptcy Code. In the event that any Class of Claims entitled to vote on the Plan fails to accept the Plan as required by Section 1129(a) of the Bankruptcy Code, the Debtor and the Committee reserve the right to seek confirmation of the Plan over such rejection pursuant to Section 1129(b) of the Bankruptcy Code.

4.17 How to Vote. A form of Ballot is being provided to creditors in Class 2, Class 3, Class 7, Class 8 and Class 9 that hold Allowed Claims by which Creditors in such Class may vote their acceptance or rejection of the Plan. The Ballot for voting on the Plan gives you one important choice to make with respect to the Plan—you can vote *for* or *against* the Plan. To vote on the Plan, please complete the Ballot, as indicated thereon by, (1) indicating on the enclosed Ballot that (a) you accept the Plan or (b) you reject the Plan and (2) signing your name and mailing the Ballot in the envelope provided for this purpose. The Debtor, through its counsel, will count the Ballots.

IN ORDER TO BE COUNTED, BALLOTS MUST BE COMPLETED, SIGNED AND RECEIVED NO LATER THAN THE VOTING DEADLINE, AT THE FOLLOWING ADDRESS:

If by first class mail, overnight mail, or hand delivery:

Patricia L. Adams, Legal Assistant
Gordon Feinblatt LLC
233 East Redwood Street
Baltimore, Maryland 21202

DO NOT SEND YOUR BALLOT VIA FACSIMILE OR E-MAIL.

IF YOUR BALLOT IS NOT PROPERLY COMPLETED, SIGNED, AND RECEIVED AS DESCRIBED, IT WILL NOT BE COUNTED. IF YOUR BALLOT IS DAMAGED OR LOST, YOU MAY REQUEST A REPLACEMENT BY ADDRESSING A WRITTEN REQUEST TO THE ADDRESS SHOWN ABOVE. FACSIMILE OR ELECTRONICALLY SUBMITTED BALLOTS WILL NOT BE COUNTED.

ARTICLE 5

MEANS FOR IMPLEMENTATION OF THE PLAN

5.1 Corporate Action. On the Effective Date and automatically and without further action, (i) each existing member of the Board of Directors of the Debtor will resign or be terminated by the Plan Administrator and (ii) the Plan Administrator shall be deemed the sole shareholder, officer, and director of the Post-Confirmation Debtor. The Plan will be administered by the Plan Administrator, and all actions taken thereunder in the name of the Post-Confirmation Debtor shall be taken through the Plan Administrator.

5.2 Cancellation of Indenture. Notwithstanding anything to the contrary herein, following the Effective Date, any agreement that governs the rights of the Series 3 Trustee, the Series 4 Trustee or the Holders of the Series 3 Notes or the Series 4 Notes will continue in effect solely for purposes of (a) allowing the Series 3 Trustee and the Series 4 Trustee, as applicable, to make distributions under and in accordance with the Plan to Holders of the Series 3 Notes and to the Holders of the Series 4 Notes, (b) permitting the Series 3 Trustee and the Series 4 Trustee, as applicable, to maintain and enforce their respective Series 3 Trustee Charging Lien and Series 4 Trustee Charging Lien (and all rights the Series 3 Trustee and the Series 4 Trustee have with respect thereto) against property distributed pursuant to the Plan by the Plan Administrator or Disbursing Agent, as applicable, pursuant to Sections 4.8 and 4.9 hereof on account of the Series 3 Notes and the Series 4 Notes, as applicable, or against any other property received by the Series 3 Trustee or the Series 4 Trustee for fees, costs, and expenses under the Indenture or any other agreement, (c) governing the rights and obligations of non-Debtor parties to such agreements, as modified by this Plan, vis-à-vis each other and (d) allowing the Series 3 Trustee and the Series 4 Trustee to enforce their respective rights under the Plan, including, but not limited to their respective rights related to a Subordination Challenge (as defined in Section 6.4(b) herein). Upon the expiration of the Subordination Challenge Period (as defined in Section 6.4(b) herein), the Indenture shall be automatically deemed terminated, extinguished and of no further force and effect without further act or action under any applicable agreement, law, regulation,

order or rule and the Series 3 Trustee and the Series 4 Trustee shall have no further obligations under the Indenture thereafter; *provided, however*, that the compensation, reimbursement and indemnification rights in favor of the Series 3 Trustee and the Series 4 Trustee shall survive and continue in full force and effect; provided further, however, that nothing herein shall alter, impair or affect the rights of the Series 3 Trustee or the Series 4 Trustee, as applicable, to enforce their respective rights to enforce the Series 3 Trustee Charging Lien and the Series 4 Trustee Charging Lien.

5.3 Plan Administrator. On the Effective Date, the Plan Administrator shall begin acting for the Post-Confirmation Debtor in the same fiduciary capacity as applicable to a board of directors, subject to the provisions hereof. The Plan Administrator shall be compensated at his, her, or its normal and customary rates and may be paid without further order of the Bankruptcy Court in accordance with Section 5.10(c). The Plan Administrator shall be entitled to reimbursement for his actual, reasonable, and necessary expenses incurred in connection with the performance of his duties, including, but not limited to, attorneys' fees and expenses, accounting fees and expenses and other professional fees and expenses, without the need for further Bankruptcy Court approval. The Plan Administrator shall not be liable for any action he or she takes or omits to take that he believes in good faith to be authorized or within his or her rights or powers, absent gross negligence or willful misconduct on his or her part. All distributions to be made to Creditors under the Plan shall be made by the Plan Administrator, who shall deposit and hold all Cash in trust for the benefit of Creditors (including Professionals) receiving distributions under the Plan. Subject to the review of the Oversight Committee as described in Section 5.10 of this Plan, the duties and powers of the Plan Administrator shall include the following:

(a) To continue operating the Debtor's business to the extent necessary to conduct an orderly liquidation of the Assets including, but not limited to, the collection or sale of loans, negotiation and entry into loan modifications or agreements, sale of real property, and any other action that the Plan Administrator may deem necessary and appropriate to maximize the value of and return on the Debtor's Assets;

