IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:	Case No. 12-00581
THE SHOREBANK CORPORATION, et al.,	(Jointly Administered)
Debtors.	*Chapter 11*
	Hon. A. Benjamin Goldgar

AMENDED DISCLOSURE STATEMENT WITH RESPECT TO AMENDED JOINT PLAN OF LIQUIDATION OF THE SHOREBANK CORPORATION AND ITS AFFILIATED DEBTORS AND DEBTORS-IN-POSSESSION (as modified April 16, 2012)

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Dated: Chicago Illinois
April 16, 2012

DISCLAIMER

THE INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT (THE "DISCLOSURE STATEMENT") IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE AMENDED JOINT PLAN OF LIQUIDATION OF THE SHOREBANK CORPORATION AND ITS AFFILIATED DEBTORS AND DEBTORS-IN-POSSESSION (THE "PLAN") AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THE DISCLOSURE STATEMENT, REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN.

ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THE DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THE DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN AND THE EXHIBITS AND APPENDICES ANNEXED TO THE PLAN AND THE DISCLOSURE STATEMENT OR FILED BY THE EXHIBIT FILING DATE. THE STATEMENTS CONTAINED IN THE DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF. IN THE EVENT OF ANY CONFLICT BETWEEN THE DESCRIPTIONS SET FORTH IN THE DISCLOSURE STATEMENT AND THE TERMS OF THE PLAN (INCLUDING THE FDIC TREATMENT), THE TERMS OF THE PLAN SHALL GOVERN. IN THE EVENT OF ANY CONFLICT BETWEEN THE PLAN AND THE TERMS OF THE FDIC TREATMENT, THE TERMS OF THE FDIC TREATMENT SHALL GOVERN.

THE DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE UNITED STATES BANKRUPTCY CODE, RULE 3016(b) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE, AND LOCAL BANKRUPTCY RULE 3016-1, AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW. THE DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING, OR TRANSFERRING SECURITIES OR CLAIMS OF THE DEBTORS SHOULD EVALUATE THE DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS OR THREATENED ACTIONS, THE DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY,

STIPULATION, OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THE DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST, OR EQUITY INTERESTS IN, THE SHOREBANK CORPORATION, OR ANY OF THE AFFILIATED DEBTORS AND DEBTORS-IN-POSSESSION IN THESE CASES.

SUMMARY OF THE PLAN

The following introduction and summary is a general overview only and is qualified in its entirety by, and should be read in conjunction with, the more detailed discussions and information appearing elsewhere in the Disclosure Statement and the Plan. All capitalized terms not defined in the Disclosure Statement have the meanings ascribed to such terms in the Plan. A copy of the Plan is annexed hereto as Appendix A. To the extent there are any inconsistencies between the Plan and the Disclosure Statement, the terms of the Plan shall govern. To the extent there are any inconsistencies between the Plan and the terms of the FDIC Treatment, the terms of the FDIC Treatment shall govern.

The Disclosure Statement contains, among other things, descriptions and summaries of provisions of the Plan being proposed by The ShoreBank Corporation ("SBK") and 11 of its subsidiaries and affiliates (the "Affiliate Debtors"), the debtors and debtors-in-possession in the above-captioned jointly administered Chapter 11 Cases (collectively, the "Debtors" or the "Company"), as filed on January 9, 2012 (the "Petition Date"), with the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the "Bankruptcy Court"). Certain provisions of the Plan, and thus the descriptions and summaries contained herein, are or may become the subject of continuing negotiations among the Debtors and various parties and, therefore, remain subject to modification. The Debtors do not anticipate that such modifications will have a material effect on the distributions contemplated by the Plan and any such modifications will be disclosed at the Confirmation Hearing.

A. Overview

On the Petition Date, the Debtors each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. The cases were jointly administered pursuant to an Order entered by the Bankruptcy Court on January 11, 2012. Since the Petition Date, the Debtors have continued to manage their businesses as debtors-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in the Debtors' Chapter 11 Cases.

The Debtors' core assets on the Petition Date consisted primarily of: (a) SBK's bank account deposits in the approximate amount of $4,100,000; (b) SBK's interest in a Federal Income Tax Refund arising as a result of losses for tax purposes during prior tax years, in the amount of approximately $10,700,000 (the "Federal Income Tax Refund"); (c) SBK's interest in a state income tax refund receivable stemming from losses for tax purposes during prior years in Illinois in an amount of approximately $75,000 (the "State Income Tax Refund Receivable"); (d) SBK's equity interests in certain subsidiaries; and (e) other longer-term assets, all as described more fully herein ((a)-(e) collectively, the "Core Assets"). See Section III.D of the Disclosure Statement for a more detailed description of the Debtors' Core Assets. Since the Petition Date, the Debtors have, among other things, worked to liquidate the longer-term assets, the net proceeds of which will be available for distribution to creditors in accordance with the Plan, and begun the claims reconciliation process.

The Plan is predicated on a settlement reached with the FDIC and sought to be implemented as part of the Plan. Specifically, the entry of the Confirmation Order will constitute the Bankruptcy Court's finding and determination that the settlements reflected in the Plan, including the FDIC Treatment, are (i) in the best interests of the Debtors and their bankruptcy estates, (ii) fair, equitable, and reasonable, (iii) made in good faith, (iv) approved by the Bankruptcy Court, and (v) in full satisfaction, settlement, release, and discharge of any rights which might otherwise exist. On the Effective Date, the Liquidation Trust will take all actions necessary or reasonably required to affect the matters and terms set forth in such settlements, including the FDIC Treatment.

Absent the settlement with the FDIC, based on other bank holding company bankruptcy cases currently pending across the United States as well as the proof of claim filed by the FDIC in the Chapter 11 Cases, there would likely be costly (in terms of money and time) and uncertain litigation (involving evolving case law) between the FDIC and SBK on a variety of novel and complex issues including (i) whether SBK made a commitment to maintain the capital of its former bank subsidiary, ShoreBank (the "Bank"); (ii) ownership of certain tax refunds, including the Federal Income Tax Refund; and (iii) allowance or disallowance of certain other claims asserted by the FDIC in its proof of claim.

While SBK does not believe there was a commitment made to maintain the capital of the Bank, if the FDIC were successful in any such litigation, the FDIC would be entitled to a priority claim that would likely be in an amount in excess of SBK's total distributable value, meaning there would be no recovery available for general unsecured creditors. In addition, absent the settlement, the FDIC contends, on one or more theories, that some or all of the consolidated tax refunds belongs to it, and are property of the FDIC. If the FDIC were successful in asserting it owned the consolidated tax refunds, it would get all of any such refunds, and the Debtors' total distributable value would be diminished by a like amount. On the other hand, SBK contends, on one or more theories, including, in part, as a result of the effect of a tax sharing agreement, that some or all of the consolidated tax refunds, including the Federal Income Tax Refund, belong to it, and are property of the Debtors' estates. Even if the Debtors' view is correct, it is likely that the FDIC would assert (and the Debtors might dispute) that the FDIC has a general unsecured claim in an amount that approximates the Federal Income Tax Refund (in addition to any other claims the FDIC might assert or already has asserted in its proof of claim). If allowed, the FDIC's general unsecured claim under this scenario for certain tax-related claims and other claims as set forth in the FDIC proof of claim, would entitle the FDIC to its pro-rata share of SBK's distributable value.

Instead of engaging in costly, time-consuming, uncertain, and risky litigation, prior to the Petition Date, the Debtors and their advisors engaged in extensive settlement negotiations with the FDIC and its advisors, which ultimately resulted in a settlement (the "FDIC Treatment"). The FDIC Treatment will settle claims that the FDIC has (or otherwise would) assert against SBK. Specifically, under the FDIC Treatment, made a part of the Plan, the FDIC will receive $8,500,000 payable out of the Federal Income Tax Refund in full and complete settlement of all of the FDIC's claims, including, but not limited to those asserted in its proof of claim, that it may have against the Debtors with respect to the FDIC's receivership of the Bank, subject to certain carve outs as described in more detail herein and in the FDIC Treatment. For an additional

description of the risks associated with other alternatives to the Plan that do not include the FDIC Treatment and instead result in litigation with the FDIC, please see Section C of the Summary below and Articles VI and VIII of the Disclosure Statement. For a more complete description of the FDIC Treatment please see Article III.B.5 of the Disclosure Statement.

Since the Petition Date, the Debtors have focused their efforts on monetizing the Core Assets and reconciling claims. For example, with regard to monetizing Core Assets, SBK owns an 8.67% limited partnership interest in SB Partners Capital Fund, L.P., a middle-market private equity fund ("SB Partners"). On or about January 24, 2012, SB Partners sold one of its businesses. As a result, on or about February 8, 2012, SBK received its portion of the sale proceeds, or $1,629,080, which will be available for distribution to creditors. In connection with reconciling claims, since the Petition Date, the Debtors have informally reached out to creditors and reduced the Estates' exposure to asserted claims by more than $3,000,000, without the need (so far) to file a claims objection. Specifically, four equity interest holders withdrew their proofs of claim, and one trade creditor voluntarily reduced its claim by more than $250,000. For a more complete description of the claims reconciliation process, please see Article IVB.

This process of pursuing and monetizing Core Assets will continue through 2012, and longer for certain assets that cannot, for various reasons, be monetized on a short-term basis. For example, certain longer-term assets are more illiquid than others because they require the approval of regulators in countries outside the United States, including Azerbaijan and Belarus. In addition, for a variety of reasons, the Debtors' management believes that the recovery to creditors will be maximized if certain assets are not liquidated right away. For a more complete description of the long-term assets, please see Article III.D.5.

In furtherance of the Debtors' goal to liquidate their assets and distribute the proceeds thereof to their creditors, the Debtors have prepared the Disclosure Statement and the Plan. The Plan provides for the liquidation of the Debtors' remaining assets and for the distribution of the proceeds to creditors in order of their relative priority of distribution under the Bankruptcy Code in accordance with the Plan and the Liquidation Trust Agreement.

The Plan contemplates substantive consolidation of the Debtors. In the event substantive consolidation is not approved, it is likely that creditors of any Debtor other than SBK would only receive a de minimis, if any, distribution. For example, as of the General Bar Date, only two other creditors have filed a claim against a Debtor other than SBK (and the Debtors believe that one other creditor mistakenly asserted a claim against SBK that should have been properly asserted against SDC). The two creditors who have (or should have) filed claims against SDC will likely not receive any distribution, even if their claims are Allowed, if the Estates are not substantively consolidated, because SDC has no assets of economic value. The creditor who filed its claim against PacCorp also filed a claim against SBK, so that the ultimate outcome should not change whether or not the Estates are substantively consolidated with regard to this claim. Moreover, if the Debtors were not substantively consolidated, it would only result in a de minimis benefit to creditors of SBK. The Debtors reserve the right to deconsolidate any Debtor entity, prior to the Effective Date, in which case, the creditors of such Debtor would likely receive a de minimis, if any, distribution (and creditors of SBK would possibly receive a de minimis additional recovery).

On the Effective Date, and pursuant to the Plan and the Liquidation Trust Agreement, the Liquidation Trust Assets shall be transferred to the Liquidation Trust for the benefit of the Liquidation Trust Beneficiaries. At least seven (7) days prior to the Voting Deadline, the Debtors will designate the Liquidation Trust Administrator, as well as the members of the Liquidation Trust Advisory Board. Under the Plan, the Liquidation Trust Administrator will continue the task of liquidating the assets of the Debtors that have been transferred to the Liquidation Trust and distributing the proceeds of these assets to the Debtors' creditors in accordance with the Plan and the Liquidation Trust Agreement. After confirmation of the Plan, the Liquidation Trust Administrator, acting on behalf of the Debtors and Debtors-in-Possession, will be authorized to pursue, collect, and monetize the remaining assets of the Debtors and Debtors-in-Possession that have been transferred to the Liquidation Trust and distribute the proceeds to the beneficiaries of the Liquidation Trust.

B. General Structure of the Plan

Each of SBK and its 11 Affiliate Debtors (the "Plan Proponents") is a proponent of the Plan within the meaning of section 1129 of the Bankruptcy Code. The Plan provides for the liquidation of the Debtors and their estates and the distribution of the proceeds thereof in resolution of the outstanding claims against and interests in the Debtors, consistent with the priority provisions of the Bankruptcy Code.

Under the Plan, the Debtors are:

A SBK

B ShoreBank Pacific Corporation ("PacCorp")

C. ShoreBank Lands Corporation ("SLC")

D. ShoreBank Capital Corporation ("CapCorp")

E. ShoreBank Development Corporation ("SDC")

F. ShoreCap Management, Ltd. ("SCM")

G. Shore Overseas Corporation ("SOC")

H. ShoreBank New Markets Fund, Inc. ("NMTC")

I. SBK NMTC Fund I, LLC

J. SBK NMTC Fund II, LLC

K. SBK NMTC Fund III, LLC

L. SBK NMTC Fund IV, LLC

C. Summary of Treatment of Claims and Interests Under the Plan

The Plan constitutes a single plan for all of the Debtors.

As contemplated by the Bankruptcy Code, Administrative Claims and Priority Tax Claims are not classified and will be paid in full under the Plan. See Article II of the Plan for a summary of the treatment proposed under the Plan for Administrative Claims and Priority Tax Claims. All other Claims against and Interests in the Debtors are divided into Classes according to their relative seniority and other criteria.

Under the Plan, the FDIC would receive in full satisfaction, settlement, release, and discharge of, and in exchange for, each and every FDIC Claim, the FDIC Treatment. In general, the FDIC Treatment provides that the FDIC shall receive $8.5 million in Cash, payable out of the Federal Income Tax Refund, as set forth more fully in Exhibit A to the Plan. In addition, the FDIC is still entitled to continue to collect payments from a third-party stemming from the sale of ShoreBank Pacific pursuant to a stock purchase agreement that separately governs that transaction. For a more complete description of the ShoreBank Pacific sale, please see Article III.A.2.

Notably, the FDIC Treatment provides assurance that there will be a recovery for Holders of Allowed General Unsecured Claims. By contrast, any plan that does not include the FDIC Treatment, or similarly resolve the FDIC Claim, would result in significant burdens, distractions, delays, costs, and uncertainties to the Debtors' Estates and their general unsecured creditors. In addition, depending on how any such disputes regarding the FDIC Claim were resolved, there are scenarios in which no general unsecured creditor other than the FDIC would receive a distribution from the Debtors' Estates. Specifically, if the FDIC's claims are not settled, the FDIC has reserved its right to assert a claim under section 365(o) of the Bankruptcy Code seeking priority payment under section 507(a)(9) of the Bankruptcy Code on the theory that SBK made a commitment to maintain the capital of the Bank. While the Debtors dispute that any such capital maintenance obligation exists, if the FDIC were successful, it is likely that the FDIC would be entitled to priority payment in an amount well in excess of the Debtors' remaining assets, meaning Holders of Allowed General Unsecured Claims would not get any recovery. Moreover, throughout its discussions with SBK, the FDIC has consistently maintained, on one or more theories, that the FDIC owns substantially all of the proceeds of the Federal Income Tax Refund. While SBK believes that under the Tax Sharing Agreement (among other arguments), SBK owns the tax refunds, including the Federal Income Tax Refund, if the FDIC were successful, it would get all of the Federal Income Tax Refund. Even if the Debtors' view regarding the Tax Sharing Agreement is correct, it is likely that the FDIC would assert (and the Debtors might dispute) that the FDIC has a general unsecured claim in an amount that approximates the Federal Income Tax Refund (in addition to any other claims the FDIC has or might assert). If the FDIC were successful in asserting a general unsecured claim in an amount that approximates the Federal Income Tax Refund, it would be entitled to its pro rata share of distributable assets. In addition, absent the settlement, the FDIC might also try to assert various other claims, some of which were asserted or reserved in the FDIC's proof of claim. Instead, under the FDIC Treatment, the FDIC will receive $8.5 million in full and complete satisfaction

of all the FDIC's claims against SBK, including, but not limited to, those in the FDIC's proof of claim. A more detailed description of the FDIC Treatment is contained herein.

As summarized in the table below and set forth in more detail in the Plan, the Plan essentially provides for Holders of General Unsecured Claims to recover their Pro Rata share of the Debtors' remaining assets after the FDIC Claim is satisfied pursuant to the proposed settlement. As reflected in the Plan and in accordance with the subordination provisions in the Subordinated Indentures, the Trust Agreements, and the related Guarantee Agreements, Holders of Allowed Class 6 Subordinated Note Claims shall not receive or retain a distribution from the Liquidation Trust unless and until all Holders of Allowed Class 4 Senior Indebtedness Claims are paid in whole. Instead, interests in the Liquidation Trust otherwise distributable to or for the benefit of Holders of Allowed Class 6 Claims shall be distributed by the Disbursing Agent to Holders of Allowed Class 4 Claims pursuant to the subordination provisions of the Subordinated Indentures, Trust Agreements, Guarantee Agreements, and related documents until Holders of Allowed Class 4 Claims are paid in full. Under current estimates, which are subject to change, the Debtors do not expect Holders of Allowed Senior Indebtedness Claims in Class 4 to be paid in full. Consequently, at this time, the Debtors do not expect Holders of Allowed Class 6 Claims to receive or retain any distribution from the Estates.

As of March 31, 2012, the Debtors had approximately $5.7 million in unrestricted cash in their bank accounts, plus $10.7 million in a tax escrow account (which cannot be released until the ownership of certain tax refunds is resolved either by a final court order or mutual agreement between SBK and the FDIC), and estimated that they would net about $4.2 million from the liquidation of long-term assets over time, the net proceeds of which would be available for ultimate distribution to creditors.

While SBK does not know the exact amount, for purposes of estimating distributions, SBK assumes that approximately $1.1 million will be required to fund the Cash Reserves for the payment of Administrative Claims (which includes Professional Fee Claims, including payment of the actual, necessary expenses of the Creditors' Committee and reasonable compensation for professional services of the Creditors' Committee's Professionals), Priority Tax Claims, if any, and other payments required under the Plan, as well as to pay for anticipated post-confirmation operating expenses in connection with the remaining wind down of SBK's affairs such as, among other things, resolving Avoidance Actions to be brought, if any, reconciling Disputed Claims, and funding the operating expenses of the Liquidation Trust (including payment to Liquidation Trust Administrator, as outlined in more detail herein, and in the Plan and the Liquidation Trust Agreement) to, among other things, pursue and monetize the remaining Core Assets and comply with certain tax filing and other similar requirements. In addition, as noted above, $8.5 million of the $10.7 million Federal Income Tax Refund will go to the FDIC under the FDIC Treatment.

Thus, as of the Effective Date, SBK estimates that, as a result of its continuing wind down efforts, there will be approximately $6.8 million of Cash for distribution to Holders of Allowed Claims against SBK (other than the FDIC Claim, which will be satisfied out of the FDIC Treatment). SBK estimates that an additional amount of approximately $4.2 million will be available for distribution to creditors of SBK over time, after the Effective Date. This additional amount of funds for distribution is any net proceeds from the sale of the longer-term

assets. Consequently, SBK estimates that total distributable value to Holders of Allowed Claims against SBK (other than the FDIC, which, under a settlement would receive $8.5 million) will be approximately $11 million after SBK monetizes all of its assets. The actual recoveries under the Plan by the Debtors' creditors will be dependent upon, among other things, whether, and in what amount, the Debtors are able to sell or otherwise dispose of their remaining non-Cash assets, the costs of operating the Liquidating Trust, and the ultimate amount of Allowed Claims, including Administrative Claims.

The table below summarizes the classification and treatment of the Claims and Interests under the Plan, as well as the Debtors' estimates of the amount of Claims that will ultimately become Allowed in each Class and an estimated percentage recovery for Holders of Claims in each Class. **THE TABLE IS INTENDED FOR ILLUSTRATIVE PURPOSES ONLY AND DOES NOT ADDRESS ALL ISSUES REGARDING CLASSIFICATION, TREATMENT, AND ULTIMATE RECOVERIES AND IS NOT A SUBSTITUTE FOR A REVIEW OF THE PLAN AND THE DISCLOSURE STATEMENT IN THEIR ENTIRETY.** In addition, the Plan provides for a Disputed Claims Reserve to be established with respect to Disputed Claims and the creation of a Liquidation Trust to distribute the Net Available Cash pursuant to the Plan and the Liquidation Trust Agreement. As a result, the process of distributing all of the property to be distributed to Holders of Claims under the Plan will be completed over time.

Class Description	**Treatment Under The Plan**
Class 1 **Secured Claims**	**Class 1 Is Unimpaired by the Plan.** The legal, equitable, and contractual rights of the Holders of Allowed Class 1 Claims against the Debtors, if any, are unaltered by the Plan. As set forth herein and in the Plan, any such claim will be paid in cash or be reinstated.
	Estimated Amount of Allowed Claims: $0
Class 2 **Non-Tax Priority Claims**	**Class 2 Is Unimpaired by the Plan.** The legal and equitable rights of the Holders of Class 2 Claims against the Debtors, if any, are unaltered by the Plan. As set forth herein and in the Plan, any such claim will be paid in full.
	Estimated Amount of Allowed Claims: $0
Class 3 **FDIC Claim**	**Class 3 is Impaired by the Plan.** On the Effective Date, or as soon thereafter as is reasonably practicable, the FDIC shall receive in full satisfaction, settlement, release, and discharge of, and in exchange for, each and every Class 3 Claim against the Debtors, the FDIC Treatment payable out of the Federal Income Tax Refund Receivable (defined in the FDIC Treatment) currently held in an escrow account.

	Estimated Amount of Allowed Claims: Indeterminate. **Estimated Recovery: $8,500,000**
Class 4 **Senior Indebtedness Claims**	**Class 4 Is Impaired by the Plan.** On the Effective Date, or as soon thereafter as is reasonably practicable, and on each Subsequent Distribution Date, the Disbursing Agent shall receive on behalf of each and every Holder of an Allowed Class 4 Claim against the Debtors, in full satisfaction, settlement, release, and discharge of, and in exchange for, each and every Class 4 Claim against the Debtors, (i) the Pro Rata interest in the Liquidation Trust, as to which all Holders of Allowed Class 4 Claims would be entitled if Classes 4, 5, and 6 were a single class, which the Disbursing Agent will distribute to each holder of an Allowed Class 4 Claim on a Pro Rata basis within such Class, and (ii) the Subordinated Notes Redistribution Interests, which the Disbursing Agent will distribute Pro Rata to or for the benefit of Holders of Allowed Class 4 Claims until the Holders of Allowed Class 4 Claims are paid in full.
	Estimated Amount of Allowed Claims: $12,300,000 **Estimated Recovery: 83%**
Class 5 **General Unsecured Claims**	**Class 5 Is Impaired by the Plan.** On the Effective Date, or as soon thereafter as is reasonably practicable, and on each Subsequent Distribution Date, the Disbursing Agent shall receive on behalf of each and every Holder of an Allowed Class 5 Claim against the Debtors, in full satisfaction, settlement, release, and discharge of, and in exchange for, each and every Class 5 Claim against the Debtors, the Pro Rata interest in the Liquidation Trust, as to which all Holders of Allowed Class 5 Claims would be entitled if Classes 4, 5, and 6 were a single class, which the Disbursing Agent will distribute to each holder of an Allowed Class 5 Claim on a Pro Rata basis within such Class.
	Estimated Amount of Allowed Claims: $3,900,000 **Estimated Recovery: 20%**
Class 6 **Subordinated Note Claims**	**Class 6 Is Impaired by the Plan.** As reflected in the treatment of Class 4, and in accordance with the Subordinated Notes Subordination Rights, Holders of Class 6 Claims shall not receive or retain a distribution from the Liquidation Trust until Holders of Allowed Class 4 Claims are paid in full. Instead, interests in the Liquidation Trust otherwise distributable to or for the benefit of Holders of Allowed Class 6 Claims shall instead be distributed by the Disbursing Agent to

	Holders of Allowed Class 4 Claims pursuant to the subordination provisions of the Subordinated Indenture and Trust Agreements until the Holders of Allowed Class 4 Claims are paid in full. At this time, it is not expected that the Holders of Subordinated Note Claims will retain any distribution on account of their claims.
	Estimated Amount of Allowed Claims: $37,600,000 **Estimated Recovery: 0%.**
Class 7 **Other Subordinated Claims**	**Class 7 Is Impaired by the Plan.** Holders of Other Subordinated Claims shall not receive nor retain any distribution on account of such Other Subordinated Claims. Because Holders of Other Subordinated Claims are not receiving or retaining any property under the Plan, they are conclusively presumed to have rejected the Plan and therefore are not entitled to vote to accept or reject the Plan.
	Estimated Amount of Allowed Claims: $0 **Estimated Recovery: 0%**
Class 8 **Old Equity Interests**	**Class 8 Is Impaired by the Plan.** On the Effective Date, the Old Equity Interests will be cancelled and the Holders of Old Equity shall not receive nor retain any distribution on account of such Old Equity Interests. Because Holders of Old Equity Interests are not receiving or retaining any property under the Plan, they are conclusively presumed to have rejected the Plan and therefore are not entitled to vote to accept or reject the Plan.
	Estimated Amount of Allowed Claims: $0 **Estimated Recovery: 0%**

THE DEBTORS BELIEVE THAT THE PLAN PROVIDES THE BEST RECOVERIES POSSIBLE FOR THE HOLDERS OF CLAIMS AGAINST THE DEBTORS AND THUS <u>STRONGLY RECOMMEND</u> THAT YOU VOTE TO ACCEPT THE PLAN.

TABLE OF CONTENTS

APPENDICES

DISCLOSURE STATEMENT WITH RESPECT TO THE JOINT PLAN OF LIQUIDATION OF THE SHOREBANK CORPORATION AND ITS AFFILIATED DEBTORS AND DEBTORS-IN-POSSESSION

I. INTRODUCTION

The ShoreBank Corporation ("SBK") and 11 of its subsidiaries (collectively, the "Debtors" and "Debtors-in-Possession" in the above-captioned chapter 11 cases (the "Chapter 11 Cases"), submit this disclosure statement (the "Disclosure Statement") pursuant to section 1125 of title 11, United States Code (the "Bankruptcy Code"), to Holders of Claims against and Interests in the Debtors in connection with (i) the solicitation of acceptances of the Amended Joint Plan of Liquidation of The ShoreBank Corporation and its Affiliated Debtors and Debtors-in-Possession, dated April 10, 2012, as may be amended (the "Plan"), filed by the Debtors with the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the "Bankruptcy Court"), and (ii) the hearing to consider confirmation of the Plan (the "Confirmation Hearing") scheduled for **June 13, 2012, at 10:30 a.m.**, prevailing Central Time. A copy of the Plan is attached hereto as Appendix A.

On January 9, 2012 (the "Petition Date"), the Debtors each filed a voluntary petition (each, a "Voluntary Petition") for relief under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. The cases were jointly administered pursuant to an Order entered by the Bankruptcy Court on January 11, 2012. Since the Petition Date, the Debtors have continued to manage their businesses as debtors-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in the Debtors' Chapter 11 Cases.

Prior to the Petition Date, SBK, incorporated under the laws of the state of Illinois and headquartered in Chicago, was a registered bank holding company for its subsidiary, ShoreBank, headquartered in Chicago, Illinois, a state chartered non-member bank (the "Bank"), as well as the direct or indirect parent of certain other subsidiaries, including all of the other Debtors, and certain other non-debtor subsidiaries, as described in more detail below.

The Bank is not, and could not be, a Debtor in the Chapter 11 Cases. Instead, on August 20, 2010, the Illinois Department of Financial and Professional Regulation ("IDFPR") closed the Bank (the "Bank Closure"), and the FDIC was appointed as receiver (the "FDIC"). A consortium of investors, primarily foundations and financial institutions, many of which had previously invested in SBK, raised funds and capitalized a newly chartered institution called Urban Partnership Bank ("Urban"). Urban purchased most of the assets of the Bank and assumed all of the Bank's non-brokered deposits from the FDIC pursuant to a purchase and assumption agreement (the "Bank Sale").

SBK is the holder of 100 percent of the common stock of the Bank, which was SBK's primary asset. As noted above, the Bank and its subsidiaries are not debtors in these proceedings (instead, the Bank is in receivership, with the FDIC serving as receiver). As a result of the Bank Closure and the Bank Sale, SBK's interest in the stock of the Bank is effectively worthless. The other Debtors are all non-operating companies with minimal, or, in some cases, no assets.

The Debtors now seek confirmation of the Plan. The Disclosure Statement is designed to provide parties entitled to vote on the Plan with adequate information to enable them to make a decision whether to vote for or against the Plan.

The Plan sets forth how Claims against and Interests in the Debtors will be treated if the Plan is confirmed by the Bankruptcy Court. The Disclosure Statement describes among other things: (i) voting instructions, (ii) classification of claims against the Debtors, (iii) payment of Claims under the Plan, and (iv) the Debtors' former operations, significant events occurring in the Debtors' Chapter 11 Cases, and other related matters. The Disclosure Statement also contains a summary and analysis of the Plan. **FOR A COMPLETE UNDERSTANDING OF THE PLAN, YOU SHOULD READ THE DISCLOSURE STATEMENT, THE PLAN, AND THE EXHIBITS THERETO IN THEIR ENTIRETY.**

FOR A DESCRIPTION OF THE PLAN AND VARIOUS RISK AND OTHER FACTORS PERTAINING TO THE PLAN AS IT RELATES TO CLAIMS AGAINST AND INTERESTS IN THE DEBTORS, PLEASE SEE ARTICLES V AND VI OF THE DISCLOSURE STATEMENT.

THE DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, CERTAIN DOCUMENTS RELATED TO THE PLAN, CERTAIN EVENTS IN THE CHAPTER 11 CASES, CERTAIN FINANCIAL INFORMATION, AND CERTAIN CLAIMS AGAINST THE DEBTORS. ALTHOUGH THE DEBTORS BELIEVE THAT SUCH SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS. FACTUAL INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTORS' MANAGEMENT OR ITS ADVISORS, EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTORS DO NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

FOR THE CONVENIENCE OF HOLDERS OF CLAIMS AND INTERESTS, THE DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN, BUT THE PLAN ITSELF QUALIFIES ALL SUMMARIES. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THE DISCLOSURE STATEMENT, THE TERMS OF THE PLAN ARE CONTROLLING.

II. PLAN VOTING INSTRUCTIONS AND PROCEDURES

A. Definitions

Except as otherwise defined herein, capitalized terms not otherwise defined in the Disclosure Statement have the meanings ascribed to them in the Plan. All references in the Disclosure Statement to monetary figures refer to United States currency.

B. Notice to Holders of Claims and Interests

The Disclosure Statement is being transmitted to Holders of Claims that under the Bankruptcy Code are entitled to vote on the Plan as well as to other parties in interest. See Article X of the Disclosure Statement for a discussion and listing of those Holders of Claims that are entitled to vote on the Plan and those Holders of Claims and Interests that are not entitled to vote on the Plan. The purpose of the Disclosure Statement is to provide adequate information to enable such Holders to make a reasonably informed decision with respect to the Plan prior to exercising their right to vote to accept or reject the Plan.

On April 16, 2012, the Bankruptcy Court entered an order (the "Solicitation Procedures Order") approving the Disclosure Statement as containing information of a kind and in sufficient and adequate detail to enable such Holders to make an informed judgment with respect to acceptance or rejection of the Plan. THE BANKRUPTCY COURT'S APPROVAL OF THE DISCLOSURE STATEMENT DOES NOT CONSTITUTE EITHER A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN OR AN ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT.

ALL HOLDERS OF CLAIMS AGAINST AND INTERESTS IN THE DEBTORS ARE ENCOURAGED TO READ THE DISCLOSURE STATEMENT AND ITS APPENDICES CAREFULLY AND IN THEIR ENTIRETY BEFORE DECIDING TO VOTE EITHER TO ACCEPT OR TO REJECT THE PLAN. The Disclosure Statement contains important information about the Plan, considerations pertinent to acceptance or rejection of the Plan, and developments concerning the Chapter 11 Cases.

THE DISCLOSURE STATEMENT IS THE ONLY DOCUMENT AUTHORIZED BY THE BANKRUPTCY COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES ON THE PLAN. No solicitation of votes may be made except after distribution of the Disclosure Statement, and no person has been authorized to distribute any information concerning the Debtors other than the information contained herein.

CERTAIN OF THE INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD LOOKING AND CONTAINS ESTIMATES, ASSUMPTIONS, AND PROJECTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL FUTURE RESULTS. Except as otherwise specifically and expressly stated herein, the Disclosure Statement does not reflect any events that may occur subsequent to the date hereof and that may have a material impact on the information contained in the Disclosure Statement. The Debtors do not intend to update the Disclosure Statement; thus, the Disclosure Statement will not reflect the impact of any subsequent events not already accounted for herein. Further, the Debtors do not anticipate that any amendments or supplements to the Disclosure Statement will be distributed to reflect such occurrences. Accordingly, the delivery of the Disclosure Statement will not under any circumstance imply that the information herein is correct or complete as of any time subsequent to the date hereof.

C. Solicitation Package

Accompanying the Disclosure Statement are copies of (i) the Plan (Appendix A hereto); (ii) the notice of, among other things, the time for submitting Ballots to accept or reject the Plan, the date, time, and place of the hearing to consider confirmation of the Plan and related matters, and the time for filing objections to confirmation of the Plan (the "Confirmation Hearing Notice"); and (iii) (a) if you are the Holder of a Claim(s) entitled to vote on the Plan, one or more Ballots (and return envelopes) to be used by you in voting to accept or to reject the Plan and (b) if you are the Holder of a Claim or Interest not entitled to vote on the Plan, a notice of non-voting status.

D. Voting Procedures, Ballots, and Voting Deadline

If you are a Holder of a Claim entitled to vote on the Plan and a Ballot is included herewith, after carefully reviewing the Plan, the Disclosure Statement, and the detailed instructions accompanying your Ballot, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed Ballot. Please complete and sign your original Ballot (copies, facsimiles, and electronic transmissions will not be accepted) and return it in the envelope provided.

Each Ballot has been coded to reflect the Class of Claims it represents. Accordingly, in voting to accept or reject the Plan, you must use only the coded Ballot or Ballots sent to you with the Disclosure Statement.

IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED AS SET FORTH ABOVE AND IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE BALLOT AND RECEIVED NO LATER THAN MAY 30, 2012, AT 5:00 P.M. (PREVAILING CENTRAL TIME) (THE "VOTING DEADLINE") BY GCG, INC. (THE "VOTING AGENT").

If by hand delivery or overnight mail to:

THE SHOREBANK CORPORATION BANKRUPTCY ADMINISTRATION
C/O GCG
5151 BLAZER PARKWAY, SUITE A
DUBLIN, OH 43017

If by regular mail to:

SBK BANKRUPTCY ADMINISTRATION
C/O GCG
P.O. BOX 9855
DUBLIN, OHIO 43017-5755.

IF YOU ARE A HOLDER OF STOCK CERTIFICATES OR DEBT INSTRUMENTS, DO NOT RETURN YOUR STOCK CERTIFICATE OR DEBT

INSTRUMENTS WITH YOUR BALLOT. If you have any questions about (1) the procedure for voting your Claim with respect to the packet of materials that you have received or (2) the amount of your Claim, you should contact the Voting Agent at the address set forth above, or at 1-888-421-9899.

If you are a Holder of a Claim entitled to vote on the Plan and did not receive a Ballot, received a damaged Ballot, or lost your Ballot, please contact the Voting Agent at the address or telephone number set forth above.

If you wish to obtain, at your own expense, unless otherwise specifically required by Federal Rule of Bankruptcy Procedure 3017(d), an additional copy of the Plan, the Disclosure Statement, or any Appendices or Exhibits to such documents, please contact the Voting Agent at the address or telephone number set forth above. Copies of the Plan and the Disclosure Statement (including, after the Exhibit Filing Date, all Exhibits and Appendices) and all pleadings and orders of the Bankruptcy Court are publicly available at the Bankruptcy Court's general website at: http://www.ilnb.uscourts.gov for a nominal fee (a Pacer account is required), or at the Voting Agent's general website address www.shorebankrestructuring.com free of charge.

THE BANKRUPTCY COURT, IN THIS CASE, HAS ADOPTED A PRESUMPTION THAT IF THERE ARE NO VOTES CAST IN A PARTICULAR CLASS ENTITLED TO VOTE ON THE PLAN, THEN THE PLAN WILL BE DEEMED ACCEPTED BY SUCH CLASS. ACCORDINGLY, IF YOU DO NOT WISH SUCH A PRESUMPTION WITH RESPECT TO ANY CLASS FOR WHICH YOU HOLD CLAIMS OR INTERESTS TO BECOME EFFECTIVE, YOU SHOULD TIMELY SUBMIT A BALLOT ACCEPTING OR REJECTING THE PLAN FOR ANY SUCH CLASS.

FOR FURTHER INFORMATION AND INSTRUCTION ON VOTING TO ACCEPT OR REJECT THE PLAN, SEE ARTICLE X OF THE DISCLOSURE STATEMENT.

E. Confirmation Hearing and Deadline for Objections to Confirmation

Pursuant to section 1128 of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 3017(c), the Bankruptcy Court has scheduled the Confirmation Hearing for **June 13, 2012, at 10:30 a.m.** (prevailing Central Time), before the Honorable A. Benjamin Goldgar, United States Bankruptcy Judge, in the United States Courthouse, 219 South Dearborn Street, Chicago, Illinois 60604, Courtroom 613. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be Filed, together with proof of service, with the Bankruptcy Court at the Office of the Clerk of the Court, Everett McKinley Dirksen United States Courthouse, 219 South Dearborn Street, Chicago, Illinois, 60604, and served so that they are **RECEIVED** on or before **May 30, 2012, at 5:00 p.m.** (prevailing Central Time) by the following parties (the "Notice Parties"):

The Debtors:

The ShoreBank Corporation
135 South LaSalle Street, Suite 2040
Chicago, IL 60603
Attn: George Surgeon, President and C.E.O.

Counsel for the Debtors:

Skadden, Arps, Slate, Meagher & Flom LLP
155 North Wacker Drive, Suite 2700
Chicago, Illinois 60606
Attn: George N. Panagakis, Esq.

Counsel for the Creditors' Committee:

Foley & Lardner LLP
321 North Clark Street, Suite 2800
Chicago, Illinois 60654-5313
Attn: Mark F. Hebbeln

The United States Trustee:

The Office of the United States Trustee
219 S. Dearborn Street, Suite 873
Chicago, Illinois 60604
Attn: Roman L. Sukley, Esq.

III. HISTORY OF THE DEBTORS

A. The Debtors and Their Businesses

1. SBK

SBK directly or indirectly owns 100% of the common stock of all of the other Debtors.

Prior to the Bank Closure, SBK, incorporated under the laws of the state of Illinois and headquartered in Chicago, was a registered bank holding company for the Bank, whose deposits were insured by the FDIC up to the maximum amount permitted by law, as well as certain other subsidiaries.

Prior to its closing, the Bank was subject to oversight and regulation by its primary regulator, the IDFPR. As a bank holding company, SBK was subject to regulations under the Bank Holding Company Act of 1956, as amended, and was registered with the Federal Reserve Board ("FRB").

Organized in 1973, SBK was America's first and leading community development and environmental bank holding company. As such, SBK was committed to building vibrant communities by providing financial services and information to create economic equity and a healthy environment. SBK had a "Triple Bottom Line" focus, simultaneously trying to meet three objectives: (1) community economic development; (2) environmental sustainability; and (3) profitable operations. A pioneer in developing programs and services that catalyzed economic opportunity, social equity, and environmental sustainability, SBK provided innovative financial services, products, and knowledge and played a founding role in the creation of a development finance industry committed to serving the needs of lower-income communities. SBK contributed to the development of the policy and institutional infrastructure that supported development finance both nationally and internationally. It was an inspiration for the United States Treasury Department's Community Development Financial Institutions Fund.

Prior to the Bank Closure, the Bank, SBK's largest subsidiary and primary asset, was the nation's largest certified community-development bank, with more than $2 billion in assets and more than $1.5 billion in total deposits. The Bank provided a broad range of financial services to customers. Specifically, the Bank, through its fifteen branches including those in Chicago, Cleveland, and Detroit, provided direct lending services to underserved areas to revitalize neighborhoods. For example, the Bank and its affiliates made approximately $3.9 billion in loans and investments for affordable housing, small businesses, and community organizations since 1973. In addition, SBK advised financial institutions on how to provide financial services in underserved communities internationally.

Prior to the Petition Date, SBK sold all of the outstanding capital stock of its wholly owned subsidiary ShoreBank International, an Illinois corporation ("SBI") to Triodos Ventures BV, a Netherlands corporation. SBI is an international advisory company that delivers services and solutions to financial institutions that extend access to capital, information, and services to underserved individuals and small businesses in emerging market economies. The sale of SBI closed on January 11, 2011 (and was announced to the public on January 17, 2011), and SBK realized approximately $3.85 million in cash proceeds at closing. In addition, as part of the sale proceeds, SBK will receive 80 percent of the net proceeds upon the sale of certain interests owned by SBI in TBC Kredit, a regulated finance company, in Azerbaijan and the Belarusian Bank for Small Business, a commercial bank in Belarus. The two equity investments have a book value of approximately $2.2 million. As part of the sale process SBI received a valuation of SBI as of June 2010 from Plante & Moran of $3.3 million plus whatever could be realized on SBI's investments in TBC Kredit and Belarusian Bank for Small Business.

In addition, SBK controlled a number of board seats for certain affiliated nonprofits including: ShoreBank Enterprise Cascadia, Northern Initiatives, and ShoreCap Exchange. Executive officers and directors of SBK personally held a number of board seats for certain other affiliated nonprofits including: ShoreBank Neighborhood Institute, ShoreBank Enterprise Cleveland, ShoreBank Enterprise Detroit, and Center for Financial Services Innovation ("CFSI"). SBK and the Bank provided certain human resources and accounting services to the nonprofits on a fee basis, but neither had nor has any ownership of any of the nonprofit affiliates. SBK was

also a fund advisor to National Community Investment Fund ("NCIF"), an independent charitable trust that invests in community development banks, thrifts, and credit unions.

SBK is the only Debtor that had employees as of the Petition Date. Specifically, SBK has a skeletal staff of just four employees to help the Debtors wind down their estates.

2. ShoreBank Pacific Corporation

ShoreBank Pacific Corporation ("PacCorp") was a holding company for ShoreBank Pacific, a Washington chartered bank, which is not a Debtor in the Chapter 11 Cases, and ShoreBank Lands Corporation ("SLC"), which is a Debtor. All of the common stock of ShoreBank Pacific was owned by PacCorp. In turn, PacCorp was a wholly owned subsidiary of SBK. Prior to the Petition Date, PacCorp sold (the "Pacific Sale") all the issued and outstanding shares of ShoreBank Pacific to One PacificCoast Bank, f/k/a OneCalifornia Bank, FSB (the "Purchaser") pursuant to a Stock Purchase Agreement, dated as of August 19, 2010, as amended (the "Stock Purchase Agreement").

Under federal banking law, ShoreBank Pacific and the Bank were commonly controlled at the time of the Bank Closure. Therefore, it was possible that ShoreBank Pacific could incur a cross-guaranty liability to the FDIC of more than $350 million. A condition to the closing of the Pacific Sale was that the FDIC would waive any cross-guaranty liability in exchange for the FDIC getting a large portion of the proceeds of the sale.

The Pacific Sale closed on December 30, 2010. SBK realized $308,201 in cash at closing to reimburse SBK for certain out-of-pocket transaction expenses incurred and paid by SBK as part of the sale. The Debtors received an additional $50,000 on October 4, 2011 as part of the release of a tax indemnity escrow. In addition, there remains an additional approximately $677,000 in a general indemnity escrow, which will either go to Purchaser or the FDIC depending on whether certain indemnification claims are triggered. The Debtors do not expect to receive any amounts out of the general indemnity escrow.

Under the terms of the first amendment to the Stock Purchase Agreement, which amended the Stock Purchase Agreement to incorporate the terms and conditions of the FDIC's waiver of cross-guarantee liability, the majority of any other proceeds from the Pacific Sale are to be paid to the FDIC in exchange for the FDIC's waiver of the cross-guaranty liability. Specifically, under the Stock Purchase Agreement, the FDIC received all of the payments from Purchaser at closing other than transaction expenses, as explained above. In addition, the FDIC was entitled to collect 90 percent of any contingent consideration based on the performance of certain individual loans and loan pools that was collected in the first year after the closing of the Pacific Sale, while the Debtors were to collect the other 10 percent. These amounts have not yet been collected by the Debtors or the FDIC because the Purchaser is asserting setoff rights against such amounts based on amounts allegedly owed to Purchaser, as described in more detail below.

Finally, under the Stock Purchase Agreement, the Purchaser was to pay any additional payments that were owed more than one year after closing directly to the FDIC. For the

avoidance of doubt, in addition to any proceeds the FDIC is to receive under the FDIC Treatment, it will still continue to be able to collect payments from Purchaser stemming from the sale of ShoreBank Pacific pursuant to the Stock Purchase Agreement (those payments are to come directly from the Purchaser, and the Debtors do not believe the FDIC has any claims against the Debtors on behalf of the Pacific Sale, nor that any property of the estate is implicated in amounts to be paid to the FDIC).

Finally, PacCorp had an obligation to have certain loans put back to it under certain circumstances. Consequently, Purchaser has asserted a proof of claim in an unliquidated amount against PacCorp (the Purchaser also asserted a claim against SBK). These claims may be subject to negotiation and compromise. At this time, the Debtors do not expect the claims to have a material impact on estimates for distributions set forth in the Disclosure Statement.

PacCorp never had employees and only serves as a holding company for Debtor SLC, which also has no employees.

3. ShoreBank Capital Corporation

ShoreBank Capital Corporation ("CapCorp") is a wholly owned subsidiary of SBK. It was the result of the merger of two other SBK subsidiaries ShoreBank BIDCO ("BIDCO") and The Neighborhood Fund. BIDCO was a business and industrial loan company licensed and regulated by the state of Michigan. The Neighborhood Fund was a small business investment company (an "SBIC") licensed and regulated by the United States Small Business Administration. CapCorp has been inactive for several years, and is no longer either a business and industrial loan company or an SBIC.

4. ShoreBank Development Corporation

ShoreBank Development Corporation ("SDC") is a wholly owned subsidiary of SBK. It was a real estate development company serving the south and west sides of Chicago. Its primary business was to provide rehabilitated rental housing for low-income families through real estate partnerships, where it was general partner with fractional ownership positions. The nature of the partnerships was such that SDC's ownership positions had no value. SDC also built new affordable for-sale single family homes (stand-alone structures and condominiums). In 1999, SDC decided to complete projects in progress, to cease developing new projects, and to divest itself of its partnership positions. SDC completed most of this divestiture program by mid-2005. The limited partner in Rainbow's End Limited Partnership ("Rainbow's End") would not allow SDC to withdraw, so an unrelated co-general partner with managing responsibilities was brought into Rainbow's End in 2010.

5. ShoreCap Management, Ltd.

ShoreCap Management, Ltd. ("SCM") is a wholly owned subsidiary of SBK. In 2003, SBK created SCM to provide management services to investment funds investing capital and providing capacity-building services to regulated microfinance institutions and small business

banks in Africa, Asia, and parts of Eastern Europe. Specifically, SCM acted as the fund manager of two funds: (i) ShoreCap International, Ltd. ("Fund I"), which is a $28 million fully-invested and fully-committed fund that has invested in regulated development finance institutions in fifteen different countries and (ii) ShoreCap II Limited ("Fund II"), which is partially-funded and committed to invest in regulated financial institutions in Africa and Asia. SCM also provided management and administrative services to ShoreCap Exchange, a 501(c)(3) non-profit organization that raises funds to support the provision of technical assistance to Fund I and Fund II portfolio companies and to other regulated microfinance institutions and small business banks in Africa and Asia.