(b) To exercise all power and authority that may be exercised, to commence all proceedings (including the power to continue any actions and proceedings that may have been commenced by the Debtor or the Committee prior to the Effective Date) that may be commenced, and to take all actions that may be taken by any officer, director, or shareholder of the Post-Confirmation Debtor with like effect as if authorized, exercised, and taken by unanimous action of such officers, directors, and shareholders, including consummating the Plan and all transfers thereunder on behalf of the Post-Confirmation Debtor;

(c) To maintain all accounts, make distributions, and take other actions consistent with the Plan, including the maintenance of appropriate reserves, in the name of the Post-Confirmation Debtor;

(d) To take all steps necessary to terminate the corporate existence of the Debtor;

- (e) To prosecute objections to Claims and compromise or settle any Claims (disputed or otherwise);
- (f) To prosecute any and all Litigation and compromise or settle any Litigation;
- (g) To collect the accounts receivable, if any, of the Debtor;
- (h) To employ and compensate any and all such professionals as the Plan Administrator, in his or her sole discretion, deems reasonably necessary to perform his or her duties under the Plan without further order of the Bankruptcy Court; and
- (i) To take all other actions not inconsistent with the provisions of the Plan that the Plan Administrator deems reasonably necessary or desirable in connection with the administration of the Plan, including, without limitation, filing all motions, pleadings, reports, and other documents in connection with the administration and closing of the Chapter 11 Case.

5.4 Resignation, Death, or Removal. The Plan Administrator may be removed by order of the Bankruptcy Court upon notice and motion by an Oversight Committee member for good cause shown. In the event of removal for good cause shown of the Plan Administrator, or in the event of the death or incapacity of the Plan Administrator, the Oversight Committee shall appoint a successor upon notice, motion, and approval of the Bankruptcy Court. In the event of the resignation of the Plan Administrator, the Plan Administrator shall nominate a successor, which nomination shall be deemed accepted by the Oversight Committee and shall be deemed effective upon the filing with the Bankruptcy Court of a Notice of Appointment of Successor Plan Administrator. The successor Plan Administrator without any further act shall become fully vested with all of the rights, powers, duties, and obligations of his or her predecessor. In the absence of any pending action to remove a Plan Administrator for good cause, any resigning Plan Administrator, without further action, order, or decree, shall be deemed released by the Post-Confirmation Debtor from any and all Claims, obligations, suits, judgments, damages, rights, causes of action and liabilities whatsoever (including those arising under the Bankruptcy Code), whether known or unknown, foreseen or unforeseen, existing or hereinafter arising in law, equity, or otherwise, based in whole or in part on any act, omission, transaction, event or other occurrence in connection with the Chapter 11 Case; *provided, however*, that the foregoing shall not operate as a waiver of or release from any causes of action arising out of the willful misconduct or the gross negligence of the Plan Administrator unless the Plan Administrator acted in good faith and in a manner that the Plan Administrator reasonably believed to be in or not opposed to the best interests of the Debtor, and with respect to any criminal action or proceeding, had no reasonable cause to believe the Plan Administrator's conduct was unlawful.

5.5 Winding Up Affairs. Following the Confirmation Date, the Post-Confirmation Debtor shall not engage in any business activities or take any actions except those necessary to effectuate the Plan and wind up the affairs of the Debtor. On and after the Effective Date, the Plan Administrator may, in the name of the Post-Confirmation Debtor, take such actions without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules, other than any restrictions expressly imposed by the Plan or the Confirmation Order. Without limiting the foregoing, the Plan Administrator may, without

application to or approval of the Bankruptcy Court, pay the charges that he or she incurs after the Effective Date for professional fees and expenses that, but for the occurrence of the Effective Date, would constitute Allowed Administrative Claims.

5.6 Release of Liens. Except as otherwise expressly provided in the Plan or in any contract, instrument, or other agreement or document created in connection with the Plan, on the Effective Date, all mortgages, deeds of trust, liens, or other security interests against the Property of the Debtor's estate shall be released, and all the right, title, and interest of any Holder of such mortgages, deeds of trust, liens, or other security interests shall revert to the Post-Confirmation Debtor and its successors and assigns.

5.7 Rights of Actions. On the Effective Date, any right, claim, or cause of action belonging to the Debtor or its estate or to the Committee against any Person or Entity, including, without limitation, any Litigation, shall be vested in and retained by the Post-Confirmation Debtor. The Plan Administrator shall pursue, settle, or release all reserved Litigation, as appropriate, in accordance with the best interest of and for the benefit of the Creditors entitled to receive distributions under the Plan.

5.8 Professional Fees and Expenses.

(a) Each Professional retained or requesting compensation in the Chapter 11 Case, pursuant to Sections 327, 328, 330, 331, or 503(b) of the Bankruptcy Code and in connection with fees incurred prior to the Effective Date, shall file an application for allowance of final compensation and reimbursement of expenses in the Chapter 11 Case before the forty-fifth (45th) day after the Effective Date.

(b) Professionals that perform post-Effective Date services for the Post-Confirmation Debtor or the Plan Administrator shall provide monthly invoices to the Plan Administrator describing the services rendered and the fees and expenses incurred in connection therewith, on or before the 20th day following the end of the calendar month during which such services were performed. Professional Persons who tender such invoices shall be paid by the Plan Administrator for such services from the Plan Expense Reserve Fund created under Section 6.7 of the Plan on or after the date that is fifteen (15) days after the submission to the Plan Administrator by such Professional Persons of said monthly invoices, unless, within said fifteen (15) day period, a written objection to said payment is made, in which event such payment shall be made only upon either (a) agreement of the parties or (b) Order of the Bankruptcy Court.