In 2010, the Federal Reserve Board (the "FRB") refused to approve any investments by Fund II because of the involvement of SBK in Fund II. Given SCM's inability to obtain FRB approval of investments, the investors in Fund II, who had broad ability to discharge SCM, formally terminated the contract between Fund II and SCM. Specifically, the employees of SCM created a new employee-owned fund management firm, called Equator Capital Partners LLC ("Equator"). The investors in Fund II then terminated SCM and hired Equator as manager of Fund II. Investors in Fund I also agreed to subcontract fund management from SCM to Equator. In exchange, SBK was granted a release from its obligation to make a $1 million dollar investment in Fund II. SBK also recovered the entire $41,030 investment that it had made in Fund II.

6. Shore Overseas Corporation

Shore Overseas Corporation ("SOC") was established in 1995 to allow SBI to conduct business in particular countries for a short period of time. It is now inactive.

7. ShoreBank Lands Corporation

SLC was incorporated to function as a real estate development company, but it never became operational, and it remains inactive.

8. ShoreBank New Markets Fund, Inc., SBK NMTC Fund I, LLC, SBK NMTC Fund II, LLC, SBK NMTC Fund III, LLC and SBK NMTC Funds IV, LLC

ShoreBank New Markets Funds, Inc., SBK NMTC Fund I, LLC, SBK NMTC Fund II, LLC, SBK NMTC Fund III, LLC, and SBK NMTC Fund IV, LLC (collectively, the "New Markets Funds") were all community development entities formed to hold new markets tax credit allocations ("NMTC").

The Community Development Financial Institutions Fund of the U.S. Treasury ("CDFI") indicated it would not allow SBK to sell its NMTC to Urban or any other entity. Consequently, SBK wrote to CDFI asking that SBK be relieved of its NMTC and suggesting that CDFI redirect the allocation to another community development financial institution or Chicago Neighborhood

Initiatives. Thereafter, the CDFI rescinded the NMTC, and it is no longer property of the Debtors' estates.

B. Events Leading up to the Commencement of the Chapter 11 Cases

1. Declining Real Estate Market and Increasing Unemployment

The Bank's primary deposit products were checking, savings, and time deposit accounts, and its primary lending products were single and multi-family residential mortgage, commercial, and faith-based organization loans. The Bank's low income and minority priority communities were substantially impacted by the subprime crisis and the global economic recession. Many of the Bank's lending neighborhoods in Chicago, Cleveland, and Detroit had some of the nation's highest unemployment rates, record numbers of foreclosures devastated neighborhoods, and real estate values dropped significantly. Specifically, the continued weakening of the housing, employment, and credit markets contributed to increased levels of nonperforming assets, charge-offs, and credit loss reserves at the Bank.

While the neighborhoods that the Bank served were especially stressed by the global recession, the Bank was not alone. As has been well documented, bank failures have hit near record levels in recent years, with 140 banks failing in 2009, 157 more bank failures in 2010, and 92 in 2011, including more than 30 bank failures in the Chicago-area alone since 2009.

2. Capital Raising Efforts

SBK sought both private capital and access to money from the Troubled Asset Relief Program, better known as "TARP." Specifically, SBK sought to raise $200 million, including (i) the issuance of common shares to private investors in the amount of approximately $125 million and (ii) SBK also submitted an application for $74.6 million to the United States Treasury Department's Community Development Capital Initiative. Although SBK exceeded its goal for raising private capital, it was unable to access TARP funding, and thus the capital raising efforts ultimately were not successful.

3. Regulatory Oversight and Other FDIC Matters

As a result of the declining loan values, the Bank's regulatory agencies took a series of regulatory actions that increasingly constrained the operations of both SBK and the Bank. In February of 2010, the FDIC deemed the Bank "critically undercapitalized" under applicable regulatory guidelines, which include the prompt corrective action ("PCA") provisions of the Federal Deposit Insurance Corporation Improvement Act ("FDICIA"). According to Part 325 of Subpart B of the FDICIA, an insured depository institution is deemed to be "critically undercapitalized" if it has a ratio of capital to tangible assets that is equal to or less than two percent.

On July 14, 2009, the Bank agreed to the issuance of a consent order (the "Bank Consent Order"). On January 8, 2010, SBK entered into a written agreement with the Federal Reserve

Bank of Chicago (the "FRB Agreement"), which, among other things required SBK to submit a written capital plan and restrict payment of dividends by SBK to its shareholders without prior written approval of certain of its regulators. In March 2010, the FDIC amended the Bank Consent Order to include requirements with regard to the Bank's capital position.

Moreover, because the Bank was deemed undercapitalized within the meaning of the PCA provisions of the FDICIA it was required to submit a capital restoration plan (a "CRP"). See 12 U.S.C. § 1831o(e)(2)(A). Consequently, the Bank developed a CRP and submitted it to the FDIC on March 11, 2010. According to Part 325.104(c) of the FDICIA, the FDIC is required to provide written notice within sixty days of receiving a CRP as to whether the CRP has been approved. The FDIC, however, did not provide written notification to SBK about whether the CRP had been approved.

The CRP submitted to the FDIC by the Bank contained a PCA Guarantee and Assurances (the "CRP Guarantee Agreement"), whereby SBK, subject to limited liability provisions of the FDICIA, said it would utilize its available assets "when directed to do so by the FDIC, to enable the Bank to implement the Capital Plan." The FDIC never directed SBK to utilize its assets in this regard. Moreover, as outlined above, the FDIC never accepted the Bank's CRP.

4. Bank Closure and Sale of Bank

On August 20, 2010, IDFPR closed the Bank, and the FDIC was appointed as receiver. A consortium of investors, primarily foundations and financial institutions many of which had previously invested in SBK, raised funds and capitalized a newly chartered institution called Urban. Urban purchased most of the assets of the Bank and assumed all of the Bank's non-brokered deposits from the FDIC pursuant to a purchase and assumption agreement. The Bank was SBK's primary operating subsidiary. As a result of the Bank Closure and the Bank Sale, SBK's remaining tangible assets are substantially less in value than its aggregate liabilities.

5. Negotiations with the FDIC

Based upon the actions of the FDIC in other recent bankruptcy proceedings involving bank holding companies, it could be anticipated that the FDIC might assert certain claims in these Chapter 11 Cases, including, but not limited to, claims under Bankruptcy Code sections 365(o) and 507(a)(9), and claims to certain tax refunds and proceeds. In fact, the FDIC, out of an abundance of caution and to protect its rights, did assert such a claim in this case (collectively the FDIC's claims against the Debtors, the "FDIC Claim").

Debtors in other bank holding company bankruptcy cases have expended considerable funds and resources in litigating the merits of such claims of the FDIC. Therefore, prior to the Petition Date, the Debtors, through their counsel, and the FDIC, through its counsel, engaged in extensive, and ultimately fruitful, negotiations, including the exchange of documents, legal theories, and other matters that each party believed supported its positions with respect to the disputed issues, with the aim of consensually resolving the FDIC Claim.

On October 25, 2010, SBK and the FDIC entered into an agreement regarding the establishment of a bank account to hold all consolidated tax refunds (as amended, the "Tax Escrow Agreement") pending resolution of the ownership dispute over the tax refunds. The Tax Escrow Agreement was amended as of August 29, 2011 to make the FDIC a joint signatory on the escrow account. Under the Tax Escrow Agreement, SBK and the FDIC agreed to establish an interest bearing account at The Northern Trust Company into which all tax refunds to the consolidated group issued by various taxing authorities, including the IRS, would be placed pending resolution of the ownership dispute over the tax refunds. The IRS sent the FDIC five tax refund checks, and on September 1, 2011, pursuant to the Tax Escrow Agreement, the FDIC sent the escrow agent five US Treasury tax refund checks in the aggregate amount of approximately $10,638,000 that the FDIC had received from the IRS stemming from tax years 2004, 2005, 2006, 2007, and 2008.

As a further result of the settlement negotiations, the Debtors and the FDIC worked together to create the FDIC Treatment, which, if the Plan is confirmed, would be given to the FDIC in full satisfaction, settlement, release, and discharge of, and in exchange for, each and every Class 3 Claim against the Debtors. The FDIC Treatment is set out in Exhibit A to the Plan. To implement the settlement with the FDIC, the Debtors have included the FDIC Treatment in the Plan, which it is now seeking to confirm. Accordingly, after the FDIC and the Debtors had agreed to the key terms of the FDIC Treatment, the Debtors determined it was necessary and appropriate to file for relief under Chapter 11 of the Bankruptcy Code to implement the FDIC Treatment and distribute their remaining assets for the benefit of all of their creditors.

The Debtors submit that the FDIC Treatment is fair and equitable and in the best interests of the Estates. The Debtors believe that many of the factors typically considered by a court in determining whether or not to approve a compromise, including (a) the probability of success in litigating the controversies involved, with due consideration for uncertainties in fact and law; (b) the complexity and likely duration of the litigation and related expenses, inconvenience, and delay; and (c) the paramount interest of creditors and the estate, all support approval of the FDIC Treatment.

Specifically, the Debtors and their advisors weighed many of the above factors, among others, as outlined below:

1. Probability of success in litigating the controversies involved, with due consideration for uncertainties in fact and law.

Although the Debtors believe they have strong arguments against the allowance of certain of the FDIC claims (including whether a commitment was given to maintain the capital of the Bank and who owns certain consolidated tax refunds), given the complexity of the factual issues and the legal uncertainties, there is a risk that the FDIC would prevail in some or all of its assertions.

Absent settlement, the Bankruptcy Court, or some other court, would be faced with complex legal and factual disputes regarding the effect of actions taken by the Debtors prior to

the Bank Closure and whether such actions constituted a commitment to maintain the capital of the Bank. Specifically, the CRP submitted to the FDIC by the Bank contained the CRP Guarantee Agreement, whereby SBK, subject to limited liability provisions of the FDICIA said it would utilize its available assets "when directed to do so by the FDIC, to enable the Bank to implement the Capital Plan." The FDIC never directed SBK to utilize its assets in this regard. Moreover, as outlined above, the FDIC never accepted the Bank's CRP. In addition, the Debtors might claim that any commitment was a fraudulent conveyance and thus subject to avoidance. Nonetheless, if a court found that SBK made an unavoidable commitment to maintain the capital of the Bank, then depending on the amount of that claim, which the FDIC would assert is entitled to priority treatment, then the Debtors would likely not have any value to distribute to Holders of Allowed General Unsecured Claims. Although a few recent cases in this evolving area of the law have favored debtors, the opinions are highly fact specific. Consequently, the outcome of litigation is extremely difficult to predict. In addition, even in cases where the FDIC has lost in the bankruptcy court or the district court, the FDIC has generally appealed adverse rulings to higher courts.

Similarly, there are complex legal and factual disputes regarding who owns certain tax refunds. The FDIC argues it owns the portion of the Federal Income Tax Refund that pertains to taxes paid on earlier income earned by the Bank. The Debtors dispute the FDIC's position, and instead argue that under the Tax Sharing Agreement and/or other applicable law, the Tax Refunds are property of the Debtors' estates. While a few recent cases involving ownership of tax refunds have favored debtors, the law is not settled. Even where tax sharing agreements were found to create a debtor-creditor relationship, and thus the tax refunds were found to belong to the debtor, the FDIC has generally appealed such adverse rulings, making the certainty as to timing and ultimate outcome difficult to predict. As noted above, if the FDIC were successful in any litigation concerning ownership of the tax refunds, the FDIC would get all of the Federal Income Tax Refund, and SBK's distributable value would be reduced by approximately $10,672,000. Even if the Debtors were ultimately successful, the FDIC would contend (and the Debtors might dispute) that the FDIC holds a General Unsecured Claim against the Debtors in the approximate amount of the Federal Income Tax Refund (in addition to any other claims the FDIC has or might assert).

2. The complexity and likely duration of the litigation and related expenses, inconvenience, and delay

Substantial discovery would likely be required to litigate these matters to conclusion. As noted above, even where there have been adverse rulings against the FDIC, the FDIC has generally appealed, making the ultimate outcome and timing nearly impossible to predict. The complexity and scope of the disputes will cause the Estates to incur significant costs in time and money to defend its position.

3. The paramount interests of creditors and the estates

The Debtors believe it is the best interest of creditors and the Debtors' estates to settle the disputes with the FDIC. As discussed above, there is a great risk of delay and expenses to the

Estates involved with litigation against the FDIC. Moreover, the expense and delay may result in a loss of all the Estates' assets, so that there is no value to distribute to Holders of Allowed General Unsecured Claims. Instead, if the Plan is confirmed by the Bankruptcy Court and it goes effective, then the FDIC Treatment would resolve, among other issues, the ownership dispute over the tax refunds and any dispute over whether a capital maintenance obligation exists. Finally, as noted above, the Debtors expect to have approximately $6.5 to $7 million to distribute to Holders of General Unsecured Claims on the Initial Distribution Date, if the Plan, substantially in its current form (including the FDIC Treatment) is confirmed and goes effective. If the FDIC Treatment is not approved, and the Debtors have to litigate the merits of certain claims with the FDIC, it is likely a substantial portion, if not all, of that amount will need to be reserved (and/or will be in dispute) pending the outcome of any such litigation. In addition to the delay in making distributions to creditors, which could potentially hurt creditors' recoveries in and of itself as the total distributable value is decreased as the Debtors languish in bankruptcy with its attendant costs in addition to the costs of litigation, depending on the outcome of the litigation, creditors' recoveries could be substantially reduced or completely eliminated. By contrast, even if the Debtors are completely successful in all potential litigation with the FDIC, the ultimate payment to Holders of General Unsecured Claims (after taking into consideration the litigation expenses and time value of money) is not likely to significantly increase from current estimates if the FDIC Treatment is approved and the Plan (in substantially its current form) is confirmed.

In thinking about the above factors, the Debtors and their advisors considered various scenarios and compared them to the FDIC Treatment, including what would happen in the following scenarios:

(i) Assumptions: FDIC wins priority issue and asserts claim in excess of total distributable value

If the FDIC were ultimately successful in claiming that SBK made a commitment to maintain the capital of the Bank, then such claim would likely be entitled to priority under the Bankruptcy Code. If such claim were allowed in an amount in excess of the Debtors' total distributable value (which would be highly likely), then Holders of General Unsecured Claims would not receive or retain any amount. By contrast, under the Plan, with the FDIC Treatment, the Holders of General Unsecured Claims against the Debtors are estimated to receive approximately a 20 percent recovery under current estimates (which may change).

(ii) Assumptions: FDIC wins tax refund dispute, but loses capital maintenance obligation dispute

Assuming the FDIC won the tax refund dispute, such that it owned the tax refunds, the Debtors' total distributable value would be reduced by the amount of the tax refunds. By way of example, if the total distributable value were $20 million, including tax refunds in the amount of $11 million, and the tax refunds were ruled to be owned by the FDIC, then the total distributable value of the Debtors would be reduced from $20 million to $9 million.

(iii) Assumptions: FDIC loses both tax refund dispute and capital maintenance obligation dispute

If the FDIC were to ultimately lose both of the major issues (ownership of the tax refunds and whether a capital maintenance obligations exists), then the Debtors' total distributable value would include all of the tax refunds, and the FDIC likely would not have any entitlement to a priority claim. Nonetheless, if the FDIC lost the tax refund dispute, the FDIC would likely assert (and the Debtors might dispute) that the FDIC holds a General Unsecured Claim against the Debtors in the approximate amount of the Federal Income Tax Refund. Moreover, the FDIC has asserted in its proof of claim various other claims (some of which the Debtors might dispute), including claims to excess tax remittances and insurance proceeds.

To get to the point where the rulings against the FDIC were final, the FDIC would likely exhaust all appellate remedies, which would cause the Debtors to expend large amounts of time and costs. Ultimately, under the Debtors' assumptions, even in this best case scenario, and even if the Debtors could somehow theoretically avoid any litigation costs in reaching this result, the ultimate best case scenario would not result in any material change in the distributable value to holders of Allowed General Unsecured Claims. Put another way, the Debtors currently estimate that holders of Allowed General Unsecured Claims against the Debtors will receive approximately a 20 percent recovery (which may change based on certain risks and uncertainties). By contrast, even if the Debtors ultimately won both of the big issues against the FDIC, and assuming that the Debtors did not have to expend any litigation costs (a virtually impossible assumption), the Debtors estimate that Holders of Allowed General Unsecured Claims against the Debtors would only receive a few additional percent recovery.

After discounting the Debtors potential recovery in a "best case" scenario (i.e., the Debtors winning the tax refund dispute and the capital maintenance obligation dispute) by the probability of success on each of the major issues and subtracting the costs of reaching those results (including attorney and court fees and costs), the difference between this "best case" scenario (i.e., the Debtors winning the tax refund dispute and the capital maintenance obligation dispute) and the FDIC Treatment is relatively small. On the other hand, if the Debtors lose the capital maintenance obligation dispute, Holders of Allowed General Unsecured Claims now estimated to receive an approximately 20 percent recovery on their claims would instead get no distribution from the Debtors' Estates.

Overall, the FDIC Treatment preserves significant assets for distribution to Holders of General Unsecured Claims against the Debtors. Based on an estimated payout to such holders, especially when considered against the possibility of a zero percent recovery and when compared to a relatively small difference when contrasted with a "best case" scenario, and taking into account the complexity, uncertainty, time, and expense of any litigation, the Debtors believe the FDIC Treatment is clearly in the best interests of creditors and the Estates.

The Creditors' Committee has indicated that it continues to assess the FDIC Treatment and has not formulated a final view as to its position on the FDIC Treatment at this time. The Creditors' Committee has further indicated that it hopes to resolve any potential objections to the

FDIC Treatment prior to the hearing on confirmation of the Plan, and it reserves its rights to object to confirmation of the Plan."

C. Capital Structure

SBK is a holding company. Prior to the Petition Date, its principal asset was 100 percent of the common stock it owned in the Bank, as well as the stock it owned in its Debtor and non-Debtor subsidiaries. As a result of the Bank Closure, SBK's investment in the Bank has become effectively worthless, and SBK's remaining tangible assets are substantially less in value than its aggregate liabilities. Specifically, as of March 31, 2012, SBK had assets of approximately $19.9 million (including approximately $10.7 million in disputed tax refunds, of which $8.5 million would go to the FDIC under the FDIC Treatment) and prepetition liabilities totaling approximately $53.8 million (not including claims by the FDIC, which are sought to be resolved by the FDIC Treatment). The Debtors other than SBK are non-operating companies with minimal, if any, assets.

1. JPM Credit Facility.

SBK has a $12 million credit facility with JP Morgan Chase Bank, N.A. ("JPM"), pursuant to that certain loan agreement, dated as of December 31, 2004, as amended (the "JPM Credit Agreement"). As of the Petition Date, the credit facility was fully drawn. Consequently, as of the Petition Date, the balance due under the JPM Credit Agreement consisted of principal in the amount of $12,000,000 plus accrued interest in the amount of more than $300,000.

The JPM Credit Agreement is secured by that certain Securities Pledge Agreement, dated as of March 31, 2009 between SBK and JPM (the "Securities Pledge Agreement"). Under the Securities Pledge Agreement, SBK granted a security interest in, among other things, all shares of the Bank (the "Pledged Collateral"). As a result of the Bank Closure and Bank Sale, the Pledged Collateral is worthless, and therefore the debt owed by SBK under the JPM Credit Agreement will be treated under the Plan as an unsecured Claim.

2. Junior Subordinated Debentures and Trust Securities.

SBK is obligated under three separate subordinated indentures (each a "Subordinated Indenture" and collectively, the "Subordinated Indentures") and their related guaranty agreements (each a "Guarantee Agreement" and collectively, the "Guarantee Agreements") in the aggregate principal amount of $33,000,000. Specifically, SBK is obligated under (i) a Subordinated Indenture, dated as of March 23, 2000 between SBK as Issuer and The Bank of New York as Trustee for $10,000,000 in principal amount on certain junior subordinated deferrable interest debentures due 2030; (ii) a Subordinated Indenture, dated as of April 10, 2002 between SBK as Issuer and Wilmington Trust Company as Trustee for $8,000,000 in principal amount on certain junior subordinated deferrable interest debentures due 2032; and (iii) a Subordinated Indenture, dated as of October 10, 2003 between SBK as Issuer and Wells Fargo Bank, National Association as Trustee for $15,000,000 in principal amount in certain junior

subordinated deferrable interest debentures due 2033. As of the Petition Date, approximately $6 million in aggregate amount of interest remained outstanding and due on a subordinated basis.

SBK formed three unconsolidated, single-purposes trusts (each, a "Trust" and collectively, the "Trusts"). The Trusts issued common and capital securities (collectively, the "Trust Securities") to investors, and then the Trusts used the proceeds from the issuances of the Trust Securities to purchase junior subordinated debentures (collectively, the "Junior Subordinated Debentures") from SBK, with terms essentially identical to the Trust Securities. Pursuant to the Guarantee Agreements, SBK guaranteed certain performance obligations that the Trusts owed the holders of the Trust Securities. Trust Securities, also known as TRUPS or TOPRS, among other names, are hybrid securities, possessing characteristics of both debt and equity. Given certain regulatory and tax advantages, TRUPS had been a preferred method to raise capital for certain bank holding companies, including SBK.

The sole asset of each Trust is a Junior Subordinated Debenture issued by SBK, and the sole obligations of each Trust relate to the Trusts Securities it issued. As a result, the Trusts are essentially conduits, or pass-through entities, organized for the primary purpose of paying amounts received on the Junior Subordinated Debentures to the Holders of the Trust Securities. The Junior Subordinated Debentures are governed by Subordinated Indentures and the Trust Securities are governed by declarations of trust (collectively, the "Trust Agreements"), with one institution generally serving as trustee under both the Subordinated Indenture and the Trust Agreement for each Trust (collectively, the "Subordinated Indenture Trustees").

Pursuant to the terms of the Subordinated Indentures, the Trust Agreements, the Guarantee Agreements, and related documents, the holders of the Junior Subordinated Debentures and Trust Securities are subordinated to all senior debt of SBK. Therefore, distributions under the Plan will be made in a manner to give full contractual effect to the subordination provisions of the Subordinated Indentures, the Trust Agreements, the Guarantee Agreements, and related documents. SBK takes the position that Senior Indebtedness Claims under the Plan include the JPM Claim. Therefore, as reflected in the treatment of Class 4 under the Plan, and in accordance with the Subordinated Notes Subordination Rights, Holders of Class 6 Claims shall not receive or retain a distribution from the Liquidation Trust until all Allowed Class 4 Claims are paid in full. Instead, interests in the Liquidation Trust otherwise distributable to or for the benefit of Holders of Allowed Class 6 Claims shall instead be redistributed by the Disbursing Agent to Holders of Allowed Class 4 Claims pursuant to the subordination provisions of the Subordinated Indenture, the Trust Agreements, the Guarantee Agreements, and related documents until all Holders of Allowed Class 4 Claims are paid in full. After the Allowed Claims of Holders of Class 4 have been paid in full, distributions of Net Available Cash otherwise distributable with respect to the Holders of Class 4 Claims shall instead be redistributed by the Disbursing Agent to the Subordinated Indenture Trustees on account of the Subordinated Note Claims; however, at this time, the Debtors are estimating that Class 4 will not be paid in full, thus the Debtors are not expecting any distribution to be available to Holders of Allowed Class 6 Claims.

Under the Subordinated Indentures, upon an event of default, each Indenture Trustee is empowered to institute actions against SBK for payment of amounts due under the Junior Subordinated Debentures and, in the event of a pending bankruptcy of SBK, each Indenture Trustee is entitled to intervene in the Chapter 11 Cases by filing Proofs of Claim and taking certain other actions; however, the Indenture Trustees are not authorized to consent to, accept, adopt, or vote with respect to any chapter 11 plan of SBK on behalf of the Trusts. Instead, the holders of the Trust Securities have that right.

3. Other liabilities.

SBK has approximately $3.9 million in other prepetition liabilities, which includes approximately $3.2 million in accrued expenses for a supplemental executive retirement plan and approximately $700,000 in severance, incentive payables, as well as other miscellaneous expenses, including various trade claims.

4. Equity.

As of the Petition Date, there were approximately 79 shareholders of SBK, consisting of financial institutions, foundations, insurance companies, faith-based institutions, trusts, and individuals. SBK had five (5) classes of shares (collectively, the "Old Equity Interests"): Voting Common (5,426 shares), Non-Voting Common (11,523 shares), Jumbo Non-Voting Common (242 shares), Series E Preferred (3,053.125 shares), and Series F Preferred (425 shares).