5.9 Dissolution of Committee. Upon the occurrence of the Effective Date, the Committee shall be dissolved, and each individual member and any retained Professional shall be discharged from any further activities in the Chapter 11 Case. The professionals retained by the Committee and the members thereof will not be entitled to assert any Fee Claims for services rendered or expenses incurred after the Effective Date, except for reasonable fees (i) for services rendered, and actual and necessary expenses incurred, in connection with any applications for allowance of compensation and reimbursement of expenses pending on the Effective Date or filed and served after the Effective Date for services provided prior to the Effective Date or

(ii) services rendered, and actual and necessary expenses incurred, in connection with the selection of any successor Plan Administrator pursuant to Section 5.3 of the Plan.

5.10 Formation and Powers of the Oversight Committee.

(a) As of the Effective Date, the Oversight Committee shall be deemed formed and shall be comprised of three (3) members of the Committee prior to the Effective Date. In the event of the resignation or inability to perform for any reason of any member of the Oversight Committee after the Effective Date, the remaining members of the Oversight Committee shall have the right to designate a successor from among the holders of Allowed Class 7 or Class 9 Claims. If an Oversight Committee member assigns its Claim or releases the Debtor from payment of the balance of its Claim, such act shall constitute a resignation from the Oversight Committee. Until a vacancy on the Oversight Committee is filled, the Oversight Committee shall function in its reduced number.

(b) The individual members of the Oversight Committee shall serve without compensation, except that they shall be entitled to reimbursement of reasonable, actual and necessary out-of-pocket expenses (which shall not include any professional fees and expenses for attorneys or other professionals retained by an individual committee member) from the Plan Administrator.

(c) Following the Effective Date, the powers and duties of the Oversight Committee shall include (i) to approve any release or indemnity in favor of any third party granted or agreed to by the Plan Administrator; (ii) to authorize Plan Administrator to commence any Litigation in excess of \$500,000; (iii) to approve the settlement of any Litigation in excess of \$250,000; (iv) to approve the allowance of any Disputed Claim in excess of \$500,000; (v) to approve the sale of any assets by the Plan Administrator in excess of \$250,000; (vi) to review financial information relating to the Post-Confirmation Debtor, which shall be promptly provided by the Plan Administrator upon request by the Oversight Committee; (vii) to monitor distributions to Creditors; (viii) to take such other actions as it deems necessary and appropriate with respect to the implementation of the Plan; (ix) prior to the payment of each invoice for services rendered by the Plan Administrator in his, her, or its capacity as Plan Administrator, to review and approve each such invoice, which invoice shall be deemed approved if not objected to by the Oversight Committee within 10 days of receipt; (x) to remove and replace the Plan Administrator in accordance with Section 5.4 of this Plan; and (xi) to perform such additional functions as may be provided for by further order of the Court entered after the Effective Date.

(d) Following all payments being made to the holders of Allowed Claims under this Plan and the closing of the Chapter 11 Case, the Oversight Committee shall be dissolved and the members thereof shall be released and discharged of and from all further authority, duties, responsibilities and obligations to and arising from their service as Oversight Committee members.

5.11 Dissolution. As soon as practicable after the Effective Date and consistent with the orderly sale and liquidation of the Assets, the Debtor shall be dissolved for all purposes without the necessity for any other or further actions to be taken by or on behalf of the Debtor or

payments to be made in connection therewith, *provided, however*, that the Plan Administrator shall be authorized (a) to continue such operations as may be necessary to effect the orderly sale and liquidation of the Assets, (b) to file the Debtor's final tax returns, (c) to file and shall file with the official public office for keeping corporate records in the Debtor's state of incorporation a certificate of dissolution or equivalent document, and (d) to perform such other and further activities consistent with the Plan. Except to the extent that operations continue consistent with this Section and the Plan, from and after the Effective Date, the Debtor (i) for all purposes shall be deemed to have withdrawn their business operations from any state in which they were previously conducting or are registered or licensed to conduct their business operations, and the Debtor shall not be required to file any document, pay any sum or take any other action, in order to effectuate such withdrawal, (ii) shall not be liable in any manner to any taxing authority for franchise, business, license or similar taxes accruing on or after the Effective Date.

5.12 Insurance. On or as soon as practicable after the Effective Date, the Post-Confirmation Debtor and the Plan Administrator may obtain a fidelity bond or similar insurance in the estimated amount of the Assets on the Effective Date. In addition, the Plan Administrator may obtain (if available) directors' and officers' liability insurance or errors and omission insurance (or equivalent insurance).

ARTICLE 6

DISTRIBUTIONS

6.1 Disbursing Agent. All distributions under the Plan shall be made by the Plan Administrator as Disbursing Agent or such other entity designated by the Plan Administrator as Disbursing Agent. All distributions on account of Series 3 Note Claims by the Series 3 Trustee or on account of Series 4 Note Claims by the Series 4 Trustee shall be accomplished in accordance with Section 6.4 hereof, and the Series 3 Trustee and the Series 4 Trustee each shall be deemed a Disbursing Agent solely for the purposes of distributions on account of Series 3 Note Claims to be made by the Series 3 Trustee and on account of Series 4 Note Claims to be made by the Series 4 Trustee to the extent provided and limited by this Article 6 of the Plan. No Disbursing Agent shall be required to give any bond or surety or other security for the performance of its duties.

6.2 Expenses of the Disbursing Agent. Except as otherwise ordered by the Bankruptcy Court, any reasonable fees and expenses incurred by the Disbursing Agent (including, without limitation, taxes and reasonable attorneys' fees and expenses) on or after the Effective Date shall be paid in Cash by the Plan Administrator in the ordinary course of business; *provided, however*, that any such reasonable fees and expenses incurred by the Series 3 Trustee or the Series 4 Trustee in their capacity as Disbursing Agent shall be paid from the distributions to Holders of Allowed Series 3 Note Claims and to Holders of Allowed Series 4 Note Claims.