As of the Petition Date, the three largest holders of voting common shares were the Illinois Prepaid Tuition Trust Fund (513 shares), the John D. and Catherine T. MacArthur Foundation (453 shares), and the Leonard and Sophie Davis Fund (355 shares). As of the Petition Date, the three largest equity holders based on the number of common equivalent shares (voting and non-voting) were BankAmerica Investment Corporation and affiliates (2,014 common equivalent shares), the Illinois Prepaid Tuition Trust Fund (1,668.4 common equivalent shares), and The Prudential Insurance Company of America (1,210 common equivalent shares). The Holders of Old Equity Interests are not receiving any distribution under the Plan and therefore are deemed to reject the Plan pursuant to 1126(g) of the Bankruptcy Code.

D. Debtors' Assets

SBK's tangible assets on its balance sheet, as of the Petition Date, consisted of the property in the subsections below. In addition, CapCorp's assets total approximately $480,000 and consist of one performing loan, one non-performing loan, one equity investment, several collection accounts with no value, and cash. SDC's ownership position at 0.05% in Rainbow's End has no economic value, and is SDC's only asset other than an indemnification agreement. SCM has cash in a checking account in the amount of approximately $35,000 and 40% of the carried interest in SCI. The rest of the Debtors have no assets.

1. SBK's Bank Account Deposits

As of March 31, 2012, excluding the Tax Escrow Account, SBK had deposits in two accounts at The Northern Trust Company in the aggregate amount of approximately $5.7 million in cash.

2. SBK's Interest in Tax Refunds

As described above, SBK is the taxpayer under a consolidated tax group that includes SBK and the Bank, among other SBK current and former subsidiaries. For many years prior to the Petition Date, SBK and its subsidiaries elected to file consolidated federal and state tax returns. SBK believes its largest remaining asset is the Federal Income Tax Refund. If the Plan is confirmed, then under the FDIC Treatment, $8.5 million of the approximately $10.7 million Federal Income Tax Refund would be paid over to the FDIC. In addition, SBK is owed approximately $75,000 in state tax refunds from Illinois.

SBK and its subsidiaries, including the Bank, established and operated in the ordinary course of business pursuant to the terms of the Tax Sharing Agreement, and SBK's actions with regard to tax matters were in each case implemented pursuant to the Tax Sharing Agreement, including its annual filing of the consolidated federal and state income tax returns, the payment of estimated tax liabilities to the IRS and the states of Illinois and Michigan, and, as discussed below, SBK's request for tax refunds.

A dispute exists between the Debtors and the FDIC regarding ownership to the Tax Refunds (defined below). Namely, the FDIC argues it owns the portion of the Federal Income Tax Refund that pertains to taxes paid on earlier income earned by the Bank. The Debtors dispute the FDIC's position, and instead argue that under the Tax Sharing Agreement and/or other applicable law, the Tax Refunds are property of the Debtors' estates. Absent a final adjudication of ownership or settlement of this dispute with the FDIC, it is not possible to state with certainty the amount of the Debtors' entitlement to any of the Tax Refunds, including the Federal Income Tax Refund.

Currently, Tax Refunds received by the Debtors or the FDIC are required to be deposited in a separate, segregated interest-bearing account at The Northern Trust Company pending resolution of the issue of ownership. Specifically, on October 25, 2010, the FDIC and SBK entered into the Tax Escrow Agreement. Under the Tax Escrow Agreement, the FDIC and SBK agreed to put refunds issued by the IRS and/or by other taxing authorities with respect to activities of the Consolidated Tax Group (the "Tax Refunds") in an interest-bearing account; however, nothing in the Tax Escrow Agreement constitutes a finding for any purpose of the relative ownership of, or other rights with respect to, the Tax Refunds. In fact, the issue of ownership of the Tax Refunds was explicitly reserved for future determination.

On September 1, 2011, in accordance with the Tax Escrow Agreement, the FDIC sent the escrow agent five US Treasury tax refund checks in the aggregate amount of $10,637,949.88 that

the FDIC had received from the IRS stemming from tax years 2004, 2005, 2006, 2007, and 2008. They will remain in the escrow account pending resolution of the issue of ownership.

Absent the FDIC Treatment, the Debtors and the FDIC would likely have to engage in costly litigation to determine ownership of the Tax Refunds. Moreover, to the extent that the Debtors prevail in any litigation on their position regarding ownership of the Tax Refunds, the FDIC would likely contend (and the Debtors might dispute) that the FDIC holds a General Unsecured Claim against the Debtors in the approximate amount of the Federal Income Tax Refund.

3. Furniture, Fixtures, and Equipment

During the ordinary course of its operations, the Debtors accumulated certain assets consisting of furniture, furnishings, and office equipment, including, but not limited to computers, printers, and office chairs (the "FFE"). Prior to the Petition Date, SBK sold furniture and computer equipment to Urban for $7,238. In addition, SCM sold computer equipment to Equator for $3,314. The prices for these assets were determined by third parties or by consulting eBay and other used equipment websites. Additional sales of other furniture and equipment to CFSI, SBI, NCIF, and several individuals were completed in the aggregate amount of $3,758. The remaining FFE (listed on Exhibit E to Schedule B of SBK's Schedules) has no book value. Under the Plan, the Debtors seek the authority to have the Debtors or the Liquidation Trust Administrator sell or abandon any remaining FFE, with a book value of $50,000 or less, without further approval of the Bankruptcy Court. Accordingly, the Debtors seek to abandon the remaining FFE, and entry of the Confirmation Order shall be an order authorizing such abandonment.

4. Claims against FDIC

SBK holds 100% of the common equity interests in the Bank and certain claims against the Bank as a result of pre-petition events. Pursuant to Section 1821(d) of Title 12 of the United States Code, the FDIC set November 24, 2010, as the last day to file claims in the receivership proceeding of the Bank that are claims against the Bank and/or the FDIC. On or about November 8, 2010, SBK timely filed a proof of claim in the receivership (the "Receivership Proof of Claim"), describing in detail numerous claims against the receivership estate of the Bank to the extent known by SBK as of November 8, 2010, based on the records in its possession. On February 16, 2011, the FDIC disallowed the Receivership Proof of Claim, stating "[t]he proof of claim as presented fails to prove it's [sic] claim to the satisfaction of the Receiver." The Receivership Proof of Claim alleges among other things claims to:

- Taxes
- Intercompany Receivables
- Claims arising out of capital contributions and certain other transfers
- Preference Claims

- Vendor Contract Claims
- Improper Asset Possession and Sales
- Deposit Claims
- Administrative Claims
- Employee/Employer Related Costs
- Insurance Claims
- Indemnification Claims
- Other Contingent, Unliquidated Claims
- Fees and Expenses
- Interest

Even if the Receivership Proof of Claim were ultimately allowed in whole or in part, it is likely that the FDIC presently does not have funds in the receivership estate of the Bank with which to pay any of such claim and it is uncertain whether the FDIC will ever have sufficient funds, after payment of statutorily preferred claims, to make any meaningful distribution to other claimants, including the Debtors. For that reason, among others, SBK has decided to release such claims under the FDIC Treatment.

5. Other Equity Interests and Miscellaneous Assets (including Long-Term Assets)

On May 31, 2011, SBK sold its corporate condominium in the Hyde Park neighborhood of Chicago for $135,000, netting $121,623 after customary credits and closing costs. The funds were deposited into one of SBK's Bank Accounts. Moreover, SBK sold a 2.27% equity interest in First Affirmative, a closely-held financial advisory firm. All investors and employees of First Affirmative were solicited regarding their interest to purchase SBK's interest. Other investors offered to acquire the shares through a Dutch auction for $22,229. The transaction closed in November 2010.

In addition, the Debtors have certain long-term assets that they, and or the Liquidation Trust Administrator on behalf of the Debtors and their estates, as the case may be, will seek to monetize are: (i) SBK's 8.67% limited partnership interest in SB Partners Capital Fund, L.P., a middle-market private equity fund; (ii) SBK's 2.38% limited partnership interest in MWV Capital Pinnacle Fund, L.P., a middle market private equity fund; (iii) SBK's approximately 8% equity interest in ShoreCap International Ltd.; (iv) SBK's 100% common equity investment in CapCorp (as noted above, CapCorp's assets total approximately $480,000 and consist of one performing loan, one non-performing loan, one equity investment, several collection accounts with no value, and cash); and (v) SBK's 100% common equity investment in SCM (as noted above, SCM's only asset is cash in a checking account in the amount of approximately $35,000 and 40% of carried interest in SCI). SBK also has an equity interest in all of the other Debtors, but SBK's management does not believe those equity interests have any economic value, because none of the other Debtors have any assets of known economic value.

The long-term assets are more illiquid than the current assets. Moreover, the Debtors' management believes that the value of some of the long-term assets will be maximized if they are not liquidated right away. Consequently, some of the longer-term assets will (by necessity or choice) be monetized over time.

6. Intellectual Property

Three service marks and 62 domain names/URLs were sold to Urban for $12,000 in the aggregate. One PacificCoast Bank has agreed to buy two others for $6,500. Two service marks were transferred to Equator as part of the transaction described above. The remaining marks were transferred to Enterprise Cascadia to protect them as they had no market value.

7. NOLs

The Debtors have significant amounts of income tax related assets, including Federal and Illinois Net Operating Loss ("NOL") carryforwards. For example, SBK's 2010 consolidated income tax filed with the IRS includes a schedule that reflects a cumulative NOL carryforward (in gross dollars) of $150,854,195 (of which $1,913,624 will be used by the purchaser of ShoreBank Pacific, a former subsidiary of SBK that was sold in December, 2010). These NOL carryforwards and other income tax related assets are reflected in the Debtors' accounting records at zero value (due to an offsetting valuation allowance), since it is assumed that these tax attributes have no value in the absence of a properly-structured transaction in bankruptcy, which is not expected at this time.

Specifically, in order to utilize the NOLs, the Debtors would need to reorganize as a going concern around an existing business. Prior to the Petition Date, however, the Debtors sold off certain businesses. Moreover, the Debtors' primary banking subsidiaries were either taken over by the FDIC as receiver or sold. Therefore, while reorganizing around an existing business may be theoretically possible, it is remote at best, and subject to many risk factors. For example, for the Debtors to preserve the NOL carryforwards, they would have to adhere to certain specific Bankruptcy Code and IRS provisions. Even if the Debtors were able to preserve some of its NOL carryforwards, such tax attributes would be reduced by cancellation of indebtedness income that is realized as a result of the bankruptcy plan, and would likely be subject to significant limitations on usage under the Internal Revenue Code. In light of these factors, among others, the Debtors determined that reorganizing around a non-existent business platform with no viable business plan was not in the best interest of creditors.

E. Debtors' Benefit Plans.

1. 401(k) Plan

Prior to the Petition Date, SBK maintained the ShoreBank Retirement Savings Plan, a defined contribution plan (the "401(k) Plan"), which had a 401(k) component (employee

contributions with discretionary employer match). At the time of the Bank Closure, there were approximately 600 remaining participants in the 401(k) Plan. Shortly after the Bank Closure, SBK sought to fully terminate and wind up the 401(k) Plan, with such termination effective November 30, 2010. Funds from the 401(k) Plan were distributed to all of the approximately 600 participants by the end of January 2011, and final tax and audit reports were prepared and filed with the appropriate authorities. A determination letter was received from the IRS on October 7, 2011 assuring that the termination does not adversely affect the 401(k) Plan's qualifications for federal tax purposes.

2. Long-Term Incentive Plan

Certain employees of SBK and its affiliates also participated in a long-term incentive plan sponsored by SBK, which provided incentive compensation related to the overall financial performance of SBK and its affiliates and the achievement of their community development and conservation missions. Each performance period extended for three years, and the amount of payment was contingent upon SBK and its subsidiaries and affiliates meeting stated performance targets over the specified performance period. To the extent targets were met, plan participants were eligible to be paid, in cash, an amount not to exceed 28% of their base compensation at the beginning of the three-year performance period. If minimum performance thresholds were not met, no payments were made. Certain claimants have Claims stemming from the long-term incentive plan that became due in 2009, but were not paid. The long-term incentive plan has been terminated by the compensation committee of the SBK board of directors, and, thus, is no longer in existence.

F. Prepetition Corporate Structure.

SBK is a holding company, which owned 100% of the outstanding common stock of the Bank. SBK also directly or indirectly owned all of the Debtors in the Chapter 11 Cases. In addition, SBK established three separate Trusts (as outlined above), as unconsolidated subsidiaries, for the sole purpose of issuing and selling certain securities representing undivided beneficial interests in the assets of the Trusts. SBK holds all the Common Securities in the Trusts, which collectively represents approximately three (3) percent of all of the securities issued by each of the Trusts. The holders of the Capital Securities own the remaining majority interest in each of the Trusts.

As of the Petition Date, SBK's Board of Directors consisted of thirteen (13) members, as follows: Mary Cahillane, Stan Amy, John Berdes, Alfred Glancy III, Carlton L. Guthrie, Steven Hamp, David K. Korslund, Robert B. Lifton, Luther Ragin, Jr., Nicolas Retsinas, Adele S. Simmons, George Surgeon, and Russell Zimmermann. The Board of Directors oversees the business and affairs of SBK.

The following is a list of the executive officers of SBK, as of the Petition Date: George Surgeon, President and Chief Executive Officer; Geoffrey Renk, Senior Vice President and Controller; Beth Wagner, Vice President; and Lynn Railsback, Secretary.

G. Regulatory Proceedings and Litigation Against the Debtors

Since the Petition Date, the Debtors have remained as debtors-in-possession subject to the supervision of the Bankruptcy Court and in accordance with the Bankruptcy Code. As debtors-in-possession, the Debtors are authorized to operate their businesses in the ordinary course of business, with transactions out of the ordinary course of business requiring Bankruptcy Court approval.

An immediate effect of the filing of the Debtors' bankruptcy petitions was the imposition of the automatic stay under the Bankruptcy Code which, with limited exceptions, enjoined the commencement or continuation of all collection efforts by creditors, the enforcement of liens against property of the Debtors, and the continuation of litigation against the Debtors, subject to a possible grant of relief from the automatic stay by the Bankruptcy Court. This relief provided the Debtors with the "breathing room" necessary to assess their businesses and determine how to maximize the value of their Estates. The Debtors are aware of the following regulatory actions and litigation commenced against the Debtors.

1. Regulatory Orders.

In February of 2010, the FDIC deemed the Bank "critically undercapitalized" under applicable regulatory guidelines, including the PCA provisions of the FDICIA. According to Part 325 of Subpart B of the FDICIA, an insured depository institution is deemed to be "critically undercapitalized" if it has a ratio of capital to tangible assets that is equal to or less than two percent.

On July 14, 2009, the Bank agreed to the issuance of the Bank Consent Order. On January 8, 2010, SBK entered into the FRB Agreement, which, among other things required SBK to submit a written capital plan and restrict payment of dividends by SBK to its shareholders without prior written approval of certain of its regulators. In March, 2010, the FDIC amended the Bank Consent Order to include requirements with regard to the Bank's capital position.

Moreover, because the Bank was deemed undercapitalized within the meaning of the PCA provisions of the FDICIA it was required to submit a CRP. See 12 U.S.C. § 1831o(e)(2)(A). Consequently, the Bank developed a CRP and submitted it to the FDIC on March 11, 2010. According to Part 325.104(c) of the FDICIA, the FDIC is required to provide written notice within sixty days of receiving a CRP as to whether the CRP has been approved. The FDIC, however, did not provide written notification to SBK about whether the CRP had been approved.

The CRP submitted to the FDIC by the Bank contained the CRP Guarantee Agreement, whereby SBK, subject to limited liability provisions of the FDICIA said it would utilize its available assets "when directed to do so by the FDIC, to enable the Bank to implement the

Capital Plan." The FDIC never directed SBK to utilize its assets in this regard. Moreover, as outlined above, the FDIC never accepted the Bank's CRP.

2. Litigation Against the Debtors.

On or about May 4, 2010, SDC was served with a first amended complaint filed by Jamil Moore, a minor, by his mother and next friend, Jennifer E. Wynn in the Circuit Court of Cook County, Illinois, Law Division, Case No. 09 L 12983, alleging that SDC, Realty and Mortgage Co., and Dharill Management, Inc. were negligent in operating and managing an apartment building that allegedly contained lead-bearing substances that were allegedly ingested by Jamil Moore.

Specifically, Realty and Mortgage Co. was the property manager for a partnership, South Shore Associates General Partnership, that owned the building at the time, but subsequently sold it in 2005. SDC was a general partner in that partnership and was in the business of developing and managing affordable housing projects. The first amended complaint seeks an amount in excess of $50,000. SDC's last development activities were in 1998 for rental housing, and its last sale of new construction housing occurred in 2003. SDC sold or otherwise disposed of all but one of its partnership interests in rental projects to unrelated owners on or before May 31, 2005. Consequently, SDC has de minimis assets. In addition, the liability insurance policies covering the partnership explicitly excluded lead-related claims. Accordingly, SDC has not defended itself in this lawsuit, and a default judgment for an unspecified amount was entered against SDC on January 13, 2011. No notices have been received by SDC since then.

On August 29, 2011, a complaint was filed by the Michigan Indiana Condominium Association and its board of directors against Michigan Place, LLC and SDC, as a member manager of Michigan Place, as well as against a construction company and others in Case No. 11 M1 157148 filed in the circuit court of Cook County, Civil Division, 1st Municipal Division. The Complaint alleges poor workmanship and failure to construct the buildings comprising the Michigan Indiana Condominium Association in accordance with industry standards as allegedly being the causes of water infiltrations. SDC has no assets.

On or about August 12, 2011, Canon Financial Services, Inc. filed a complaint against The ShoreBank Corporation in the Superior Court of New Jersey Law Division, docket no. L-002644-11, alleging SBK defaulted on the terms of a copier lease, and seeking $30,071.59. SBK was served with the complaint after the Petition Date.

On November 21, 2011, Success Factors, Inc. filed a breach of contract lawsuit against SBK in the Superior Court of California, County of San Mateo, case no. CIV 509855, stemming from a software use agreement.

As noted above, the Debtors believe that all litigation against them is stayed by the filing of the Chapter 11 Cases unless and until otherwise ordered by the Court. The Debtors' exposure, if any, to an award of damages in these cases is not susceptible to an accurate determination at this time.

IV. THE CHAPTER 11 CASES

A. Summary of Certain Relief Obtained at the Outset of the Chapter 11 Cases

1. First Day Orders

On the Petition Date, or soon thereafter, the Debtors filed several motions seeking the relief provided by certain so-called "first day orders." First day orders are intended to facilitate the transition between a debtor's prepetition and postpetition business operations by approving certain regular business conduct that may not be authorized specifically under the Bankruptcy Code or as to which the Bankruptcy Code requires prior approval by the Bankruptcy Court.

The first day motions in this Chapter 11 Case requested, among other things:

- the maintenance of the Debtors' bank accounts and operation of their cash management system substantially as such system existed prior to the Petition Date;
- the joint administration of each of the Debtors' bankruptcy cases;
- the payment of certain prepetition claims, such as employees' accrued prepetition wages, employee benefits, and employment and withholding taxes;
- the retention of GCG as claims agent;
- an administrative order authorizing certain case management procedures and setting omnibus hearing dates.

Copies of the First Day Orders, as entered by the Bankruptcy Court, are available free of charge on the Voting Agent's website: www.shorebankrestructuring.com.

2. First Meeting of Creditors

The first meeting of creditors required under Bankruptcy Code § 341 was held and concluded on February 15, 2012.

3. Appointment of Creditors' Committee and its Professionals

On March 2, 2012, the United States Trustee for the Northern District of Illinois appointed a Creditors' Committee pursuant to section 1102(a) of the Bankruptcy Code to represent the unsecured creditors of the Debtors.

The following persons, selected from unsecured creditors who are willing to serve, were appointed as the Creditors Committee in this case: Jamil Moore; The Bank of New York Mellon, as trustee; and Wilmington Trust Company, as trustee.

On March 14, 2012, Foley & Lardner LLP filed its motion and application to be employed and retained as counsel to the Creditors' Committee. Mark Hebbeln of Foley & Lardner was retained as counsel to the Creditors' Committee by an order entered on March 21, 2012.

On March 23, 2012, the Creditors' Committee selected J.H. Cohn L.L.P. as its financial advisors to advise the Creditors' Committee in all financial matters during the pendency of the Chapter 11 Cases. On April 4, 2012, the Creditors' Committee filed an application for entry of an order authorizing employment and retention of J.H. Cohn L.L.P. as its financial advisors.

4. Other Material Bankruptcy Court Orders

Various other forms of relief were sought and obtained from the Bankruptcy Court during the Chapter 11 Cases. The relief included:

- the retention of Skadden, Arps, Slate, Meagher & Flom to serve as counsel to the Debtors; and
- an order authorizing procedures for interim compensation and reimbursement of expenses of professionals.

B. Summary of Claims Process, Bar Date, and Claims Filed

1. Schedules and Statements of Financial Affairs

On January 9, 2012, the Debtors each filed their Schedule of Assets and Liabilities (the "Schedules") and Statements of Financial Affairs (the "Statements," and together with the Schedules, the "Schedules and Statements") with the Bankruptcy Court. Among other things, the Schedules and Statements set forth the Claims of known creditors against the Debtors as of the Petition Date based upon the Debtors' books and records.

The amount of Senior Indebtedness Claims, General Unsecured Claims, and Subordinated Note Claims scheduled by SBK, including contingent and disputed Claims, in its Schedules totals approximately $55 million (this figure does not include the FDIC Claims). The only other Debtor who Scheduled any Claims, including contingent and disputed Claims, is SDC, as outlined above in the litigation section of the Disclosure Statement. All of the Debtors reserve their rights to object to any and all Claims.

2. Claims Bar Date

On January 12, 2012, the Bankruptcy Court entered an order, as amended (the "Bar Date Order") establishing February 27, 2012 as the deadline for filing Claims (the "General Bar Date"). The Bar Date Order also established July 11, 2012 as the deadline for governmental units, as defined in the Bankruptcy Code, to file proofs of claim (the "Governmental Bar Date" together with the General Bar Date, the "Bar Dates"). The Debtors' claims and notice agent,

GCG, provided notice of the Bar Dates by mailing (i) a notice of the Bar Dates and (ii) an individualized proof of claim form to each person listed in the Schedules. In addition, the Debtors published notice of the Bar Dates in the national edition of the Chicago Tribune and the Wall Street Journal. The Debtors and the Liquidation Trust Administrator have the right under the Plan to object to any Claim.

3. Proofs of Claim

As of the General Bar Date, 34 proofs of claim were Filed against the Debtors (since the General Bar Date one other proof of claim was filed, amending an earlier proof of claim – that claimant voluntarily withdrew the earlier filed proof of claim). Of the 34 proofs of claim, four were filed solely on the basis of equity interests in SBK, and the claimants' have since withdrawn their proofs of claim (as opposed to their equity interests). In addition, as noted above, one claimant, after discussions with counsel to the Debtors, agreed to voluntarily amend its claim to reduce the amount by approximately $250,000, and withdrew its earlier filed claim. Consequently, there are 30 proofs of claim on the Debtors' claims register. The Debtors are not aware of any Claims against the Debtors other than those identified in the Debtors' Schedules filed with the Bankruptcy Court, those filed proofs of claim, and those Claims discussed in the Disclosure Statement.

4. Claims Administration

To be entitled to receive a Distribution under the Plan, a Holder must have an Allowed Claim. The Debtors have just begun the process of reviewing Filed proofs of claim for the purpose of determining whether objections are appropriate. Thus far, the Debtors, without the need to file a claims objection, have reduced the Estates exposure to asserted claims by more than $3,000,000.

In addition, the Debtors or the Liquidation Trust Administrator, after the Effective Date, likely will either object or try to consensually resolve certain of the other proofs of claim, including proofs of claim that were filed against the Debtors when they are actually obligations of SBK's former subsidiary, the Bank, which is not a debtor in the Chapter 11 Cases.

References to any particular Holder of a Claim in the Disclosure Statement or the Plan should not be construed to mean that such Claim has been Allowed by the Bankruptcy Court or will not be objected to by the Debtors or any other party in interest having standing to object. The Debtors expressly reserve their rights to object to the allowance, amount, classification, and to seek subordination of all or any part of any claim or equity interest.

V. SUMMARY OF THE PLAN

THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE, CLASSIFICATION, TREATMENT, AND IMPLEMENTATION OF THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN, WHICH ACCOMPANIES THE DISCLOSURE STATEMENT AS APPENDIX A, AND TO THE EXHIBITS ATTACHED THERETO, OR FILED BY THE EXHIBIT FILING DATE.

ALTHOUGH THE STATEMENTS CONTAINED IN THE DISCLOSURE STATEMENT INCLUDE SUMMARIES OF THE PROVISIONS CONTAINED IN THE PLAN AND IN DOCUMENTS REFERRED TO THEREIN, THE DISCLOSURE STATEMENT DOES NOT PURPORT TO BE A PRECISE OR COMPLETE STATEMENT OF ALL THE TERMS AND PROVISIONS OF THE PLAN OR DOCUMENTS REFERRED TO THEREIN, AND REFERENCE IS MADE TO THE PLAN AND TO SUCH DOCUMENTS FOR THE FULL AND COMPLETE STATEMENTS OF SUCH TERMS AND PROVISIONS.

THE PLAN ITSELF AND THE DOCUMENTS REFERRED TO THEREIN WILL CONTROL THE TREATMENT OF CREDITORS AND EQUITY SECURITY HOLDERS UNDER THE PLAN AND WILL, UPON THE EFFECTIVE DATE, BE BINDING UPON HOLDERS OF CLAIMS AGAINST, AND INTERESTS IN, THE DEBTORS AND OTHER PARTIES IN INTEREST.

A. Overall Structure of the Plan

The Plan calls for the liquidation of all assets of the Debtors and the distribution of the proceeds to the Debtors' creditors, as outlined below. It is predicated on the FDIC Treatment. After the Plan is confirmed by the Bankruptcy Court, and once it goes Effective, the Liquidation Trust Administrator will be authorized to, among other things, continue the task begun by the Debtors of pursuing, collecting, and liquidating the remaining assets of the Debtors, and reconciling claims.

The proceeds of this liquidation effort will be used to pay the outstanding Allowed Claims against the Debtors in accordance with the classifications and order of priority of these Claims under the Plan. Under the Plan, Claims against, and Interests in, the Debtors are divided into eight (8) Classes according to their relative seniority and other criteria.

If the Plan is confirmed by the Bankruptcy Court and consummated, (1) the Holders of Allowed Class 1 Claims, if any, will be reinstated, (2) the Holders of Allowed Class 2 Claims, if any, will be paid in full, (3) the Holders of Allowed Class 3 Claims will receive the FDIC Treatment, (4) the Holders of Allowed Class 4 Claims will receive distributions constituting a partial recovery on such Allowed Claims, (5) the Holders of Allowed Claims in Class 5 will receive distributions constituting a partial recovery on such Allowed Claims, (6) the Disbursing Agent will receive distributions constituting a partial recovery on account of Allowed Claims in Class 6; provided, however, that the Disbursing Agent shall redistribute such distributions to Holders of Allowed Class 4 Claims pursuant to the subordination provisions of the Subordinated

Indentures, Trust Agreements, Guarantee Agreements, and related documents until Holders of Allowed Class 4 Claims are paid in full. Therefore, it is unlikely that Holders of Allowed Class 6 Claims will receive any distributions on such Allowed Claims, (7) the Holders of Allowed Claims in Class 7 will not receive any distributions on such Allowed Claims, and (8) the Holders of Allowed Interests in Class 8 will not receive any distributions on such Allowed Interests.

On the Initial Distribution Date, and at certain times thereafter (i.e., the Subsequent Distribution Dates), the Disbursing Agent will distribute Cash to Holders of certain Classes of Claims as provided in the Plan. Additionally, as of the Effective Date, a Liquidation Trust will be created and the Liquidation Trust Administrator will distribute the Liquidation Trust Assets pursuant to the Plan and the Liquidation Trust Agreement. The Classes of Claims against the Debtors created under the Plan and the treatment of those Classes under the Plan are described below.

B. Substantive Consolidation and Intercompany Claims

The Plan constitutes a motion for the substantive consolidation of the estates of all the Debtors in the Chapter 11 Cases. Specifically, the Plan contemplates that the Confirmation Order will be an order substantively consolidating the Debtors' estates (the "Substantive Consolidation Order").

The Substantive Consolidation Order shall substantively consolidate the Debtors' Estates and Chapter 11 Cases for purposes of all actions associated with confirmation and consummation of the Plan. The Plan constitutes a request to approve such substantive consolidation such that on the Effective Date (i) all Intercompany Claims by, between, and among the Debtors, if any, will be eliminated, (ii) all assets and liabilities of the Affiliate Debtors will be merged or treated as if they were merged with the assets and liabilities of SBK, (iii) any obligation of a Debtor and all guarantees thereof by one (1) or more of the other Debtors will be deemed to be one (1) obligation of SBK, (iv) the Affiliate Interests will be cancelled, and (v) each Claim Filed or to be Filed against any Debtor will be deemed Filed only against SBK and will be deemed a single Claim against and a single obligation of SBK. On the Effective Date, and in accordance with the terms of the Plan and the consolidation of the assets and liabilities of the Debtors, all Claims based upon guarantees of collection, payment, or performance made by the Debtors as to the obligations of another Debtor will be released and of no further force and effect.

On the Effective Date or as soon thereafter as practicable, (a) the members of the board of directors of each of the Affiliate Debtors shall be deemed to have resigned, (b) each of the Affiliate Debtors shall be merged with and into SBK, and (c) the Chapter 11 Cases of the Affiliate Debtors shall be closed, following which any and all Causes of Action or other proceedings that were or could have been brought or otherwise commenced in the Chapter 11 Case of any Affiliate Debtor, whether or not actually brought or commenced, may be continued, brought, or otherwise commenced in SBK's Chapter 11 Case.

1. Discussion of Substantive Consolidation Generally

Generally, substantive consolidation of the estates of multiple debtors in a bankruptcy case effectively combines the assets and liabilities of the multiple debtors for certain purposes under a plan. The effect of consolidation is the pooling of the assets of, and claims against, the consolidated debtors; satisfying liabilities from a common fund; and combining the creditors of the debtors for purposes of voting on chapter 11 plans. In re Augie/Restivo Baking Co., 860 F.2d 515, 518 (2d Cir. 1988). There is no statutory authority specifically authorizing substantive consolidation. The authority of a Bankruptcy Court to order substantive consolidation is derived from its general equitable powers under section 105(a) of the Bankruptcy Code, which provides that the court may issue orders necessary to carry out the provisions of the Bankruptcy Code. In re DRW Property Co., 82, 54 B.R. 489, 494 (Bankr. N.D.Tex. 1985). Nor are there statutorily prescribed standards for substantive consolidation. Instead, judicially developed standards control whether substantive consolidation should be granted in any given case.

Substantive consolidation is an equitable remedy, which prevents undue expense, difficulty, and delay in confirming plans of multiple related debtors, that a bankruptcy court may be asked to apply in chapter 11 cases involving affiliated debtors. Substantive consolidation involves the pooling of the assets and liabilities of the affected debtors. All of the debtors in the substantively consolidated group are treated as if they were a single corporate and economic entity. Consequently, a creditor of one of the substantively consolidated debtors is treated as a creditor of the substantively consolidated group of debtors, and issues of individual corporate ownership of property and individual corporate liability on obligations are ignored. Substantive consolidation of two or more debtors' estates generally results in the deemed consolidation of the assets and liabilities of the debtors, the elimination of multiple and duplicative creditor claims, joint and several liability claims and guarantees, and the payment of allowed claims from a common fund.

2. Application to the Debtors

Bankruptcy courts have approved motions for substantive consolidation to facilitate or expedite reorganization for related debtors, especially where separate plans of reorganization are not practical. In this case, the Debtors believe that substantive consolidation of the Debtors will streamline and expedite the plan confirmation process, and will thus reduce delay and expense, without having any material negative effect on any of the Debtors' creditors.

Under the Plan, the Debtors seek to substantively consolidate the Debtors into SBK. Importantly, at this time, the Debtors do not believe that any of the Debtors other than SBK have significant assets, and the Debtors do not believe that any of the Debtors other than SBK, SDC, and PacCorp have any creditors, therefore substantive consolidation will likely have minimal effect other than to make the bankruptcy case run more smoothly and efficiently.

In this case, the small amount of assets that exist in the entities other than SBK combined with the fact that only two of the entities other than SBK have any known creditors justifies substantive consolidation as a matter of convenience.

For example, as of the General Bar Date, two claims were filed against Debtors other than SBK. In addition, if substantive consolidation is not approved, the Debtors plan to object to one claim that was improperly filed against SBK, but that the Debtors believe should have been properly filed against SDC. If the Court approves substantive consolidation, then the claim of Jamil Moore in the amount of $300,000 asserted against SDC, and the claim of Michigan Indiana Condominium Association in the amount of $800,000 asserted against SBK (but which the Debtors believe should have properly been asserted against SDC), if both are allowed in the amounts asserted (which the Debtors might dispute), would result in those two creditors receiving their pro rata share of the assets (or an aggregate estimated amount of approximately $220,000). If the Estates were not substantively consolidated, the approximately $220,000 would instead likely be available for distribution to creditors of SBK, so that the other general unsecured creditors would receive a pro rata share of the approximately $220,000. In addition, if the Estates were not consolidated, the creditors of SDC likely would receive no distribution, even if their claims were Allowed as asserted, since SDC has no assets of any economic value.

The Debtors reserve the right to deconsolidate any Debtor, at any time prior to the Effective Date. To the extent that the Debtors deconsolidate any particular Debtor, creditors of that Debtor's estate would get little, if any, distribution, and distribution to creditors of SBK would likely increase by a de minimis amount.

Accordingly, for the reasons stated above, the Debtors believe substantive consolidation of the Debtors is warranted for convenience, to ensure the smooth administration of the estates, and because of the limited, if any, effect on creditors of any of the Debtors.

The Creditors' Committee is still investigating the propriety of the proposed substantive consolidation of the Debtors and upon completion of its review, the Creditors' Committee may object to the Plan on the basis that the proposed substantive consolidation is unjustified and inappropriately harms certain creditors.

The Debtors and their advisors have supplied all requested information to the Creditors' Committee and made management available to consult with the Creditors' Committee and its advisors.]

C. Classification and Treatment of Claims and Interests

Section 1122 of the Bankruptcy Code requires that a chapter 11 plan classify the claims of a debtor's creditors and the interests of its equity holders. The Bankruptcy Code also provides that, except for certain claims classified for administrative convenience, a chapter 11 plan may place a claim of a creditor or an interest of an equity holder in a particular class only if such claim or interest is substantially similar to the other claims of such class.

The Debtors believe that they have classified all Claims and Interests in compliance with the requirements of section 1122 of the Bankruptcy Code. If a Creditor or Interest Holder challenges such classification of Claims or Interests and the Bankruptcy Court finds that a different classification is required for the Plan to be confirmed, the Debtors, to the extent permitted by the Bankruptcy Court, intend to make such reasonable modifications of the classifications of Claims or Interests under the Plan to provide for whatever classification might

be required by the Bankruptcy Court for confirmation. EXCEPT TO THE EXTENT THAT SUCH MODIFICATION OF CLASSIFICATION ADVERSELY AFFECTS THE TREATMENT OF A HOLDER OF A CLAIM OR INTEREST AND REQUIRES RESOLICITATION, ACCEPTANCE OF THE PLAN BY ANY HOLDER OF A CLAIM PURSUANT TO THIS SOLICITATION WILL BE DEEMED TO BE A CONSENT TO THE PLAN'S TREATMENT OF SUCH HOLDER OF A CLAIM REGARDLESS OF THE CLASS AS TO WHICH SUCH HOLDER ULTIMATELY IS DEEMED TO BE A MEMBER.

1. Classification of Claims and Interests

Pursuant to section 1122 of the Bankruptcy Code, set forth below is a designation of classes of Claims against and Interests in the Debtors. A Claim or Interest is placed in a particular Class only to the extent that the Claim or Interest falls within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest falls within the description of such other Classes. A Claim is also placed in a particular Class for the purpose of voting on, and receiving distributions pursuant to, the Plan only to the extent that such Claim is an Allowed Claim in that Class and such Claim has not been paid, released, or otherwise settled prior to the Effective Date. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified, and their treatment is set forth in Article II of the Plan.

2. Treatment of Unclassified Claims Under the Plan

The Bankruptcy Code requires that a chapter 11 plan provide the same treatment for each claim or interest of a particular class unless the holder of a particular claim or interest agrees to a less favorable treatment of its claim or interest. The Debtors believe that the Plan complies with such standard. If the Bankruptcy Court finds otherwise, it could deny confirmation of the Plan if the Holders of Claims and Interests affected do not consent to the treatment afforded them under the Plan.

(a) Administrative Claims

Administrative Claims consist of the costs and expenses of the administration of the Chapter 11 Cases incurred by the Debtors. Such costs and expenses may include, but are not limited to, Claims arising under the cost of operating or liquidating the Debtors' businesses since the Petition Date, the outstanding unpaid fees and expenses of the Professionals retained by the Debtors as approved by the Bankruptcy Court, and the payments necessary to cure prepetition defaults on unexpired leases and executory contracts that are being assumed under the Plan. All payments to Professionals in connection with the Chapter 11 Cases for compensation and reimbursement of expenses will be made in accordance with the procedures established by the Bankruptcy Court, the Bankruptcy Code, and the Bankruptcy Rules and are subject to approval of the Bankruptcy Court as being reasonable.

Subject to the provisions of Article XI of the Plan, on, or as soon as reasonably practicable after, the later of (i) the Effective Date or (ii) the date on which an Administrative Claim becomes an Allowed Administrative Claim, each Holder of an Allowed Administrative

Claim shall receive, in full satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Administrative Claim, (A) Cash equal to the unpaid portion of such Allowed Administrative Claim or (B) such other less favorable treatment to the Holders of an Allowed Administrative Claim as to which the Debtors and the Holder of such Allowed Administrative Claim shall have agreed upon in writing; provided, however, that Allowed Administrative Claims against the Debtors with respect to liabilities incurred in the ordinary course of business during the Chapter 11 Cases may be paid in the ordinary course of business in accordance with the terms and conditions of any agreements relating thereto at the discretion of the Debtors.

(b) Priority Tax Claims

On, or as soon as reasonably practicable after, the later of (i) the Effective Date or (ii) the date on which a Priority Tax Claim becomes an Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim against the Debtors shall receive in full satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Priority Tax Claim, (A) Cash equal to the amount of such Allowed Priority Tax Claim, (B) such other less favorable treatment to the Holders of an Allowed Priority Tax Claim as to which the Debtors and the Holder of such Allowed Priority Tax Claims shall have agreed upon in writing, or (C) at the option of the Debtors or Liquidation Trust Administrator, Cash in an aggregate amount of such Allowed Priority Tax Claim payable in installment payments over a period of not more than five years after the Petition Date, pursuant to 1129(a)(9)(c) of the Bankruptcy Code.

3. Treatment of Classified Claims and Interests

(a) Unimpaired Classes of Claims against the Debtors

(i) Class 1 (Secured Claims). The legal, equitable, and contractual rights of the Holders of Allowed Secured Claims against the Debtors, if any, are unaltered by the Plan. On, or as soon as reasonably practicable after, the later of (i) the Effective Date, or (ii) the date on which such Secured Claim becomes an Allowed Secured Claim, each Holder of an Allowed Secured Claim shall receive, in full satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Secured Claim, at the election of the Debtors or Liquidation Trust Administrator, (x) Cash equal to the amount of such Allowed Secured Claim or (y) such other less favorable treatment that will not impair the Holder of such Allowed Secured Claim pursuant to section 1124 of the Bankruptcy Code; provided, however, that any Secured Claim not due and owing on the Effective Date will be paid in accordance with this section if and when such Claim becomes Allowed and is due and owing. Any default with respect to any Allowed Secured Claim that existed immediately prior to the Petition Date will be deemed cured on the Effective Date.

(ii) Class 2 (Non-Tax Priority Claims). The legal, equitable, and contractual rights of the Holders of Allowed Non-Tax Priority Claims against the Debtors, if any, are unaltered by the Plan. On, or as soon as reasonably practicable after, the later of (i) the Effective Date, or (ii) the date on which such Non-Tax Priority Claim becomes an Allowed Non-

Tax Priority Claim, each Holder of an Allowed Non-Tax Priority Claim shall receive, in full satisfaction, settlement, release and discharge of, and in exchange for, such Allowed Non-Tax Priority Claim, at the election of the Debtors or Liquidation Trust Administrator, (x) Cash equal to the amount of such Allowed Non-Tax Priority Claim or (y) such other less favorable treatment that will not impair the Holder of such Allowed Non-Tax Priority Claim pursuant to section 1124 of the Bankruptcy Code; provided, however, that any Non-Tax Priority Claim not due and owing on the Effective Date will be paid in accordance with this section when such Claim becomes due and owing. Any default with respect to any Allowed Non-Tax Priority Claim that existed immediately prior to the Petition Date will be deemed cured on the Effective Date.

(b) Impaired Classes of Claims Against and Interests in the Debtors

(i) Class 3 (FDIC Claims). On the Effective Date, or as soon thereafter as is reasonably practicable, the FDIC shall receive in full satisfaction, settlement, release, and discharge of, and in exchange for, each and every FDIC Claim against the Debtors, the FDIC Treatment.

(ii) Class 4 (Senior Indebtedness Claims). On the Initial Distribution Date, or as soon thereafter as is reasonably practicable, and on each Subsequent Distribution Date, the Disbursing Agent shall receive on behalf of each and every Holder of an Allowed Senior Indebtedness Claim against the Debtors, in full satisfaction, settlement, release, and discharge of, and in exchange for, each and every Senior Indebtedness Claim against the Debtors, (i) the Pro Rata interest in the Liquidation Trust, as to which all Holders of Allowed Senior Indebtedness Claims would be entitled if Classes 4, 5, and 6 were a single class, which the Disbursing Agent will distribute to each holder of an Allowed Class 4 Claim on a Pro Rata basis within such Class, (ii) the Subordinated Notes Redistribution Interests, which the Disbursing Agent will distribute Pro Rata to or for the benefit of Holders of Allowed Class 4 Claims until the Holders of Allowed Class 4 Claims are paid in full.

(iii) Class 5 (General Unsecured Claims). On the Initial Distribution Date, or as soon thereafter as is reasonably practicable, and on each Subsequent Distribution Date, the Disbursing Agent shall receive on behalf of each and every Holder of an Allowed Class 5 Claim against the Debtors, in full satisfaction, settlement, release, and discharge of, and in exchange for, each and every Class 5 Claim against the Debtors, the Pro Rata interest in the Liquidation Trust, as to which all Holders of Allowed Class 5 Claims would be entitled if Classes 4, 5, and 6 were a single class, which the Disbursing Agent will distribute to each holder of an Allowed Class 5 Claim on a Pro Rata basis within such Class.

(iv) Class 6 (Subordinated Note Claims). As reflected in the treatment of Class 4, and in accordance with the Subordinated Notes Subordination Rights, Holders of Class 6 Claims shall not receive or retain a distribution from the Liquidation Trust until and unless the Holders of Allowed Class 4 Claims are paid in full. Instead, interests in the Liquidation Trust otherwise distributable to or for the benefit of Holders of Allowed Class 6

Claims shall instead be redistributed by the Disbursing Agent to Holders of Allowed Class 4 Claims pursuant to the subordinated provisions of the Subordinated Indentures and related Trust Agreements, Guarantee Agreements, and related documents until and unless the Holders of Allowed Class 4 Claims are paid in full. After the Holders of Allowed Class 4 Claims are paid in full, then Holders of Allowed Class 6 Claims will be subrogated to the rights of the Holders of the Allowed Class 4 Claims and will begin to collect a pro rata distribution on account of Classes 4 and 6. It is unlikely that Holders of Allowed Class 4 Claims will be paid in full however, and therefore no distribution is expected to be made to Holders of Allowed Class 6 Claims.

(v) Class 7 (Other Subordinated Claims). Holders of Other Subordinated Claims shall not receive nor retain any distribution on account of such Other Subordinated Claims.

(vi) Class 8 (Old Equity Interests). On the Effective Date, the Old Equity Interests will be cancelled and the Holders of Old Equity shall not receive nor retain any distribution on account of such Old Equity Interests.

D. Distributions Under the Plan

1. Time of Distributions

Except as otherwise provided in the Plan or as ordered by the Bankruptcy Court, distributions to be made on account of Claims that are Allowed Claims as of the Effective Date shall be made on, or as soon thereafter as is practicable, the Effective Date or the Initial Distribution Date, as applicable. Any payment or distribution required to be made under the Plan on a day other than a Business Day shall be made on the next succeeding Business Day. Distributions on account of Claims that first become Allowed Claims after the Effective Date shall be made pursuant to Articles IX and X of the Plan.

2. Interest on Claims

Unless otherwise specifically provided for in the Plan, the Confirmation Order, or required by applicable bankruptcy law, postpetition interest shall not accrue or be paid on Claims, and no Claim Holder shall be entitled to interest accruing on or after the Petition Date on any Claim. To the extent otherwise provided for in the Plan, the Confirmation Order, or required by applicable bankruptcy law, postpetition interest shall accrue on Claims at the applicable non-default rate. Unless otherwise specifically provided for in the Plan, the Confirmation Order, or required by applicable bankruptcy law, interest shall not accrue or be paid upon any Disputed Claim in respect of the period from the Petition Date to the date a final distribution is made thereon if and after such Disputed Claim becomes an Allowed Claim. Until the Effective Date, nothing herein shall waive the right of any creditor to seek postpetition interest.

3. Disbursing Agent

The Disbursing Agent shall make all distributions required under the Plan.

4. Delivery of Distributions and Undeliverable or Unclaimed Distributions

Distributions to Holders of Allowed Claims shall be made by the Disbursing Agent (i) at the addresses set forth on the proofs of claim filed by such Claim Holders (or at the address set forth in any applicable notice of assignment of claim or notice of change of address), (ii) at the addresses set forth in any written notices of address changes delivered to the Disbursing Agent after the date of any related proof of claim, or (iii) at the addresses reflected in the Schedules if no proof of claim has been filed and the Disbursing Agent has not received a written notice of a change of address.

If any Claim Holder's distribution is returned as undeliverable, no further distributions to such Claim Holder shall be made unless and until the Disbursing Agent is notified of such Claim Holder's then current address, at which time all missed distributions shall be made to such Claim Holder without interest. Amounts in respect of undeliverable distributions shall be returned to the Disbursing Agent with respect to all other claims, until such distributions are claimed. All claims for undeliverable distributions shall be made on the later of the first anniversary of the Effective Date or ninety (90) days from the date the Claim becomes an Allowed Claim. After such date, all unclaimed property relating to distributions to be made on account of such Claims shall revert to the Liquidation Trust, free of any restrictions thereon or Claims of such Holder and notwithstanding any federal or state escheat laws to the contrary. Nothing contained in the Plan shall require any Disbursing Agent to attempt to locate any Holder of an Allowed Claim.

5. Cancellation of Existing Securities, Subordinated Notes, and Trust Securities

Except as otherwise provided in the Plan and in any contract, instrument, or other agreement or document created in connection with the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to Article IX of the Plan, the Existing Securities, promissory notes, share certificates (including treasury stock), other instruments evidencing any Claims or Interests, and all options, warrants, calls, rights, puts, awards, commitments, or any other agreements of any character to acquire such Existing Securities shall be deemed canceled and of no further force and effect, without any further act or action under any applicable agreement, law, regulation, order, or rule, and the obligations of the Debtors under any notes, share certificates, and other agreements and instruments governing such Claims and Interests shall be discharged. The Holders of or parties to such canceled notes, share certificates, and other agreements and instruments shall have no rights arising from or relating to such notes, share certificates, and other agreements and instruments or the cancellation thereof, except the rights provided pursuant to the Plan.