6.3 Rights and Powers of Disbursing Agent. The Disbursing Agent shall be empowered to (a) effect all actions necessary to perform its duties under the Plan, (b) make all distributions contemplated hereby, (c) employ professionals to represent it with respect to its responsibilities and (d) exercise such other powers as may be vested in the Disbursing Agent by

order of the Bankruptcy Court, pursuant to the Plan or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions hereof. In furtherance of the rights and powers of the Disbursing Agent, the Disbursing Agent shall have no duty or obligation to make distributions to any Holder of an Allowed Claim unless and until such Holder executes and delivers, in a form acceptable to the Disbursing Agent, any documents applicable to such distributions.

6.4 Delivery of Distributions.

(a) Distributions to Last Known Address. Subject to Bankruptcy Rule 9010, all distributions to any Holder of an Allowed Claim or Allowed Administrative Expense Claim shall be made at the address of such Holder as set forth on the Schedules filed with the Bankruptcy Court or on the books and records of the Debtor or its agent, as applicable, unless the Debtor or Post-Confirmation Debtor has been notified in writing of a change of address by the filing of a proof of Claim by such Holder that contains an address for such Holder different than the address of such Holder as set forth on the Schedules. Notwithstanding anything herein to the contrary, the current addresses (if known) for all Holders of Series 3 Note Claims and Series 4 Note Claims shall be provided to the Series 3 Trustee and the Series 4 Trustee, respectively, by the Post-Confirmation Debtor or Plan Administrator within ten (10) Business Days of the Effective Date and the Series 3 Trustee and the Series 4 Trustee shall be entitled to fully rely upon such information in making distributions under the Plan without being subject to liability of any type or kind concerning or in any way relating to the accuracy or reliability of such information so provided. Nothing in this Plan shall require the Post-Confirmation Debtor, the Plan Administrator or any Disbursing Agent (including, without limitation, the Series 3 Trustee or the Series 4 Trustee) to attempt to locate any Holder of an Allowed Claim.

(b) Distributions to Series 3 Trustee. The Series 3 Trustee shall be the Disbursing Agent for the Series 3 Note Claims and shall be vested with the rights afforded a "Disbursing Agent" pursuant to and as limited by this Plan and solely with respect to such matters concerning distributions on account of Series 3 Note Claims, including without limitation the right to receive compensation for and reimbursement of expenses incurred in connection with distribution services rendered pursuant to the Plan in accordance with Section 6.2 hereof. Accordingly, distributions for the benefit of the Holders of such Claims shall be made to the Series 3 Trustee. The Series 3 Trustee shall, in turn, administer the distribution to the Holders of such Allowed Series 3 Note Claims in accordance with the Plan. However, 180 days prior to administering any such initial distribution to the Holders of Allowed Series 3 Note Claims (the "Series 3 Distribution"), the Series 3 Trustee shall provide written notice to the Series 4 Trustee of any such planned Series 3 Distribution. During the 180 day period that commences to run upon the delivery of such written notice to the Series 4 Trustee (or for any additional period that may be agreed to in writing by the Series 3 Trustee and the Series 4 Trustee) (the "Subordination Challenge Period"), the Series 4 Trustee may, in its sole discretion, in accordance with the provisions of Article IV herein and subject to all defenses available to the Series 3 Trustee under the Indenture or applicable law, challenge the provisions of the Indenture providing for the subordination in payment of the Series 4 Note Claims to the Series 3 Note claims (a "Subordination Challenge"). The Bankruptcy Court shall retain jurisdiction to resolve any such Subordination Challenge. Upon the expiration of the Subordination Challenge Period, the Series 4 Trustee shall be precluded and barred from commencing a Subordination Challenge

or asserting any claims concerning the enforceability of the subordination provisions set forth in the Indenture, all of which claims shall be deemed fully waived and released. The Series 3 Trustee may employ or contract with other Entities to assist in or make the distributions to Holders of Allowed Series 3 Note Claims required under the Plan. Any such Entity designated by the Series 3 Trustee to serve in such capacity shall constitute a “Disbursing Agent” hereunder and shall be vested with the same rights afforded the Series 3 Trustee in its capacity as Disbursing Agent pursuant to this Plan and as limited by this Plan, including without limitation the right to receive compensation for and reimbursement of expenses incurred in connection with distribution services rendered pursuant to the Plan in accordance with Section 6.2 hereof.

(c) Distributions to Series 4 Trustee. The Series 4 Trustee shall be the Disbursing Agent for the Series 4 Note Claims and shall be vested with the rights afforded a “Disbursing Agent” pursuant to and as limited by this Plan and solely with respect to such matters concerning distributions on account of Series 4 Note Claims, including without limitation the right to receive compensation for and reimbursement of expenses incurred in connection with distribution services rendered pursuant to the Plan in accordance with Section 6.2 hereof. Accordingly, any distributions to which the Holders of Series 4 Note Claims shall be entitled after the Holders of Series 3 Note Claims shall have been paid in full in accordance with the subordination provisions set forth in the Indenture and implemented by the Plan shall be made to the Series 4 Trustee. The Series 4 Trustee shall, in turn, administer the distribution to the Holders of such Allowed Series 4 Note Claims in accordance with the Plan. The Series 4 Trustee may employ or contract with other Entities to assist in or make the distributions to Holders of Allowed Series 4 Note Claims required under the Plan. Any such Entity designated by the Series 4 Trustee to serve in such capacity shall constitute a “Disbursing Agent” hereunder and shall be vested with the same rights afforded the Series 4 Trustee in its capacity as Disbursing Agent pursuant to this Plan and as limited by this Plan, including without limitation the right to receive compensation for and reimbursement of expenses incurred in connection with distribution services rendered pursuant to the Plan in accordance with Section 6.2 hereof.

6.5 Record Date for Distributions. As of the close of business on the Effective Date, the registers for Claims and Interests shall be closed, and there shall be no further changes in the Holder of record of any Claim or Interest (including without limitation Series 3 Notes or Series 4 Notes). The Post-Confirmation Debtor, the Disbursing Agent (including the Series 3 Trustee and the Series 4 Trustee) and the Plan Administrator, as applicable, shall have no obligation to recognize any transfer of Claim or Interest occurring after the Effective Date, and shall instead be authorized and entitled to recognize and deal for all purposes under the Plan and the Indenture with only those Holders of record on the state registers of Claims and/or Interests and in the case of the Holders of Series 3 Notes or Series 4 Notes, on the books and records of the Debtor, as of the close of business on the Effective Date for distributions under the Plan.

6.6 Reserve for Plan Expenses. Prior to making any distributions, the Plan Administrator shall set aside, deduct, and reserve an amount of Cash equal to the estimated amount of Plan Expenses. Any Cash in such Plan Expense reserve that the Plan Administrator deems to be excess prior to the closing of the Chapter 11 Case shall be distributed to Holders of Allowed Claims and Interests pursuant to Article 4 of the Plan.

6.7 Objections to Claims. Subject to the express provisions of this Plan, the Debtor, Post-Confirmation Debtor or the Plan Administrator (or their authorized representatives), as applicable, shall have the exclusive authority to file, settle, compromise, withdraw or litigate any objections to Claims. Objections to Claims shall be filed with the Bankruptcy Court and served upon affected Creditors no later than one hundred twenty (120) days after the Effective Date, *provided, however*, that this deadline may be extended by the Bankruptcy Court upon motion of the Plan Administrator. Notwithstanding the foregoing, in the event that a party filing any Claim after the applicable Bar Date shall obtain the written consent of the Plan Administrator to file such Claim late or obtains an order of the Bankruptcy Court upon notice to the Plan Administrator that permits the late filing of the Claim, then the Plan Administrator and Post-Confirmation Debtor shall have one hundred twenty (120) days from the date of such written consent or order to object to such Claim, which deadline may be extended by the Bankruptcy Court upon motion of the Plan Administrator. Subject to Bankruptcy Court approval, objections to Claims may be litigated to judgment, settled, or withdrawn by the Plan Administrator consistent with Section 5.3 of this Plan.

6.8 Distributions on Disputed Claims. Distributions with respect to and on account of Disputed Claims will be made as soon as practicable after an order, judgment, decree or settlement agreement with respect to such Claim becomes a Final Order rendering such Claim an Allowed Claim, provided that (a) the applicable Creditor shall not receive interest on its Allowed Claim, despite anything contained herein to the contrary, from the date the objection is filed and served to the date of allowance of such Claim, and (b) nothing herein shall require the Plan Administrator to make a distribution other than in accordance with Article 6.1 of this Plan.

6.9 Disputed Claim Reserves. On and after the Effective Date, the Plan Administrator shall establish and maintain reserves for all Disputed Claims. For purposes of establishing a reserve, Cash will be set aside equal to the amount that would have been distributed to the Holders of Disputed Claims in such Class had their Disputed Claims been deemed Allowed Claims on the Effective Date or such other amount as may be approved by the Bankruptcy Court upon motion of the Plan Administrator. If, when, and to the extent any such Disputed Claim becomes an Allowed Claim by Final Order or by settlement by the Plan Administrator, the relevant portion of the Cash held in reserve therefor shall be distributed by the Plan Administrator to the Creditor. The balance of such Cash, if any, remaining after all Disputed Claims have been resolved, shall be distributed Pro Rata to all Holders of Allowed Claims in accordance with Article 4 of the Plan. No payments or distributions shall be made with respect to a Claim that is a Disputed Claim pending the resolution of the dispute by settlement or Final Order.

6.10 Unclaimed Property. Within forty (40) days after any distribution, the Plan Administrator shall file with the Bankruptcy Court and serve upon all parties requesting notice a report of undeliverable distributions. If any distribution remains unclaimed for a period of sixty (60) days after it has been delivered (or attempted to be delivered) in accordance with the Plan to the Holder entitled thereto, or if such distribution is returned to the Plan Administrator by the United States Postal Service marked as undeliverable, such unclaimed property shall be forfeited by such Holder absent further order of the Bankruptcy Court. Furthermore, all right,

title and interest in and to the unclaimed property shall be held in reserve by the Plan Administrator to be distributed to other Creditors in accordance with this Plan. Any distribution that remains unclaimed for a period of sixty (60) days after the Plan Administrator's making of the final distribution under the Plan shall, after satisfaction of any accrued but unpaid Plan Expenses, be contributed by the Plan Administrator to the Maryland Volunteer Lawyers Service.

6.11 Withholding Taxes. Any federal, state, or local withholding taxes or other amounts required to be withheld under applicable law shall be deducted from distributions hereunder. All Persons holding Claims shall be required to provide any information necessary to effect the withholding of such taxes. Allowed Claims of Holders otherwise entitled to receive a distribution under the Plan but who fail to provide a complete IRS W-9 form within thirty (30) days after request is made by the Plan Administrator shall be entitled to no distribution without further order of the Bankruptcy Court; *provided, however*, that where any such Holder would be entitled to receive a distribution of \$10,000 or more, the Plan Administrator shall seek an order of the Bankruptcy Court expunging the Claim.

6.12 Fractional Cents. Any other provision of this Plan to the contrary notwithstanding, no payment of fractions of cents will be made. Whenever any payment of a fraction of a cent would otherwise be called for, the actual payment shall reflect a rounding down of such fraction to the nearest whole cent.

6.13 Payments of Less than Twenty-Five Dollars. If a Cash payment otherwise provided for by this Plan with respect to an Allowed Claim or Interest would be less than twenty-five (\$25.00) dollars (whether in the aggregate or on any payment date provided in this Plan), notwithstanding any contrary provision of this Plan, the Plan Administrator shall not be required to make such payment and such funds shall be otherwise distributed to Holders of Allowed Claims in accordance with Article 4 of the Plan. The Plan Administrator may decide to contribute undistributed funds to the Maryland Volunteer Lawyers Service in accordance with Section 6.10 of the Plan if in the reasonable judgment of the Plan Administrator the cost of calculating and making the final distribution of the remaining distributable funds is excessive in relation to the benefits to Creditors who would otherwise be entitled to such funds, and the Claims of any such Holders shall be entitled to no further distribution without further order of the Bankruptcy Court.