In addition, on the Effective Date, all documents evidencing the Subordinated Note Claims, including the Subordinated Indentures, the Subordinated Notes, the Guarantee Agreements, the Purchase Agreements, the Trust Agreements, any other guarantees, any other purchase agreements, debenture subscription agreements, declarations of trust, Capital Securities, and Common Securities shall be deemed cancelled, shall be of no further force, whether surrendered for cancellation or otherwise, and neither the Debtors nor the other parties thereto, including, but not limited to the Subordinated Indenture Trustee, shall have any further rights or obligations thereunder.

Notwithstanding the foregoing, the Subordinated Indentures shall continue in effect, to the extent necessary, to (i) allow the Liquidation Trust Administrator or the Subordinated Indenture Trustees, as applicable, to make distributions, if any, to the holders of Allowed Class 6 Claims, pursuant to the Plan; (ii) permit the Subordinated Indenture Trustees to assert a lien or claim against distributions received by it for the benefit of Holders of Class 6 Claims, if any; (iii) permit the Subordinated Indenture Trustees to maintain any right to indemnification, contribution, subrogation, or other claim they may have under the Subordinated Indentures, Trust Agreements, and or Guarantee Agreements; (iv) permit the Subordinated Indenture Trustees to appear in the Chapter 11 Cases; and (v) permit the Subordinated Indenture Trustees to perform any functions that are necessary in connection with the foregoing clauses.

6. Procedures for Resolving Disputed, Contingent, and Unliquidated Claims

(a) Objection Deadline; Prosecution of Objections

The Debtors (or the Liquidation Trust Administrator, as the case may be) shall be responsible for administering, disputing, objecting to, compromising, or otherwise resolving and making distributions on account of the respective Claims against the Debtors. No later than the Claims Objection Deadline (unless extended by an order of the Bankruptcy Court), the Debtors (or the Liquidation Trust Administrator, as the case may be) shall File objections to Claims with the Bankruptcy Court and serve such objections upon the Holders of each of the Claims to which objections are made. Nothing contained in the Plan, however, shall limit the Liquidation Trust Administrator's right to object to Claims, if any, Filed or amended after the Claims Objection Deadline. Moreover, notwithstanding the expiration of the Claims Objection Deadline and unless subsequently ordered for good cause shown to shorten time, the Liquidation Trust Administrator shall continue to have the right to amend any objections and to File and prosecute supplemental objections and counterclaims to a Disputed Claim until such Disputed Claim is Allowed.

(b) No Distributions Pending Allowance

Notwithstanding any other provision of the Plan, no payments or distributions shall be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by Final Order, and the Disputed Claim, or some portion thereof, has become an Allowed Claim and the remainder has become a Disallowed Claim.

(c) Disputed Claims Reserve

Reserve(s) shall be established for the payment of Disputed Claims to the extent required by the Plan. The Disbursing Agent shall withhold the Disputed Claims Reserve from the Net Available Cash and beneficial interests in the Liquidation Trust to be distributed to particular classes under the Plan. The Disputed Claims Reserve shall be equal to 100% of distributions to which Holders of Disputed Claims would be entitled under the Plan as of such date if such Disputed Claims were Allowed Claims in their (i) Face Amount (or if a Disputed Claim is unliquidated with no Face Amount, then based upon the good faith estimate of such Disputed Claim as estimated by the Debtors or the Liquidation Trust Administrator, as the case may be) or (ii) estimated amount of such Disputed Claims as approved in an Order by the Bankruptcy Court. The Debtors (or the Liquidation Trust Administrator, as the case may be) may request estimation for any Disputed Claim including, without limitation, any Disputed Claim that is contingent or unliquidated. If practicable and as set forth in the Plan and the Liquidation Trust Agreement, the Debtors (or the Liquidation Trust Administrator, as the case may be) will invest any Cash that is withheld as the applicable Disputed Claims Reserve in an appropriate manner to insure the safety of the investment. Nothing in the Plan or the Disclosure Statement shall be deemed to entitle the holder of a Disputed Claim to postpetition interest on such Claim.

(d) Distributions After Allowance

Payments and distributions from the Disputed Claims Reserve shall be made as appropriate to the Holder of any Disputed Claim that has become an Allowed Claim, as soon thereafter as is reasonably practicable after the date such Disputed Claim becomes an Allowed Claim. Such distributions shall be based upon the cumulative distributions that would have been made to the Holder of such Claim under the Plan if the Disputed Claim had been Allowed on the Effective Date (excluding any present value calculations) and shall not be limited by the Disputed Claim amounts previously reserved with respect to such Disputed Claim to the extent that additional amounts are available therefore, but only to the extent that such additional amounts have not yet been distributed to Holders of Allowed Claims. Upon such distribution, the reserve shall be reduced by an amount equal to the amount reserved with respect to such Disputed Claim. To the extent the amount reserved for such Disputed Claim exceeds the Allowed Amount, if any, of such Claim, the remainder shall be distributed to Holders of Allowed Claims in accordance with the provisions of Article V of the Plan.

7. De Minimis Distributions

Notwithstanding any other provision of the Plan, the Disbursing Agent shall have no obligation to make a distribution on account of an Allowed Claim from any Cash Reserve or account to a specific Holder of an Allowed Claim if the amount to be distributed to that Holder on the Initial Distribution Date or any Subsequent Distribution Date (i) does not constitute a final distribution to such Holder and (ii) is less than $50.00. In addition, the Debtors and the Liquidation Trust Administrator, as the case may be, reserve the right to request subsequent relief from the Bankruptcy Court to exclude Holders of smaller Claims from the final distribution

under the Plan to the extent that the amounts otherwise distributable to such Claim Holders in connection with such final distribution would be de minimis or create undue administrative expense.

8. Allocation of Plan Distributions Between Principal and Interest

To the extent that any Allowed Claim entitled to a distribution under the Plan is composed of indebtedness and accrued but unpaid interest thereon, such distribution shall, to the extent permitted by applicable law, be allocated to the principal amount of the Claim first and then, to the extent the consideration exceeds the principal amount of the claim, to the portion of such Claim representing accrued but unpaid interest.

9. Allowance of Certain Claims

(a) Professional Fee Claims

All Professionals or other entities requesting compensation or reimbursement of expenses pursuant to sections 327, 328, 330, 331, 503(b), and 1103 of the Bankruptcy Code for services rendered on or before the Effective Date (including compensation and expenses for making a substantial contribution in the Chapter 11 Cases) shall file with the Bankruptcy Court, and serve such applications on counsel for the Debtors, the United States Trustee, and as otherwise required by the Bankruptcy Court and the Bankruptcy Code, an application for final allowance of compensation and reimbursement of expenses no later than forty-five (45) days after the end of the month in which the Effective Date occurred. Objections to applications of Professionals and other entities for compensation and reimbursement of expenses must be filed with the Bankruptcy Court no later than twenty-one (21) days after the filing and service of a Professional's application. All compensation and reimbursement of expenses allowed by the Bankruptcy Court shall be paid seven (7) days after the entry of an Order allowing such fees and expenses, or as soon thereafter as practicable.

All Professional fees for services rendered by the Debtor's (or the Liquidation Trust Administrator's, as the case may be) Professionals in connection with the Chapter 11 Cases and the Plan after the Effective Date, are to be paid by the Liquidation Trust Administrator upon receipt of an invoice for such services, or on such other terms as the Liquidation Trust Administrator may agree to, without the need for further Bankruptcy Court authorization or entry of a Final Order.

(b) Other Administrative Claims

All other requests for payment of an Administrative Claim must be Filed with the Bankruptcy Court and served on counsel for the Debtors no later than the Administrative Claims Bar Date. Unless the Debtors (or the Liquidation Trust Administrator as the case may be) objects to an Administrative Claim within ninety (90) days after the Administrative Claims Bar Date, such Administrative Claim shall be deemed allowed in the amount requested. In the event that the Debtors (or the Liquidation Trust Administrator as the case may be) object to an

Administrative Claim, and the Debtors (or the Liquidation Trust Administrator as the case may be) and such claimant are unable to resolve their dispute consensually, then the Debtors (or the Liquidation Trust Administrator as the case may be) shall File a motion for determination thirty (30) days following the request of such claimant. Thereafter, the Bankruptcy Court shall determine the Allowed amount of such Administrative Claim. Notwithstanding the foregoing, the Debtors (or the Liquidation Trust Administrator as the case may be) may pay, in their discretion, in accordance with the terms and conditions of any agreements relating thereto, any Administrative Claim as to which no request for payment has been timely filed but which is paid or payable by the Debtors in the ordinary course of business.

(c) Administrative Claims Bar Date Notice

On the Effective Date, or as soon thereafter as is reasonably practicable, the Debtors (or the Liquidation Trust Administrator as the case may be) will provide written notice of the Administrative Claims Bar Date, which may be included in the notice of occurrence of the Effective Date.

E. The Liquidation Trust

1. Appointment of Liquidation Trust Administrator

The Liquidation Trust Administrator shall be designated by the Debtors (the Creditors' Committee believes it is in the best interests of the creditors for the Liquidation Trust Administrator and the Liquidation Trust Advisory Board to be designated by the Creditor's Committee). At least seven (7) days prior to the Voting Deadline, the Debtors shall File with the Bankruptcy Court a notice designating the Person whom it has selected as Liquidation Trust Administrator; provided, however, that if and to the extent the Debtors fail to File such notice or otherwise give notice of the designation of the Person it has selected as Liquidation Trust Administrator prior to or at the Confirmation Hearing, the Debtors shall designate the Liquidation Trust Administrator by announcing the identity of such Person at the Confirmation Hearing.

The Person so designated by the Debtors shall become the Liquidation Trust Administrator on the Effective Date, without the need for further Bankruptcy Court order, other than entry of the Confirmation Order, which shall be deemed to be an order approving the Liquidation Trust Administrator.

The Liquidation Trust Administrator shall have and perform all of the duties, responsibilities, rights, and obligations set forth in the Liquidation Trust Agreement and Article XIII of the Plan and shall be entitled to reasonable compensation as set forth therein without further application to or order of the Bankruptcy Court. Additionally, to the extent any property or other assets are not transferred to the Liquidation Trust, but rather, remain in the Debtors' Estates, the Liquidation Trust Administrator, as more fully set forth in the Liquidation Trust Agreement, shall have all necessary authority to take whatever actions are necessary to sell, transfer, or otherwise dispose of such property and any necessary actions related thereto;

provided, however, that, the Liquidation Trust Administrator, upon the Effective Date, shall forever be discharged from, and shall not be responsible for, any and all duties and obligations in connection with maintaining or preserving any such property or assets that remain in the Debtors' Estates.

2. Assignment of Liquidation Trust Assets to the Liquidation Trust

On the Effective Date, the Debtors shall transfer and shall be deemed to have transferred to the Liquidation Trust, for and on behalf of the beneficiaries of the Liquidation Trust, the Liquidation Trust Assets including the Liquidation Trust Claims.

3. The Liquidation Trust

Without any further action of the directors, officers, or shareholders of the Debtors, on the Effective Date, the Liquidation Trust Agreement, substantially in the form of Exhibit B to the Plan, shall become effective. The Liquidation Trust Administrator shall accept the Liquidation Trust and sign the Liquidation Trust Agreement on that date and the Liquidation Trust will then be deemed created and effective.

Interests in the Liquidation Trust shall be uncertificated and shall be non-transferable except upon death of the interest holder or by operation of law. Holders of interests in the Liquidation Trust shall have no voting rights with respect to such interests. The Liquidation Trust shall have a term of five (5) years from the Effective Date, without prejudice to the rights of the Liquidation Trust Administrator, subject to the consent of the Liquidation Trust Advisory Board, to extend such term conditioned upon the Liquidation Trust's not then becoming subject to the Exchange Act; notwithstanding the foregoing, the Liquidation Trust Administrator may, in its sole discretion, seek to terminate the Liquidation Trust before five (5) years if the Liquidation Trust Administrator determines that the distribution of all the Liquidation Trust Assets and other business of the Liquidation Trust has been completed. The terms of the Liquidation Trust may be amended by the Debtors prior to the Effective Date and, subject to the consent of the Liquidation Trust Advisory Board, which consent shall not be unreasonably withheld, by the Liquidation Trust Administrator after the Effective Date to the extent necessary to ensure that the Liquidation Trust will not become subject to the Exchange Act.

The Liquidation Trust Administrator shall have full authority to take any steps necessary to administer the Liquidation Trust Agreement, including, without limitation, the duty and obligation to liquidate Liquidation Trust Assets, to make distributions to the holders of Claims entitled to distributions from the Liquidation Trust and, if authorized by majority vote of those members of the Liquidation Trust Advisory Board authorized to vote, to pursue and settle Liquidation Trust Claims. Upon such assignments (which, as stated above, shall be transferred on the Effective Date), the Liquidation Trust Administrator, on behalf of the Liquidation Trust, shall assume and be responsible for all of the Debtors' responsibilities, duties, and obligations with respect to the subject matter of such assignments, and the Debtors shall have no other further rights or obligations with respect thereto.

To the extent the Liquidation Trust Administrator believes any asset may cost more to remove or sell than such asset is worth, or which the Liquidation Trust Administrator determines to be of inconsequential value and had an original cost value equal to or less than $15,000, then the Liquidation Trust Administrator, in its sole discretion, may abandon, destroy, or contribute to a charitable organization such property, including but not limited to the furniture, fixtures, and equipment, without the need to file any other motion and without notice to any Person.

The Liquidation Trust Administrator shall take such steps as it deems necessary (having first obtained such approvals from the Liquidation Trust Advisory Board as may be necessary, if any) to reduce the Liquidation Trust Assets to Cash to make distributions required hereunder, provided that the Liquidation Trust Administrator's actions with respect to disposition of the Liquidation Trust Assets should be taken in such a manner so as reasonably to maximize the value of the Liquidation Trust Assets.

Subject to the distribution provisions of Section 13.5 of the Plan, all costs and expenses associated with the administration of the Liquidation Trust, including allowed fees and expenses of the Liquidation Trust Professionals (defined below) (collectively, such expenses, the "Liquidation Trust Expenses") shall be the responsibility of and paid by the Liquidation Trust from the Operating Reserve.

The Liquidation Trust Administrator may retain such law firms, accounting firms, experts, advisors, consultants, investigators, appraisers, auctioneers, or other professionals as it may deem necessary (collectively, the "Liquidation Trust Professionals"), in its sole discretion, to aid in the performance of its responsibilities pursuant to the terms of the Plan including, without limitation, the liquidation and distribution of Liquidation Trust Assets.

The Liquidation Trust Administrator shall be responsible for filing all federal, state, and local tax returns for the Liquidation Trust, with any such expenses to be paid out of the Operating Reserve. The Liquidation Trust Administrator shall comply with all withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority, and all distributions made by the Liquidation Trust Administrator shall be subject to any such withholding and reporting requirements. The Liquidation Trust Administrator shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements. Notwithstanding any other provision of the Plan or the Liquidation Trust Agreement: (a) each Holder of an Allowed Claim that is to receive a distribution pursuant to the Plan shall have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding, and other tax obligations, on account of such distribution, and (b) no distribution shall be made to or on behalf of such Holder pursuant to the Plan unless and until such Holder has made arrangements satisfactory to the Liquidation Trust Administrator for the payment and satisfaction of such tax obligations. The Liquidation Trust Administrator shall make available to holders of interests in the Liquidation Trust copies of annual financial statements, upon written request from such holders.

The Liquidation Trust Administrator shall be entitled to compensation in accordance with the Liquidation Trust Agreement and to reimbursement of the reasonable and necessary expenses incurred by him/her in carrying out the purpose of the Liquidation Trust. Specifically, the Liquidation Trust Administrator shall receive, as compensation for his or her services rendered pursuant to the Plan and the Liquidation Trust Agreement, payment comparable to that which a chapter 7 trustee receives under section 326(a) of the Bankruptcy Code (plus reimbursement of reasonable costs and expenses incurred in furtherance of the Liquidation Trust Administrator's Duties under the Plan and the Liquidation Trust Agreement) from the Operating Reserve. In addition to the foregoing, the Liquidation Trust Administrator shall receive an additional $5,000 for each of the first three months and $2,500 per month thereafter (all of the foregoing, the "Liquidation Trust Administrator's Compensation"). The Liquidation Trust Advisory Board may negotiate with the Liquidation Trust Administrator a reasonable deduction of the Liquidation Trust Administrator's Compensation if the circumstances and level of work required with respect to the Liquidation Trust warrants such a reduction.

4. The Liquidation Trust Advisory Board

The Trust Advisory Board shall be composed of three (3) members as designated by the Debtors (the Creditors' Committee believes it is in the best interests of the creditors for the Liquidation Trust Administrator and the Liquidation Trust Advisory Board to be designated by the Creditor's Committee). On or before the date that is seven (7) days prior to the Voting Deadline, the Debtors shall file with the Bankruptcy Court a notice of the identities of such members. The Liquidation Trust Advisory Board may adopt such bylaws as it may deem appropriate; provided, however, that no provision of any bylaws shall supersede any express provision of the Plan. The Liquidation Trust Administrator shall consult, when advisable, and as necessary, with the Liquidation Trust Advisory Board when carrying out the purpose and intent of the Liquidation Trust.

Members of the Liquidation Trust Advisory Board may be entitled to compensation in accordance with the Liquidation Trust Agreement. Specifically, members of the Liquidation Trust Advisory Board may agree to receive fair and reasonable compensation (and reimbursement of reasonable costs and expenses) in connection with their services provided pursuant to the Plan and the Liquidation Trust Agreement. Any such agreement for compensation shall be filed with the Bankruptcy Court and served on the notice parties pursuant to Section 9.2 herein. The notice parties shall have fourteen (14) days from the receipt of such notice to file an objection, if any, with the Bankruptcy Court to any such agreement. The Liquidation Trust Advisory Board shall also be entitled to reimbursement of the reasonable and necessary expenses incurred by them in carrying out the purpose of the Liquidation Trust Advisory Board, without further application to or order of the Bankruptcy Court. Reimbursement of the reasonable and necessary expenses of the members of the Liquidation Trust Advisory Board and their compensation to the extent provided for in the Liquidation Trust Agreement, and approved by the Bankruptcy Court, shall be payable by the Liquidation Trust out of the Operating Reserve.

In the case of an inability or unwillingness of any member of the Liquidation Trust Advisory Board to serve, such member shall be replaced by designation of the remaining members of the Liquidation Trust Advisory Board. If any position on the Liquidation Trust Advisory Board remains vacant for more than thirty (30) days, such vacancy shall be filled within fifteen (15) days thereafter by the designation of the Liquidation Trust Administrator without the requirement of a vote by the other members of the Liquidation Trust Advisory Board.

Upon the certification by the Liquidation Trust Administrator that all assets transferred into Liquidation Trust have been distributed, abandoned, or otherwise disposed of, the members of the Liquidation Trust Advisory Board shall be deemed to have resigned their positions, whereupon they shall be discharged from further duties and responsibilities.

The Liquidation Trust Advisory Board may, by majority vote, approve all settlements of Liquidation Trust Claims which the Liquidation Trust Administrator may propose, subject to Bankruptcy Court approval of such settlements after notice and a hearing, provided, however, that the Liquidation Trust Administrator may seek Bankruptcy Court approval of a settlement of a Liquidation Trust Claim if the Liquidation Trust Advisory Board fails to act on a proposed settlement of such Liquidation Trust Claim within thirty (30) days of receiving notice of such proposed settlement by the Liquidation Trust Administrator.

The Liquidation Trust Advisory Board may, by majority vote, authorize the Liquidation Trust Administrator to invest the corpus of the Liquidation Trust in prudent investments other than those described in section 345 of the Bankruptcy Code.

The Liquidation Trust Advisory Board may remove the Liquidation Trust Administrator in the event of gross negligence or willful misconduct. In the event the requisite approval is not obtained, the Liquidation Trust Administrator may be removed by the Bankruptcy Court for cause shown. In the event of the resignation or removal of the Liquidation Trust Administrator, the Liquidation Trust Advisory Board shall, by majority vote, designate a person to serve as successor Liquidation Trust Administrator.

5. Distributions of Liquidation Trust Recoveries

The Liquidation Trust Administrator shall make distributions of Liquidation Trust Recoveries as follows: first, to pay the Liquidation Trust Expenses to the extent there are insufficient funds in the Operating Reserve; second, to repay amounts, if any, borrowed by the Liquidation Trust Administrator in accordance with the Liquidation Trust Agreement; third, to Holders of Allowed General Unsecured Claims and any other Claimholders entitled to receive distributions from the Liquidation Trust as required by the Plan and the Liquidation Trust Agreement. The Liquidation Trust Administrator shall make distributions of Liquidation Trust Recoveries to Claimholders entitled to receive distributions from the Liquidation Trust at least semi-annually beginning with a calendar quarter that is not later than the end of the second calendar quarter after the Effective Date; provided, however, that, the Liquidation Trust Administrator shall not be required to make any such semi-annual distribution in the event that the aggregate amount of Liquidation Trust Recoveries available for distribution to such

Claimholders is not sufficient, in the Liquidation Trust Administrator's discretion (after consultation with the Liquidation Trust Advisory Board) to distribute monies to such Claimholders. From time to time, but no less frequently than quarterly, the Liquidation Trust Administrator (after consultation with the Liquidation Trust Advisory Board) shall estimate the amount of Liquidation Trust Recoveries required to pay then outstanding and reasonably anticipated Liquidation Trust Expenses. The Cash portion of Liquidation Trust Recoveries in excess of such actual and estimated Liquidation Trust Expenses shall be made available for distribution to Claimholders in the amounts, on the dates, and subject to the other terms and conditions provided in the Plan. The Liquidation Trust Administrator will make continuing efforts to dispose of the Liquidation Trust Assets, make timely distributions, and not unduly prolong the duration of the Liquidation Trust.

F. Dissolution of Creditors' Committee

The Creditors' Committee shall be automatically dissolved as of the Effective Date and its members shall be deemed released of their duties and responsibilities in connection with the chapter 11 cases and the Plan and its implementation. In addition, on the Effective Date, the retention or employment of the Creditors' Committee Professionals shall terminate, except for ministerial duties or any duties imposed pursuant to the Plan (including, without limitation, filing application for allowance and payment of Professional Fee Claims).

G. Miscellaneous Matters

1. Treatment of Executory Contracts and Unexpired Leases

The Debtors are party to numerous leases and executory contracts with various parties.

(a) Generally

Except as otherwise provided in the Plan, or in any contract, instrument, release, or other agreement, or document entered into in connection with the Plan, pursuant to sections 365 and 1123(b) of the Bankruptcy Code, all prepetition executory contracts and unexpired leases that exist between the Debtors and any Person shall be deemed rejected by the Debtors effective as of the Effective Date (or if other than the Effective Date, on such other date as listed on Exhibit C to the Plan), except for executory contracts and unexpired leases which:

(i) have been assumed, assumed and assigned, or rejected, as applicable, pursuant to an order of the Court entered prior to the Effective Date; or

(ii) as of the Effective Date, are subject to a pending motion for approval of the assumption, assumption and assignment, or rejection, as applicable; or

(iii) are otherwise being assumed or assumed and assigned as set forth in Exhibit D to the Plan.

The entry of the Confirmation Order shall constitute approval of any such rejections pursuant to section 365 of the Bankruptcy Code as of the Effective Date.

(b) Approval of Assumption and Assignment or Rejection of Executory Contracts and Unexpired Leases

Subject to the Effective Date, entry of the Confirmation Order shall constitute, as of the Confirmation Date (or other such date listed on Exhibit C or D to the Plan), the approval, pursuant to sections 365 and 1123(b) of the Bankruptcy Code, of the assumption, assumption and assignment, or rejection, as applicable, of the executory contracts and unexpired leases assumed, assumed and assigned, or rejected pursuant to Article VIII of the Plan.

Each executory contract and unexpired lease that is assumed and relates to the use, ability to acquire, or occupancy of real property, if any, will include (i) all modifications, amendments, supplements, restatements, assignments, subleases, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affect such executory contract or unexpired lease and (ii) all executory contracts or unexpired leases appurtenant to the premises, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, reciprocal easement agreements, and any other interests in real estate or rights in rem related to such premises, unless any of the foregoing agreements has been rejected pursuant to a Final Order of the Bankruptcy Court or is otherwise rejected as a part of the Plan.