6.14 Means of Cash Payment. Cash payments made pursuant to the Plan shall be by check, wire or ACH transfer in U.S. funds or by other means agreed to by the payor and payee or, absent agreement, such commercially reasonable manner as the payor determines in its sole discretion..

6.15 Setoffs. Except as otherwise provided for herein, the Plan Administrator may, but shall not be required to, set off against any Claim and the payments to be made pursuant to this Plan in respect of such Claim, claims of any nature whatsoever that the Debtor or its estate may have against the Creditor, but neither the failure to do so nor the allowance of a Claim hereunder shall constitute a waiver or release by the Debtor or its estate of any claim it may have against the Creditor.

ARTICLE 7

UNEXPIRED LEASES AND EXECUTORY CONTRACTS

7.1 Any and all pre-petition leases or executory contracts not previously rejected by the Debtor, unless specifically assumed pursuant to order(s) of the Bankruptcy Court prior to the Confirmation Date or the subject of a motion to assume or assume and assign pending on the Confirmation Date, shall be deemed rejected by the Debtor on the Confirmation Date; *provided, however*, that nothing in this Article shall cause the rejection, breach, or termination of any contract of insurance benefiting the Debtor or its estate.

7.2 All proofs of claim with respect to claims arising from the rejection of executory contracts or leases shall, unless another order of the Bankruptcy Court provides for an earlier date, be filed with the Bankruptcy Court within thirty (30) days after the mailing of notice of entry of the Confirmation Order.

ARTICLE 8

CONDITIONS PRECEDENT TO EFFECTIVENESS OF THE PLAN

8.1 Conditions to Consummation. The Plan shall not become effective unless and until each of the following conditions has been satisfied:

- (a) The Bankruptcy Court shall have entered the Confirmation Order;
- (b) The Confirmation Order shall have become a Final Order; and
- (c) the Debtor and the Committee shall have reasonably determined that the assets of the estate will be sufficient to satisfy all Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Priority Claims, and any Allowed Secured Claims and to fund the Plan Expense Reserve Fund and the Disputed Claim reserve.

In the event that the Plan has not become effective on or before 180 days after the Confirmation Date, the Committee shall file and serve on the Office of the United States Trustee a status report.

8.2 Waiver of Conditions. The Debtor and the Committee, together in their sole discretion, may at any time, without notice or authorization of the Bankruptcy Court, waive the condition set forth in Section 8.1(b) above. The failure of the Debtor and the Committee to satisfy or waive such condition may be asserted by the Debtor and the Committee regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any action or inaction by the Committee or the Debtor). The Debtor and the Committee reserve the right to assert that any appeal from the Confirmation Order shall be moot after consummation of the Plan.

8.3 Effect of Failure of Condition. In the event that the condition specified in Section 8.1(b) of the Plan has not occurred or been waived on or before ninety (90) days after the Confirmation Date, the Confirmation Order may be vacated upon order of the Bankruptcy Court after motion made by the Debtor or the Committee or any party in interest.

ARTICLE 9

RETENTION OF JURISDICTION

9.1 Following the Confirmation Date and until such time as all payments and distributions required to be made and all other obligations required to be performed under this Plan have been made and performed by the Plan Administrator, the Bankruptcy Court shall retain jurisdiction as is legally permissible, including, without limitation, for the following purposes:

(a) Claims. To determine the allowability, classification, or priority of Claims against the Debtor upon objection by the Post-Confirmation Debtor or the Plan Administrator, as applicable.

(b) Injunction, etc. To issue injunctions or take such other actions or make such other orders as may be necessary or appropriate to restrain interference with the Plan or its execution or implementation by any Person, to construe and to take any other action to enforce and execute the Plan, the Confirmation Order, or any other order of the Bankruptcy Court, to issue such orders as may be necessary for the implementation, execution, performance, and consummation of the Plan and all matters referred to herein, and to determine all matters that may be pending before the Bankruptcy Court in the Chapter 11 Case on or before the Effective Date with respect to any Entity.

(c) Fee Claims. To determine any and all applications for allowance of compensation and expense reimbursement of Professionals for periods before or after the Effective Date, as provided for in the Plan.

(d) Dispute Resolution. To resolve any dispute arising under or related to the implementation, execution, consummation or interpretation of the Plan and the making of distributions thereunder, including, without limitation, any dispute concerning payment of Fee Claims and expenses of the Plan Administrator, and any dispute between the Series 3 Trustee, the Series 4 Trustee, and/or any other entity regarding subordination of Allowed Class 8 Claims to Allowed Class 7 Claims.

(e) Leases and Executory Contracts. To determine any and all motions for the rejection, assumption, or assignment of executory contracts or unexpired leases, and to determine the allowance of any Claims resulting from the rejection of executory contracts and unexpired leases.

(f) Actions. To determine all applications, motions, adversary proceedings, contested matters, actions, and any other litigated matters instituted prior to the closing of the Chapter 11 Case, including any remands.

(g) Litigation. To determine any and all “Litigation” as defined under Section 1.34 of the Plan.

(h) Taxes. To hear and determine matters concerning state, local, and federal taxes in accordance with Bankruptcy Code §§ 346, 505, and 1146.

(i) General Matters. To determine such other matters, and for such other purposes, as may be provided in the Confirmation Order or as may be authorized under provisions of the Bankruptcy Code, including but not limited to in connection with the sale or liquidation of Assets by the Post-Confirmation Debtor.

(j) Plan Modification. To modify the Plan under Section 1127 of the Bankruptcy Code, remedy any defect, cure any omission, or reconcile any inconsistency in the Plan or the Confirmation Order so as to carry out its intent and purposes.

(k) Aid Consummation. To issue such orders in aid of consummation of the Plan and the Confirmation Order notwithstanding any otherwise applicable non-bankruptcy law, with respect to any Entity, to the full extent authorized by the Bankruptcy Code.

(l) Implementation of Confirmation Order. To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated.

(m) Final Decree. To enter a Final Decree closing this Chapter 11 Case.

ARTICLE 10

MISCELLANEOUS PROVISIONS

10.1 Pre-Confirmation Modification. The Plan may be altered, amended or modified by the Debtor and the Committee before the Confirmation Date as provided in Section 1127 of the Bankruptcy Code.

10.2 Post-Confirmation Immaterial Modification. The Plan Administrator and/or Post-Confirmation Debtor may, with the approval of the Bankruptcy Court and without notice to all Holders of Claims and Interests, insofar as it does not materially and adversely affect the interest of Holders of Claims, correct any defect, omission, or inconsistency in the Plan in such manner and to such extent as may be necessary to expedite consummation of this Plan.

10.3 Post-Confirmation Material Modification. The Plan may be altered or amended after the Confirmation Date by the Plan Administrator and/or Post-Confirmation Debtor in a manner which, in the opinion of the Bankruptcy Court, materially and adversely affects Holders

of Claims, provided that such alteration or modification is made after a hearing as provided in Section 1127 of the Bankruptcy Code.

10.4 Withdrawal or Revocation of the Plan. The Debtor and the Committee reserve the right to revoke or withdraw the Plan prior to the Effective Date. If the Debtor and the Committee revoke or withdraw the Plan, then the result shall be the same as if the Confirmation Order had not been entered and the Effective Date had not occurred.

10.5 Binding Effect. Subject to the occurrence of the Effective Date, on and after the Confirmation Date, the provisions of the Plan shall bind any Holder of a Claim against, or Interest in, the Debtor and such Holder's respective successors and assigns, whether or not the Claim or Interest of such Holder is Impaired under the Plan, whether or not such Holder has accepted the Plan and whether or not such Holder is entitled to a distribution under the Plan.

10.6 Successors and Assigns. The rights, benefits and obligations of any Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of, the heirs, executors, administrators, successors and/or assigns of such Entities.

10.7 Exculpation. **Except as otherwise expressly provided by the Plan or the Confirmation Order or other Final Order of the Bankruptcy Court, on the Effective Date, the Debtor (but not its past or current officers, directors, employees, or its past or current counsel, with the exception of Gordon Feinblatt LLC), the Committee and past or current members of the Committee, the Plan Administrator, Gray and Associates, LLC, Eric A. Zoellner, and, except as limited heretofore with respect to the Debtor, each of their past or current officers, directors, employees, accountants, financial advisors, investment bankers, agents, representatives, restructuring advisors, attorneys, parents, subsidiaries and affiliates, and each of their respective agents, representatives, successors and assigns, shall be deemed released by each of them against the other of and from any claims, obligations, rights, causes of action and liabilities for any act or omission in connection with, or arising out of, the Chapter 11 Case, including, without limiting the generality of the foregoing, all sales of assets, the Disclosure Statement, the formulation, dissemination and pursuit of approval of the Disclosure Statement, the formulation, dissemination and pursuit of confirmation of the Plan, the consummation of the Plan or the administration of the Plan or the property to be distributed under the Plan, except for acts or omissions that constitute willful misconduct, gross negligence or fraud, and all such Persons, in all respects, shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan and under the Bankruptcy Code.**

10.8 Limited Releases. **Except as otherwise expressly provided or contemplated by the Plan or the Confirmation Order, effective as of the Confirmation Date but subject to the occurrence of the Effective Date, and in consideration of the services of and other forms of consideration being provided by (a) the Debtor (but not its past or current officers, directors, employees, or its past or current counsel, with the exception of Gordon Feinblatt LLC); (b) the Committee and past or current members of the Committee; (c) Gray & Associates, LLC; (d) Eric A. Zoellner; and (e) except as limited heretofore with respect to subsection (a), each of their respective past and current officers, directors, employees,**

agents, restructuring advisors, attorneys, parents, subsidiaries and affiliates, and each of their respective agents, representatives, successors and assigns (the parties set forth in subsections (a) through (e) being the “Released Parties”), the Debtor, the Debtor’s chapter 11 estate, the Post-Confirmation Debtor and all Holders of Claims or Interests shall release, waive and discharge unconditionally and forever each of the Released Parties from any and all Claims, obligations, suits, judgments, damages, rights, causes of action and liabilities whatsoever (including those arising under the Bankruptcy Code), whether known or unknown, foreseen or unforeseen, existing or hereinafter arising in law, equity, or otherwise, based in whole or in part on any act, omission, transaction, event or other occurrence: (i) taking place before the Petition Date in connection with or relating to the Debtor or any of its direct or indirect subsidiaries; and (ii) in connection with, related to, or arising out of this Chapter 11 Case, the formulation, dissemination or pursuit of approval of the Disclosure Statement, the formulation, dissemination or pursuit of confirmation of the Plan, the consummation thereof, the administration thereof or the property to be distributed thereunder; provided that the foregoing shall not operate as a waiver of or release from any causes of action arising out of the willful misconduct or the gross negligence of any Released Party unless such Released Party acted in good faith and in a manner that such Released Party reasonably believed to be in or not opposed to the best interests of the Debtor, and with respect to any criminal action or proceeding, had no reasonable cause to believe such Released Party’s conduct was unlawful; *provided, however*, that the foregoing shall not operate as a waiver or release of any rights or obligations arising from and after the Effective Date in respect of any agreements expressly entered into or reaffirmed hereunder as of or following the Effective Date.