(c) Cure of Defaults of Assumed Executory Contracts and Unexpired Leases

Any monetary amounts by which each executory contract and unexpired lease to be assumed pursuant to the Plan is in default, if any, will be satisfied, under section 365(b)(1) of the Bankruptcy Code, by Cure, with such Cure being provided by, at the option of the Debtor-party to such contract or lease, either (x) the Debtor-party to such contract or lease or (y) the assignee of such Debtor-party to whom such contract or lease is being assigned. If there is a dispute regarding (i) the nature or amount of any Cure, (ii) the ability of the Debtor or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed, or (iii) any other matter pertaining to assumption, Cure shall occur following the entry of a Final Order resolving the dispute and approving the assumption or assumption and assignment, as the case may be; provided that if there is a dispute as to the amount of Cure that cannot be resolved consensually among the parties, the Debtor will have the right to reject the contract or lease for a period of fourteen (14) days after entry of a final order establishing a Cure amount in excess of that provided by the Debtor. The Confirmation Order (or some other order of the Bankruptcy Court), if applicable, will contain provisions providing for notices of proposed assumptions and proposed cure amounts to be sent to applicable third parties and for procedures for objecting thereto (which will provide not less than twenty (21) days' notice of such procedures and any deadlines pursuant thereto) and resolution of disputes by the Bankruptcy Court.

(d) Rejection Damages Bar Date

If the rejection by the Debtors of an executory contract or unexpired lease pursuant to the Plan results in a Claim, then such Claim shall be barred and will not be enforceable against the Debtors or their property unless a proof of claim is filed with the Bankruptcy Court, and served upon counsel to the Debtors, within thirty (30) days after service of the earlier of (i) notice of the effective date of rejection of such executory contract or unexpired lease as determined in accordance with Section 8.1 of the Plan or (ii) other notice that the executory contract or unexpired lease has been rejected. Nothing in the Plan shall revive or deem to revive a previously Disallowed Claim or extend a previously established bar date, if applicable. The bar date for filing a Claim with respect to an executory contract or unexpired lease other than pursuant to the Plan will be as set forth in the Bar Date Order or the Final Order approving such rejection.

(e) Miscellaneous

Notwithstanding any other provision of the Plan, the Debtors will retain the right to, at any time prior to the Effective Date, modify or supplement Exhibit C or Exhibit D to the Plan, including, without limitation, the right to add any executory contract or unexpired lease to, or delete any executory contract or unexpired lease from such Plan Schedules. Listing an executory contract or unexpired lease on Exhibit C or Exhibit D to the Plan will not constitute an admission by the Debtors that such contract or lease (including any related agreements that may exist) is an executory contract or unexpired lease or that the Debtors have any liability thereunder.

2. No Discharge of Claims Against Debtors

Pursuant to section 1141(d)(3) of the Bankruptcy Code, Confirmation will not discharge Claims against the Debtors; provided, however, that no Holder of a Claim against any Debtor may, on account of such Claim, seek or receive any payment or other distribution from, or seek recourse against, the Debtors, their successors, or their property, except as expressly provided in the Plan.

3. Exculpation and Limitation of Liability

The Debtors, any present or former members, officers, directors, employees, advisors, representatives, the Professionals, or agents, including the Released Parties, and any of all such parties' predecessors, successors and assigns, and all of their respective officers, directors, agents, employees and attorneys, shall not have or incur, and are hereby released from, any claim, obligation, Cause of Action, or liability to one another or to any Holder of any Claim or Interest, or any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys or affiliates, or any of their successors or assigns, for any act or omission in connection with, or arising out of the Chapter 11 Cases, the pursuit of confirmation of the Plan, the consummation of the Plan, the administration of the Plan, or the property to be distributed under the Plan except for their gross negligence or willful misconduct and in all respects shall be entitled to

reasonably rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

Notwithstanding any other provision of the Plan, no Claim Holder or Interest Holder, or other party in interest, none of their respective agents, employees, representatives, financial advisors, attorneys or affiliates, and no successors or assigns of the foregoing, will have any right of action against the Released Parties for any act or omission in connection with, relating to, or arising out of the Chapter 11 Cases, the pursuit of confirmation of the Plan, the consummation of the Plan, the administration of the Plan, or the property to be distributed under the Plan except for their gross negligence or willful misconduct.

4. Releases by Debtors and Debtors-in-Possession

Pursuant to section 1123(b)(3) of the Bankruptcy Code, effective as of the Effective Date, the Debtors, in their individual capacities and as Debtors in Possession, for and on behalf of their Estates, will release and forever unconditionally release all Released Parties for and from any and all claims or Causes of Action existing as of the Effective Date in any manner arising from, based on, or relating to, in whole or in part, the Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between the Debtors or any Released Party, the restructuring of Claims and Interests prior to or in the Chapter 11 Cases, or any act, omission, occurrence, or event in any manner related to any such Claims, Interest, restructuring or the Chapter 11 Cases.

No provision of the Plan or of the Confirmation Order, including without limitation any release or exculpation provision, will modify, release, or otherwise limit the liability of any Person not specifically released hereunder (or, as to the FDIC, under the FDIC Treatment), including without limitation any Person that is a co-obligor or joint tortfeasor of a Released Party or that otherwise is liable under theories of vicarious or other derivative liability.

The Liquidating Trust Administrator and any newly formed entities that will be liquidating the Debtors' assets after the Effective Date will be bound, to the same extent the Debtors are bound, by all of the releases set forth above.

While the Debtors have no reason to believe that any causes of action exist against any of the Released Parties, there has not been any independent investigation into any such potential causes of action.

The Creditors' Committee is still investigating the propriety of the proposed releases of the Released Parties and upon completion of its review, the Creditors' Committee may object to the Plan on the basis that the proposed releases are unjustified and inappropriately harm certain creditors.

The Debtors and their advisors have supplied all requested information to the Creditors' Committee and made management available to consult with the Creditors' Committee and its advisors.

5. Release by Holders of Claims, Parties-in-Interest, and Other Persons

ON THE EFFECTIVE DATE (A) EACH PERSON THAT VOTES TO ACCEPT THE PLAN, AND (B) ALL CREDITORS, HOLDERS OF CLAIMS, PARTIES-IN-INTEREST, AND OTHER PERSONS, TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, AS SUCH LAW MAY BE EXTENDED OR INTERPRETED SUBSEQUENT TO THE EFFECTIVE DATE, IN CONSIDERATION FOR THE OBLIGATIONS OF THE DEBTORS UNDER THE PLAN AND THE CASH AND OTHER CONTRACTS, INSTRUMENTS, RELEASES, AGREEMENTS, OR DOCUMENTS TO BE DELIVERED IN CONNECTION WITH THE PLAN, EACH ENTITY (OTHER THAN THE DEBTORS) THAT HAS HELD, HOLDS, OR MAY HOLD A CLAIM, AS APPLICABLE, (EACH A "RELEASE OBLIGOR") SHALL HAVE CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY, AND FOREVER RELEASED EACH RELEASED PARTY FROM ANY CLAIM OR CAUSE OF ACTION EXISTING AS OF THE EFFECTIVE DATE ARISING FROM, BASED ON, OR RELATING TO, IN WHOLE OR IN PART, THE SUBJECT MATTER OF, OR THE TRANSACTION OR EVENT GIVING RISE TO, THE CLAIM OF SUCH RELEASE OBLIGOR, AND ANY ACT, OMISSION, OCCURRENCE, OR EVENT IN ANY MANNER RELATED TO SUCH SUBJECT MATTER, TRANSACTION OR OBLIGATION; PROVIDED, HOWEVER, THAT SECTION 14.5 OF THE PLAN WILL NOT RELEASE ANY RELEASED PARTY FROM ANY CAUSE OF ACTION EXISTING AS OF THE EFFECTIVE DATE, BASED ON (I) THE INTERNAL REVENUE CODE OR OTHER DOMESTIC STATE, CITY, OR MUNICIPAL TAX CODE, (II) THE ENVIRONMENTAL LAWS OF THE UNITED STATES OR ANY DOMESTIC STATE, CITY, OR MUNICIPALITY, AS TO REMEDIATION MATTERS, (III) ANY CRIMINAL LAWS OF THE UNITED STATES OR ANY DOMESTIC STATE, CITY, OR MUNICIPALITY, (IV) THE SECURITIES EXCHANGE ACT OF 1934, AS NOW IN EFFECT OR HEREAFTER AMENDED, THE SECURITIES ACT OF 1933, AS NOW IN EFFECT OR HEREAFTER AMENDED, OR OTHER SECURITIES LAWS OF THE UNITED STATES OR ANY DOMESTIC STATE, CITY, OR MUNICIPALITY, (V) SECTIONS 1104-1109 AND 1342(D) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, (VI) ANY PROFESSIONAL LIABILITY CLAIMS THAT THE FDIC COULD ASSERT UNDER APPLICABLE BANKING LAWS FOR ACTIONS TAKEN UP TO AND THROUGH THE BANK CLOSURE, AND (VII) AS MORE SPECIFICALLY SET FORTH IN THE FDIC TREATMENT, THE FDIC'S RIGHT TO SEEK DISMISSAL OF, OR OTHERWISE CHALLENGE IN AN APPROPRIATE COURT OF COMPETENT JURISDICTION, ANY CLAIM WHICH THE DEBTORS MAY ASSERT, INCLUDING BUT NOT LIMITED TO CLAIMS AGAINST DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS, AND ADVISORS OF EITHER THE DEBTORS OR THE BANK, AS BEING A DERIVATIVE

CLAIM THAT BELONGS TO THE FDIC PURSUANT TO 12 U.S.C. § 1821(d)(2)(A)(i) OR OTHER APPLICABLE BANKING LAWS.

6. Injunction

The satisfactions and releases pursuant to Article XIV of the Plan shall also act as a permanent injunction against any Person commencing or continuing any action, employment of process, or act to collect, offset, or recover any Claim or Cause of Action satisfied or released under the Plan to the fullest extent authorized or provided by the Bankruptcy Code, including, without limitation, to the extent provided for or authorized by sections 524 and 1141 thereof.

7. Subordination Rights and Settlement of Related Claims and Controversies

The classification and manner of satisfying all Claims and Interests under the Plan take into consideration all subordination rights, arising under section 510 of the Bankruptcy Code, or otherwise. Except as provided in the Plan, all such subordination rights that a Holder of a Claim or Interest may have with respect to any distribution to be made pursuant to the Plan will be cancelled and terminated, and all actions related to the enforcement of such subordination rights will be permanently enjoined. Accordingly, distributions pursuant to the Plan to Holders of Allowed Claims or Allowed Interests will not be subject to payment to a beneficiary of such terminated subordination rights, or to levy, garnishment, attachment, or other legal process by a beneficiary of such terminated subordination rights. Nothing in Section 14.2 of the Plan will be deemed to release the rights, if any, that the Debtors or any creditor may have to seek to equitably subordinate any Claim pursuant to section 510 of the Bankruptcy Code or otherwise.

8. Request for Court Hearing

The Debtors and/or the Liquidation Trust Administrator will have the right to request a hearing before the Court on any and all matters raised in connection with or related to the Plan.

H. Severance

Prior to the Petition Date, SBK maintained a severance policy in the ordinary course of its business pursuant to which employees were entitled to severance upon their termination other than for cause, according to a predetermined schedule as set forth in the employee handbook. For example, any employees who had four or more years of service were entitled to one (1) week of pay for every year of service up to nine (9) weeks. Consequently, any remaining employee who is still owed severance shall be entitled to payment of such severance on the Effective Date in accordance with the severance policy. SBK has only two employees left who are still entitled to severance. Such payments in the aggregate will total less than $45,000.

I. Preservation of Rights of Action

Maintenance of Causes of Action. Except as otherwise provided in the Plan, on the Effective Date, all of the Debtors' rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, in any court or other tribunal in an adversary proceeding or contested matter Filed in the Chapter 11 Cases, including the following actions, will be transferred to the Liquidation Trust: (a) objections to Claims under the Plan; and (b) any other Causes of Action, whether legal, equitable, or statutory in nature, arising out of, or in connection with the Debtors' business assets or operations, or otherwise affecting the Debtors, including possible claims against the following types of parties, both domestic and foreign, for the following types of claims: (i) Causes of Action against vendors, suppliers of goods or services, or other parties for overpayments, back charges, duplicate payments, improper holdbacks, deposits, warranties, guarantees, indemnities, or setoff; (ii) Causes of Action against utilities, vendors, suppliers of services or goods, or other parties for wrongful or improper termination, suspension of services or supply of goods, or failure to meet other contractual or regulatory obligations; (iii) Causes of Action against vendors, suppliers of goods or services, or other parties for failure to fully perform or to condition performance on additional requirements under contracts with the Debtors before the assumption or rejection of the subject contracts; (iv) Causes of Action for any liens, including mechanic's, artisan's, materialmen's, possessory, or statutory liens held by the Debtors; (v) Causes of Action for payments, deposits, holdbacks, reserves or other amounts owed by any creditor, lessor, utility, supplier, vendor, insurer, surety, lender, bondholder, lessor, or other party; (vi) Causes of Action against any current or former director, officer, employee, or agent of the Debtors arising out of employment related matters; (vii) Causes of Action against any professional services provider or any other party arising out of financial reporting; (viii) Causes of Action arising out of environmental or contaminant exposure matters against landlords, lessors, environmental consultants, environmental agencies, or suppliers of environmental services or goods; (ix) Causes of Action against insurance carriers, reinsurance carriers, underwriters or surety bond issuers relating to coverage, indemnity, contribution, reimbursement, or other matters; (x) counterclaims and defenses relating to notes, bonds, or other contract obligations; (xi) Causes of Action against local, state, federal, and foreign taxing authorities for refunds of overpayments or other payments; (xii) Causes of Action against attorneys, accountants, consultants, or other professional service providers relating to services rendered; (xiii) contract, tort, or equitable Causes of Action that may exist or subsequently arise; (xiv) any intracompany or intercompany Causes of Action; (xv) Causes of Action of the Debtors arising under section 362 of the Bankruptcy Code; (xvi) equitable subordination Causes of Action arising under section 510 of the Bankruptcy Code or other applicable law; (xvii) turnover Causes of Action arising under sections 542 or 543 of the Bankruptcy Code; (xviii) Causes of Action arising under chapter 5 of the Bankruptcy Code, including, but not limited to, preferences under section 547 of the Bankruptcy Code; and (xix) Causes of Action for fraud, misrepresentation, unfair competition, interference with contract or potential business advantage, conversion, infringement of intellectual property, or other business tort claims.

The foregoing Causes of Action will be transferred to the Liquidation Trust notwithstanding the rejection of any Executory Contract or Unexpired Lease during the Chapter 11 Cases or pursuant to the Plan. In accordance with section 1123(b)(3) of the Bankruptcy Code and except as otherwise provided in the Plan, any claims, rights, and Causes of Action that the Debtors may hold against any Person will vest in the Liquidation Trust. The Liquidation Trust, through its authorized agents or representatives, will have and may exclusively enforce any and all such claims, rights, or Causes of Action transferred to it, and all other similar claims arising pursuant to applicable state laws, including fraudulent transfer claims, if any, and all other Causes of Action of a trustee and debtor in possession pursuant to the Bankruptcy Code in accordance with the provisions of the Liquidation Trust Agreement. The Liquidation Trust will have the exclusive right, authority, and discretion to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any and all such claims, rights, and Causes of Action transferred to it, and to decline to do any of the foregoing in accordance with the terms of the Liquidation Trust Agreement.

Preservation of All Causes of Action Not Expressly Settled or Released. Unless a claim or Cause of Action against a creditor or other Person is expressly waived, relinquished, released, compromised, or settled in the Plan or any Final Order, the Debtors expressly reserve such claim or Cause of Action for later adjudication by the Liquidation Trust, and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable, or otherwise), or laches will apply to such claims or Causes of Action upon or after the Confirmation or Consummation of the Plan based on the Disclosure Statement, the Plan, or the Confirmation Order, except where such claims or Causes of Action have been expressly waived, relinquished, released, compromised, or settled in the Plan or a Final Order. In addition, the Liquidation Trust expressly reserves the right to pursue or adopt any claims or Causes of Action not so waived, relinquished, released, compromised, or settled that are alleged in any lawsuit in which any of the Debtors is a defendant or an interested party, against any Person, including the plaintiffs or co-defendants in such lawsuits. Any Person to whom any of the Debtors incurred an obligation, or who received services from any of the Debtors or a transfer of money or property of any of the Debtors, or who has transacted business with any of the Debtors, in each case prior to the Petition Date, should assume that such obligation, transfer, or transaction may be reviewed by the Liquidation Trust subsequent to the Effective Date and may, to the extent not theretofore expressly waived, relinquished, released, compromised, or settled, be the subject of an action after the Effective Date, whether or not: (a) such Person has filed a Proof of Claim against the Debtors in the Chapter 11 Cases; (b) an objection has been filed to such Person's Proof of Claim; (c) such Person's Claim was included in the Debtors' Schedules; or (d) the Debtors have objected to such Person's scheduled Claim or identified such Claim as contingent, unliquidated, or disputed.

J. Closing of Chapter 11 Cases

On the Effective Date or as soon thereafter as practicable, the members of the board of directors and officers of the Debtors shall be deemed to have resigned. From and after the Effective Date, the Liquidation Trust Administrator shall serve as the sole officer and director of

the Debtors. The Liquidation Trust Administrator shall be authorized to execute, deliver, File, or record such documents, instruments, releases, and other agreements and take such actions as set forth in the Plan or the Liquidation Trust Agreement or take any such other actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

When all Disputed Claims Filed against the Debtors have become Allowed Claims or have been disallowed, and all remaining assets of the Debtors have been liquidated and converted into Cash (other than those assets abandoned by the Debtors or the Liquidation Trust Administrator), and such Cash has been distributed in accordance with the Plan, or at such earlier time as the Debtors, or the Liquidation Trust Administrator as the case may be, deems appropriate, the Debtors, or the Liquidation Trust Administrator as the case may be, shall seek authority from the Bankruptcy Court to close the Chapter 11 Cases in accordance with the Bankruptcy Code, the Bankruptcy Rules, and the Local Bankruptcy Rules.

VI. CERTAIN FACTORS TO BE CONSIDERED

The Holder of a Claim against the Debtors should read and carefully consider the following factors, as well as the other information set forth in the Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference herein), before deciding whether to vote to accept or to reject the Plan. These factors should not, however, be regarded as constituting the only factors involved in connection with the Plan and its implementation.

A. General Considerations

The formulation of a chapter 11 plan is the principal purpose of a chapter 11 case. The Plan sets forth the means for satisfying the Claims against and Interests in the Debtors. Certain Classes of Claims will not be paid in full pursuant to the Plan, and Other Subordinated Claims and Equity Interests will not receive any distributions pursuant to the Plan.

B. Certain Bankruptcy Law Considerations

If the Plan is not confirmed and consummated, there can be no assurance that the Chapter 11 Cases will continue rather than be converted to chapter 7 liquidation cases or that any alternative chapter 11 plan would be on terms as favorable to the Holders of Claims as the terms of the Plan. Moreover, any plan that does not resolve the FDIC Claim would result in more uncertainty and costs to the Debtors' Estates. Specifically, absent the FDIC Treatment, although the Debtors do not believe that the FDIC Claim should be allowed, if it is Allowed, depending on its priority, it could result in the FDIC reaping the benefit of all, or substantially all, of the remaining assets of the Estates, leaving General Unsecured Creditors with little or no distribution. Accordingly, if a chapter 7 liquidation or protracted chapter 11 cases were to occur, there is a material risk that the value of the Debtors' remaining assets would be substantially eroded to the detriment of all stakeholders.

C. Risk Factors Related to Estimates and Assumptions

As with any plan of liquidation or other financial transaction, there are certain risk factors that must be considered. All risk factors cannot be anticipated, some events will develop in ways that were not foreseen, and many or all of the assumptions that were used in the Disclosure Statement and the Plan will not be realized exactly as assumed. Some or all such variations may be material. While efforts have been made to be reasonable in this regard, there can be no assurance that subsequent events will bear out the analysis set forth in the Disclosure Statement.

D. Claims Estimations

There can be no assurance that the estimated Claim amounts set forth herein are correct. In addition, certain of the Claims against the Debtors are in unliquidated amounts. The Debtors' estimation of Allowed Claims assumes that such unliquidated amounts will not have a material impact on the actual aggregate dollar amount of Allowed Claims. The actual amount of Allowed Claims likely will differ in some respect from the estimates. The estimated amounts are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the actual amount of Allowed Claims may vary from those estimated herein. Moreover, the Administrative Claims Bar Date will be set at a date following the Effective Date. Therefore, while an estimated amount of unpaid Administrative Claims incurred during the Chapter 11 Cases has been factored into the estimated recovery values, the actual amount of Allowed Administrative Claims may vary significantly from those estimated herein.

E. Causes of Action

The proceeds, if any, recovered by the Debtors from the disposition of its causes of action are uncertain. Specifically, the Avoidance Actions, if any, will involve litigation that has not yet been (and may never be) commenced and the results of such actions are uncertain. Accordingly, the recovery estimates indicated in the Disclosure Statement and the Plan do not include recoveries the Debtors may obtain on account of Avoidance Actions, if any.

F. Other Assets

The estimated recovery values reflect an estimation of Net Proceeds to be realized from other assets held and subsequently disposed by the Debtors. Market factors, the level of ongoing capital expenditures, and other factors could affect the amount of Net Proceeds ultimately realized by the Debtors. In addition, certain of these assets are more long-term holdings, thus the timing of such realization of value may vary. Moreover, certain of these assets are in countries across the world where monetizing them may be difficult for a variety of reasons, including the need for approval of certain regulators in countries other than the United States. For example, the liquidations of one of the longer-term assets will require approval by regulatory authorities in Azerbaijan. Another long-term asset is in Belarus. The Debtors have tried to make reasonable estimates on the amount of distributable value that will result from these transactions as well as

other long-term assets; however, because of the uncertainty surrounding the monetization of certain of these assets, and the illiquid nature of some of the assets, some variations from the Debtors' assumptions in the Disclosure Statement may be material.

G. Operating Reserve

The estimated recovery values include a reserve for estimated operating expenses to complete the Debtors' wind down, including estimated operating expenses of the Liquidation Trust. Any shortfalls in such estimate could materially affect the amounts otherwise distributable from assets to be sold or the proceeds realized from any Causes of Action.

H. Employees

There can be no assurance that the Debtors will be able to retain certain key employees throughout the wind down of its business and disposition of its remaining assets. If the Debtors are not able to retain these employees, who have important institutional knowledge, the ability of the Debtors to maximize the value of their remaining assets may be negatively impacted.

VII. CERTAIN MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

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

The following discussion summarizes certain anticipated U.S. federal income tax consequences of the transactions proposed by the Plan that are applicable to the Debtors and holders of Allowed Class 4 Claims, holders of Allowed Class 5 Claims, and holders of Allowed Class 6 Claims. This summary is provided for informational purposes only and is based on the Internal Revenue Code of 1986, as amended (the "IRC"), Treasury regulations promulgated thereunder, judicial authorities, and current administrative rulings and practice, all as in effect as of the date hereof and all of which are subject to change or differing interpretations, possibly with retroactive effect.

This summary does not address all aspects of U.S. federal income taxation that may be relevant to the Debtors or to a particular holder of an Allowed Class 4 Claim, an Allowed Class 5

Claim, or an Allowed Class 6 Claim in light of its particular facts and circumstances or to certain types of holders of Allowed Class 4 Claims, Allowed Class 5 Claims, or Allowed Class 6 Claims subject to special treatment under the IRC (for example, non-U.S. taxpayers, financial institutions, broker-dealers, life insurance companies, cooperatives, tax-exempt organizations, persons whose functional currency is not the U.S. dollar, and holders of claims that are, or hold Allowed Class 4 Claims, Allowed Class 5 Claims, or Allowed Class 6 Claims through, a partnership or other pass-through entity). This summary does not discuss any aspects of state, local, or non-U.S. taxation or U.S. federal taxation other than income taxation. Furthermore, this summary does not address the U.S. federal income tax consequences applicable to "Non-U.S. Holders" of Claims (as defined below) or to any holders other than holders of Allowed Class 4 Claims, Allowed Class 5 Claims, and Allowed Class 6 Claims.