10.9 Injunction. Except as otherwise expressly provided in the Plan, on and after the Confirmation Date, all Entities who have held, hold or may hold Claims against the Debtor or Interests in the Debtor are permanently enjoined from and after the Confirmation Date from: (a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against or affecting the Debtor’s estate, the Post-Confirmation Debtor, or any of the Released Parties, any of their property, or any direct or indirect transferee of any property of, or direct or indirect successor in interest to, any of the foregoing Entities, including without limitation the Plan Administrator, or any property of any such transferee or successor; (b) enforcing, levying, attaching (including, without limitation, any pre-judgment attachment), collecting or otherwise recovering by any manner or means whether directly or indirectly, of any judgment, award, decree or order against the Debtor’s estate, the Post-Confirmation Debtor, or any of the Released Parties, any of their property, or any direct or indirect transferee of any property of, or direct or indirect successor in interest to any of the foregoing Entities, including without limitation the Plan Administrator; (c) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Debtor’s estate, the Post-Confirmation Debtor, or any of the Released Parties, any of their property, or any direct or indirect transferee of any property of, or direct or indirect successor in interest to any of the foregoing Entities, including without limitation the Plan Administrator; (d) asserting any right of setoff, of any kind, directly or indirectly, against any obligation due the Debtor’s estate, the Post-Confirmation

Debtor, or any of the Released Parties, any of their property, or any direct or indirect transferee of any property of, or successor in interest to, any of the foregoing Entities, including without limitation the Plan Administrator; and (e) taking any actions in any place and in any manner whatsoever that do not conform to or comply with the provisions of the Plan. Unless otherwise provided in the Confirmation Order, all injunctions or stays arising under or entered during the Chapter 11 Case under Sections 105 or 362 of the Bankruptcy Code, or otherwise, that are in existence on the Confirmation Date shall remain in full force and effect until the Effective Date; *provided, however*, that no such injunction or stay shall preclude enforcement of any interested party's rights under the Plan and the related documents.

10.10 Cramdown. To the extent any Impaired Class of Claims or Interest Holders entitled to vote on the Plan votes to reject the Plan, the Debtor and the Committee reserve the right to request confirmation of the Plan under Section 1129(b) of the Bankruptcy Code with respect to such Class(es).

10.11 Governing Law. Except to the extent that the Bankruptcy Code is applicable, the rights and obligations arising under this Plan shall be governed by and construed and enforced in accordance with the laws of the State of Maryland.

10.12 United States Trustee Fees. All outstanding amounts due under 28 U.S.C. § 1930 that have not been paid shall be paid by the Debtor on or before the Effective Date. Thereafter, the Plan Administrator shall pay any statutory fees due pursuant to 28 U.S.C. § 1930(a)(6) and such fees shall be paid until entry of a final decree or an order converting or dismissing this Chapter 11 Case.

10.13 Notices. Any notice required or permitted to be provided under the Plan shall be in writing and served by either (a) certified mail, return receipt requested, postage prepaid, (b) hand delivery or (c) reputable overnight courier service, freight prepaid, to be addressed as follows:

To: The Post-Confirmation Debtor:

KH Funding Company
10801 Lockwood Drive, Ste. 370
Silver Spring, MD 20901

With a copy to:

Lawrence D. Coppel, Esquire
Gordon Feinblatt LLC
233 East Redwood Street
Baltimore, MD 21202

10.14 Non-Voting Equity Securities. To the extent applicable, the Debtor shall comply with the provisions of Section 1123(a)(6) of the Bankruptcy Code.

10.15 Retiree Benefits. From and after the Effective Date, to the extent required by Section 1129(a)(13) of the Bankruptcy Code, the Post-Confirmation Debtor shall continue to pay all retiree benefits (as defined in Section 1114 of the Bankruptcy Code), if any, established or maintained by the Debtor prior to the Effective Date. The Debtor and the Committee believe that there are no such benefits.

10.16 Intentionally Omitted.

10.17 Saturday, Sunday, or Legal Holiday. If any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day but shall be deemed to have been completed as of the required date.

10.18 Section 1146 Exemption. Pursuant to Section 1146(c) of the Bankruptcy Code, the issuance, transfer, or exchange of any security under the Plan or the making or delivery of any instrument of transfer pursuant to, in implementation of, or as contemplated by, the Plan or the revesting, transfer or sale of any real or personal property of the Debtor pursuant to, in implementation of, or as contemplated by, the Plan shall not be taxed under any state or local law imposing a stamp tax, transfer tax, or similar tax or fee. Without limiting the foregoing, pursuant to Section 1146(c) of the Bankruptcy Code, the sale by the Plan Administrator or Post-Confirmation Debtor of any real property, or recordation by the Plan Administrator of any deed of trust or mortgage (including any amendment to any deed of trust or mortgage), from and after the Effective Date of the Plan shall not be taxed under any state or local law imposing a stamp tax, transfer tax, or similar tax or fee.

10.19 Severability. If any term or provision of the Plan is held by the Bankruptcy Court prior to or at the time of Confirmation to be invalid, void, or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as so altered or interpreted. In the event of any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan may, at the option of the Debtor and the Committee remain in full force and effect and not be deemed affected. However, the Debtor and the Committee reserve the right not to proceed to Confirmation or consummation of the Plan if any such ruling occurs. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

10.20 Headings. The headings used in this Plan are inserted for convenience only and neither constitute a portion of the Plan nor in any manner affect the provisions of the Plan.

10.21 Waiver of Stay. The Debtor and the Committee request as part of the Confirmation Order a waiver from the Bankruptcy Court of the fourteen day stay of Bankruptcy Rule 3020(e) and, to the extent applicable, a waiver of the fourteen day stay of Bankruptcy Rule 6004(h).

ARTICLE 11

CONFIRMATION REQUEST

11.1 The Debtor and the Committee hereby request confirmation of the Plan pursuant to Section 1129(a) and Section 1129(b) of the Bankruptcy Code.

Dated: April 6, 2012

KH Funding Company

By: /s/ Robert L. Harris

Name: Robert L. Harris

Title: President

Official Committee of Unsecured Creditors of KH Funding Company

By: /s/ Ruth Gresser

Name: Ruth Gresser

Title: Chairperson of the Official Committee of
Unsecured Creditors of KH Funding
Company

Submitted by:

Counsel for KH Funding Company, Debtor in Possession:

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