A substantial amount of time may elapse between the date of the Disclosure Statement and the receipt of a final distribution under the Plan. Events subsequent to the date of the Disclosure Statement, such as additional tax legislation, court decisions, or administrative changes, could affect the U.S. federal income tax consequences of the Plan and the transactions contemplated thereunder. No ruling has been or will be sought from the Internal Revenue Service (the "IRS") with respect to any of the tax aspects of the Plan and no opinion of counsel has been or will be obtained by the Debtors with respect thereto. This discussion is not binding upon the IRS or other taxing authorities. No assurance can be given that the IRS or another authority would not assert, or that a court would not sustain, a different position from any discussed herein. Accordingly, each holder of a Claim is strongly urged to consult its tax advisor regarding the U.S. federal, state, local, and non-U.S. tax consequences of the Plan to such holder.

NO REPRESENTATIONS ARE MADE REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE PLAN TO THE DEBTORS OR TO A HOLDER OF A CLAIM. EACH HOLDER OF A CLAIM IS STRONGLY URGED TO CONSULT ITS TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL, AND NON-U.S. TAX CONSEQUENCES OF THE TRANSACTIONS DESCRIBED HEREIN AND IN THE PLAN.

A. Certain U.S. Federal Income Tax Consequences to the Debtor

Federal income taxes, like many other taxes, are priority Claims. Accordingly, such Claims must be satisfied before most other Claims may be paid. If the Debtors do not have sufficient net operating losses and net operating loss carryovers ("NOLs") available to offset its taxable income (including income, if any, from the transactions pursuant to the Plan), any such income generally will be subject to income taxation, materially reducing any recovery to holders of more junior Claims. In addition, a corporation or a consolidated group of corporations may incur alternative minimum tax liability even where NOL carryovers and other tax attributes are sufficient to eliminate its taxable income as computed under the regular corporate income tax. It is possible that the Debtors will be liable for the alternative minimum tax.

B. Certain U.S. Federal Income Tax Consequences to U.S. Holders of Claims

For purposes of the following discussion, a "U.S. Holder" is a holder of an Allowed Class 4 Claim, an Allowed Class 5 Claim, or an Allowed Class 6 Claim who is (1) a citizen or individual resident of the United States, (2) a corporation created or organized in the United States or under the laws of the United States or any political subdivision thereof, (3) an estate the income of which is subject to federal income taxation regardless of its source, or (4) a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States fiduciaries have the authority to control all substantial decisions of the trust or (ii) the trust was in existence on August 20, 1996 and properly elected to be treated as a U.S. person. A "Non U.S. Holder" is a holder of an Allowed Claim (other than an entity treated as a partnership or other flow-through entity and its beneficial owners) that is not a U.S. Holder.

The U.S. federal income tax treatment of a partner or other beneficial owner in a partnership or other flow-through entity generally will depend on the status of the partner and the activities of such partnership. Partners and partnerships (including beneficial owners of pass-through entities and such entities themselves) should consult their own tax advisors as to the particular U.S. federal income tax consequences applicable to them.

The U.S. federal income tax consequences of the Plan to U.S. Holders and the character, amount, and timing of income, gain, or loss recognized as a consequence of the Plan and the distributions provided for by the Plan generally will depend upon, among other things, (i) the manner in which a holder acquired a Claim; (ii) the length of time a Claim has been held; (iii) whether the Claim was acquired at a discount; (iv) whether the holder has taken a bad debt deduction in the current or prior years; (v) whether the holder has previously included accrued but unpaid interest with respect to a Claim; (vi) the holder's method of tax accounting; (vii) whether the holder will realize foreign currency exchange gain or loss with respect to a Claim; (viii) whether a Claim is an installment obligation for federal income tax purposes; and (ix) whether the transaction is treated as a "closed transaction" or an "open transaction." Therefore, holders of Claims are urged to consult their tax advisors for information that may be relevant to their particular situation and circumstances and the particular tax consequences to such holders as a result thereof.

1. General

The U.S. federal income tax consequences of the Plan to a U.S. Holder generally will depend on the nature of the Allowed Class 4 Claim, the Allowed Class 5 Claim, or the Allowed Class 6 Claim, as applicable, and its character in the hands of the U.S. Holder. Accordingly, any gain or loss with respect to the receipt of consideration in respect of such Claim pursuant to the Plan generally will be treated as capital gain or loss or ordinary income or deduction. Capital losses may generally offset only capital gains, although individuals may, to a limited extent, offset ordinary income with capital losses. In addition, U.S. Holders may be subject to other special tax rules that affect the character, timing, and amount of any income, gain, loss, or

deduction. Accordingly, U.S. Holders are urged to consult their own tax advisors regarding the tax consequences of the Plan to them.

The U.S. federal income tax consequences of the Plan to a U.S. Holder are not entirely clear. In general, the receipt of Cash, Liquidation Trust interests, and/or rights to distributions from the Disputed Claims Reserve and the Supplemental Distribution Account in exchange for an Allowed Class 4 Claim, an Allowed Class 5 Claim, or an Allowed Class 6 Claim, as applicable, should result in the recognition of gain or loss in an amount equal to the difference, if any, between (i) the sum of the amount of any Cash and the fair market value of any Liquidation Trust interests and/or rights to distributions from the Disputed Claims Reserve and the Supplemental Distribution Account received (other than any Cash, Liquidation Trust interests and/or rights to distributions from the Disputed Claims Reserve and the Supplemental Distribution Account attributable to accrued but unpaid interest) and (ii) the U.S. Holder's tax basis in its Allowed Claim (other than any Claim for accrued but unpaid interest). Because Holders of Allowed Class 4 Claims and Holders of Allowed Class 5 Claims may receive additional consideration from the Liquidation Trust, the Disputed Claims Reserve, and/or the Supplemental Distribution Account, it may be that losses with respect to their Claims will be deferred until all assets are distributed from the Liquidation Trust, the Disputed Claims Reserve, and the Supplemental Distribution Account. If amounts are received by a Holder in more than one taxable year, a portion of such amounts may be characterized as interest.

The U.S. federal income tax treatment of a U.S. Holder will also depend in part on how each of the Liquidation Trust, the Disputed Claims Reserve, and the Supplemental Distribution Account, respectively, is treated for U.S. federal income tax purposes. Such treatment is uncertain, and depends in part on terms and mechanics of the Liquidation Trust, the Disputed Claims Reserve, and the Supplemental Distribution Account, which have not yet been determined. The Liquidation Trust, the Disputed Claims Reserve, and/or the Supplemental Distribution Account may generally be treated for U.S. federal income tax purposes as contractual arrangements, grantor trusts, partnerships, complex trusts, or as funds subject to section 468B of the IRC. Holders of Allowed Class 4 Claims and Allowed Class 5 Claims are urged to consult their own tax advisors regarding the potential U.S. federal income tax treatment of an interest in, and right to receive distributions from, the Liquidation Trust, the Disputed Claims Reserve, and the Supplemental Distribution Account, and any tax consequences to such U.S. Holder relating thereto (including the tax consequences of distributions from the Liquidating Trust, the Disputed Claims Reserve), and/or the Supplemental Distribution Account.

2. Allocation of Plan Distributions Between Principal and Interest

To the extent that any Allowed Class 4 Claim, Allowed Class 5 Claim, or Allowed Class 6 Claim is treated as a debt instrument for U.S. federal income tax purposes and comprises principal and accrued but unpaid interest thereon, the Debtor intends to take the position that, for U.S. federal income tax purposes, the distribution will be allocated first to the principal amount of the Allowed Class 4 Claim, Allowed Class 5 Claim, or Allowed Class 6 Claim, as applicable, and then, to the extent the consideration exceeds the principal amount of the Claim, to the portion of such Claim representing accrued but unpaid interest. No assurances can be given in

this regard. If, contrary to the Debtor's intended position, such a distribution were treated as being allocated first to accrued but unpaid interest, a Holder would first realize ordinary income with respect to the distribution in an amount equal to the accrued but unpaid interest not already taken into income under the U.S. Holder's method of accounting, regardless of whether the holder otherwise realizes a loss as a result of the Plan.

3. Market Discount

If an Allowed Class 4 Claim, Allowed Class 5 Claim, or Allowed Class 6 Claim is treated as a debt instrument for U.S. federal income tax purposes and the U.S. Holder acquired the Claim after its original issuance at a "market discount" (generally defined as the amount, if any, by which the debt obligation's adjusted issue price exceeds the Holder's tax basis in a debt obligation immediately after its acquisition, subject to a *de minimis* exception), the U.S. Holder generally will be required to treat any gain recognized pursuant to the transactions contemplated by the Plan as ordinary income to the extent of the market discount accrued during the Holder's period of ownership, unless the Holder elected to include the market discount in income as it accrued.

4. Information Reporting and Backup Withholding

Certain payments, including payments in respect of Claims pursuant to the Plan, are generally subject to information reporting to the IRS. Moreover, such reportable payments may be subject to backup withholding at a rate of 28% unless the U.S. Holder (i) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact or (ii) provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the taxpayer is not subject to backup withholding because of a failure to report all dividend and interest income.

5. Importance of Obtaining Professional Tax Assistance

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A CLAIM HOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS ABOUT THE U.S. FEDERAL, STATE, LOCAL, AND APPLICABLE NON-U.S. INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

VIII. CONFIRMATION

A. Section 1129 of the Bankruptcy Code

Section 1129 of the Bankruptcy Code, which sets forth the requirements that must be satisfied in order for the Plan to be confirmed, lists the following requirements, among others:

- A plan must comply with the applicable provisions of the Bankruptcy Code;
- The proponent of a plan must comply with the applicable provisions of the Bankruptcy Code;
- A plan must be proposed in good faith and not by any means forbidden by law;
- Any payment made or to be made by the proponent, by the debtor, or by a person issuing securities or acquiring property under a plan, for services or for costs and expenses in or in connection with the case, or in connection with such plan and incident to the case, must be approved by, or be subject to the approval of, the bankruptcy court, as reasonable;
- The proponent of a plan must disclose the identity and affiliations of any individual proposed to serve, after confirmation of such plan, as a director, officer, or voting trustee of the debtor, an affiliate of the debtor participating in a joint plan with the debtor, or a successor to the debtor under such plan.

B. Feasibility of the Plan

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of the Plan not be likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successors to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan. The Plan proposed by the Debtors provides for a liquidation of the Debtors' remaining assets and a distribution of Cash to creditors in accordance with the priority scheme of the Bankruptcy Code and the terms of the Plan and the Liquidation Trust Agreement. The ability of the Debtors to make the distributions described in the Plan does not depend on future earnings of the Debtors; rather, the Plan is based entirely on existing cash and property of the Debtors' Estates. Accordingly, the Debtors believe that the Plan is feasible and meets the requirements of section 1129(a)(11) of the Bankruptcy Code.

C. Acceptance of the Plan

As a condition to Confirmation, the Bankruptcy Code requires that each Class of Impaired Claims vote to accept the Plan, except under certain circumstances (as described below).

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by Holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the Plan. Thus, a Class will have voted to accept the Plan only if two-thirds (2/3) in amount and a majority in number actually voting cast their Ballots in favor of acceptance.

THE BANKRUPTCY COURT, IN THIS CASE, ADOPTED A PRESUMPTION THAT IF THERE ARE NO VOTES CAST IN A PARTICULAR CLASS ENTITLED TO VOTE ON THE PLAN, THEN THE PLAN WILL BE DEEMED ACCEPTED BY SUCH CLASS. ACCORDINGLY, IF YOU DO NOT WISH SUCH A PRESUMPTION WITH RESPECT TO ANY CLASS FOR WHICH YOU HOLD CLAIMS OR INTERESTS TO BECOME EFFECTIVE, YOU SHOULD TIMELY SUBMIT A BALLOT ACCEPTING OR REJECTING THE PLAN FOR ANY SUCH CLASS.

D. Liquidation Analysis

Many of the Debtors' assets have already been liquidated before or during the Chapter 11 Cases. Therefore, the Debtors' Estates consist primarily of the remaining proceeds from such sales, Cash, and minimal additional assets that need to be monetized. Although the Plan's proposed liquidation and a chapter 7 liquidation would have the same goal of liquidating the remainder of the Debtors' Estates and distributing all of the proceeds to creditors, the Debtors believe that the Plan provides a more efficient vehicle to accomplish this goal. Liquidating the Debtors' Estates pursuant to a chapter 7 liquidation would require the appointment of a chapter 7 trustee. The appointment of the chapter 7 trustee, as well as any professionals retained by the chapter 7 trustee, would increase the operating costs associated with the liquidation of the Debtors' Estates.

Accordingly, the Debtors believe that it will cost less to liquidate its remaining assets under the Plan, because there will be no need for the appointment of a trustee and its advisor(s) to familiarize themselves with matters upon which the Debtors and their advisors already have vast institutional knowledge, including certain tax, insurance, document maintenance, and regulatory matters. More importantly, given the settlement that has been reached with the FDIC pursuant to the Plan, Holders of General Unsecured Claims are ensured a sizeable recovery under the Plan. Alternatively, key components of the Plan, including the FDIC Treatment would likely not occur in a chapter 7 liquidation. Consequently, in a chapter 7, there are scenarios where there could be no distributions to Holders of General Unsecured Claims.

After considering the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Chapter 11 Cases, the Debtors have determined that a chapter 7 liquidation might result in a substantial diminution in the value to be realized by the Holders of certain Claims and a delay in making distributions to all Classes of Claims entitled to a distribution. Therefore, the Debtors believe that the Plan satisfies the requirements of section 1129(a)(7) of the Bankruptcy Code.

E. "Best Interests" Test

Even if a plan is accepted by each class of Claim Holders and Interest Holders, the Bankruptcy Code requires the Bankruptcy Court to determine that the plan is in the best interests of all Claim Holders and Interest Holders that are impaired by the plan and that have not accepted the plan. The so-called "best interests" test, as set forth in section 1129(a)(7) of the Bankruptcy Code, requires that a bankruptcy court find either that all members of an impaired class of claims have accepted the plan or that the plan will provide a member who has not accepted the plan with a recovery of property of a value, as of the Effective Date of the plan, that is not less than the amount that such Holder would recover if the debtor were liquidated under Chapter 7 of the Bankruptcy Code. The best interests test does not apply to Holders of Claims that are Unimpaired.

Importantly, any chapter 7 bankruptcy case would not include the FDIC Treatment. Notably, the FDIC Treatment provides assurance that there will be a recovery for Holders of Allowed General Unsecured Claims. By contrast, any plan that does not include the FDIC Treatment, or similarly resolve the FDIC Claim, which includes the proof of claim asserted by the FDIC, would result in significant burdens, distractions, delays, costs, and uncertainties to the Debtors' Estates. In addition, depending on how any such disputes regarding the FDIC Claim were resolved, there are scenarios in which no creditor other than the FDIC would receive a distribution from the Debtors' Estates. Specifically, if the FDIC's claims are not settled, it is likely that the FDIC would assert a claim under section 365(o) of the Bankruptcy Code seeking priority payment under section 507(a)(9) of the Bankruptcy Code on the theory that SBK made a commitment to maintain the capital of its former bank subsidiary. While the Debtors dispute that any such capital maintenance obligation exists, if the FDIC were successful, it is likely that the FDIC would be entitled to priority payment in an amount well in excess of the Debtors' remaining assets, meaning General Unsecured Creditors would not get any recovery. Moreover, throughout the discussions with SBK, the FDIC has consistently maintained, on one or more theories, that the FDIC owns substantially all of the proceeds of the Federal Income Tax Refund. While SBK believes that under the Tax Sharing Agreement, SBK owns the tax refunds, including the Federal Income Tax Refund, if the FDIC were successful, it would get all of the Federal Income Tax Refund. Even if the Debtors' view regarding the Tax Sharing Agreement is correct, it is likely that the FDIC would assert (and the Debtors might dispute) that the FDIC has a general unsecured claim in an amount that approximates the Federal Income Tax Refund. In addition, the FDIC has asserted various other claims in its proof of claim. Under the FDIC Treatment, however, the FDIC will get $8.5 million in full and complete satisfaction of all the FDIC's claims against SBK, which includes, but is not limited to, any claims asserted in the FDIC's proof of claim.

Consequently, the Debtors believe that the members of each Class of Impaired Claims will receive more under the Plan than they would receive if the Debtors were liquidated under Chapter 7.

F. Confirmation Without Acceptance of All Impaired Classes: The "Cramdown" Alternative

In the event that a Class of Claims does not accept the Plan or is deemed to have rejected the Plan, the Debtors intend to seek confirmation of the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code. Specifically, section 1129(b) of the Bankruptcy Code provides that a plan can be confirmed even if the plan is not accepted by all impaired classes, as long as at least one impaired class of Claims has accepted it. The Bankruptcy Court may confirm the Plan at the request of the Debtors if the Plan "does not discriminate unfairly" and is "fair and equitable" as to each impaired class that has not accepted the Plan. A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if a dissenting class is treated equally with respect to other classes of equal rank.

A plan is fair and equitable as to a class of unsecured claims which rejects a plan if the plan provides: (1) for each holder of a claim included in the rejecting class to receive or retain on account of that claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (2) that the holder of any claim or interest that is junior to the claims of such class will not receive or retain on account of such junior claim or interest any property at all.

A plan is fair and equitable as to a class of equity interests that rejects a plan if the plan provides: (1) that each holder of an interest included in the rejecting class receive or retain on account of that interest property that has a value, as of the effective date of the plan, equal to the greater of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such Holder is entitled, or the value of such interest; or (2) that the holder of any interest that is junior to the interest of such class will not receive or retain under the plan on account of such junior interest any property at all.

At the Confirmation Hearing, the Debtors will request confirmation pursuant to section 1129(b) of the Bankruptcy Code with respect to each class of Claims or Interests that does not or is deemed not to have accepted the Plan. See Section X.B of the Disclosure Statement for a summary of those Claims deemed not to have accepted the Plan.

As described above, Holders of Claims and Interests in Class 7 and Class 8 will not receive or retain any property under the Plan on account of their Claims and Interests in such Classes. Accordingly, under section 1126(g) of the Bankruptcy Code, such classes are presumed to have rejected the Plan. The Debtors (a) request confirmation of the Plan under section 1129(b) of the Bankruptcy Code notwithstanding the deemed rejection of the Plan by Class 7 and Class 8 and (b) reserve the right to seek confirmation of the Plan under section 1129(b) of the Bankruptcy Code notwithstanding the rejection of the Plan by the other Classes of Claims. The Debtors believe that the Plan may be confirmed pursuant to the above-described "cramdown" provisions, over the dissent of certain Classes of Claims and Interests, in view of the treatment proposed for such Classes. The Debtors believe that the treatment under the Plan of the Holders of Claims and Interests in Class 7 and Class 8 satisfies the "fair and equitable" test since, although no distribution will be made in respect of Claims and Interests in such Classes and, as a

result, such classes will be deemed to have rejected the Plan, no class junior to such non-accepting Class will receive or retain any property under the Plan. In addition, the Debtors do not believe that the Plan unfairly discriminates against any dissenting Class because all dissenting Classes of equal rank are treated equally under the Plan.

G. Conditions to Confirmation and/or Consummation

1. Conditions to Confirmation

The following condition precedent to confirmation of the Plan may be satisfied or waived in accordance with Section 12.3 of the Plan and to the extent permitted under the Bankruptcy Code:

(a) The Bankruptcy Court shall have approved by Final Order a Disclosure Statement with respect to the Plan in form and substance reasonably acceptable to the Debtors.

(b) The Confirmation Order shall determine the approval of the substantive consolidation of the Chapter 11 Cases and Estates and shall in all other respects be in form and substance reasonably acceptable to the Debtors.

(c) The Confirmation Order shall approve the FDIC Treatment attached as Exhibit A to the Plan.

2. Conditions to Effective Date

The following are conditions precedent to the occurrence of the Effective Date:

(a) The Debtors shall have Cash on hand sufficient to fund the Cash Reserves and make any payments required to be paid under the Plan by the Debtors on or as soon as practicable after the Effective Date.

(b) The Confirmation Order shall be in form and substance acceptable to the Debtors and shall have been entered by the Bankruptcy Court and shall be a Final Order, and no request for revocation of the Confirmation Order under section 1144 of the Bankruptcy Code shall have been made or, if made, shall remain pending.

(c) All relevant transactions set forth in Article VII of the Plan will have been entered into and all conditions precedent to the consummation thereof will have been satisfied.

(d) Any order necessary to satisfy any condition to the effectiveness of the Plan will have become a Final Order, and all documents provided for under the Plan will have been executed and delivered by the parties thereto.

(e) The settlement agreement with the FDIC has not been materially amended or terminated.

H. Waiver of Conditions

The conditions set forth in Sections 12.1 and 12.2 of the Plan may be waived, in whole or in part, by the Debtors without notice or a hearing. The failure to satisfy or waive any condition to the Confirmation Date or the Effective Date may be asserted by the Debtors in their reasonable discretion based on the circumstances giving rise to the failure of such condition to be satisfied. The failure of the Debtors to exercise any of the foregoing rights will not be deemed a waiver of any other rights, and each such right will be deemed an ongoing right, which may be asserted at any time.

I. Retention of Jurisdiction

Pursuant to sections 105(c) and 1142 of the Bankruptcy Code and notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court will retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 11 Cases and the Plan to the fullest extent permitted by law, (but with respect to the FDIC, subject to the FDIC Treatment), including, among other things, jurisdiction to:

1. Allow, disallow, determine, liquidate, classify, estimate, or establish the priority or secured or unsecured status of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any objections to the allowance or priority of Claims or Interests;

2. Grant or deny any applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or the Plan for periods ending on or before the Effective Date;

3. Resolve any matters related to the assumption, assumption and assignment, or rejection of any executory contract or unexpired lease to which any of the Debtors is a party or with respect to which any of the Debtors may be liable and to hear, determine and, if necessary, liquidate any Claims arising therefrom;

4. Resolve any matters relating to the pre- and post-confirmation sales of the Debtors' assets;

5. Enforce, implement or clarify all orders, judgments, injunctions, and rulings entered by the Bankruptcy Court;

6. Ensure that distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;

7. Decide or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters and grant or deny any applications involving the Debtors that may be pending on the Effective Date;

8. Enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan, the Disclosure Statement, or the Confirmation Order, including the Liquidation Trust Agreement;

9. Resolve any cases, controversies, suits, or disputes that may arise in connection with the consummation, interpretation, or enforcement of the Plan or any contract, instrument, release, or other agreement or document that is executed or created pursuant to the Plan, including the Liquidation Trust Agreement, or any Person's rights arising from or obligations incurred in connection with the Plan or such documents;

10. Modify the Plan before or after the Effective Date pursuant to section 1127 of the Bankruptcy Code or modify the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with the Plan, the Disclosure Statement, or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with the Plan, the Disclosure Statement, or the Confirmation Order, including the Liquidation Trust Agreement, in such manner as may be necessary or appropriate to consummate the Plan;

11. Hear and determine all applications for compensation and reimbursement of expenses of Professionals under the Plan or under sections 330, 331 503(b), 1103, and 1129(c)(9) of the Bankruptcy Code, provided, however, that from and after the Effective Date the payment of fees and expenses of the Debtors will be made as set forth in Article XI of the Plan.

12. Issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any entity with consummation, implementation, or enforcement of the Plan or the Confirmation Order;

13. Hear and determine any other Causes of Action by or on behalf of the Debtors;

14. Hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

15. Enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason or in any respect modified, stayed, reversed, revoked, or vacated or distributions pursuant to the Plan are enjoined or stayed;

16. Determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with the Plan, the Disclosure Statement, or the Confirmation Order, including the Liquidation Trust Agreement;

17. Enforce all orders, judgments, injunctions, releases, exculpations, indemnifications, and rulings entered in connection with the Chapter 11 Cases;

18. Hear and determine all matters related to (i) the property of the Estate from and after the Confirmation Date, (ii) the winding up of the Debtors' affairs, and (iii) the activities of the Debtors, including (A) challenges to or approvals of the Debtors' activities, (B) resignation, incapacity, or removal of the Liquidation Trust Administrator and selection of a successor Liquidation Trust Administrator, (C) reporting by, termination of, and accounting by the Debtors, and (D) release of the Liquidation Trust Administrator from its duties;

19. Hear and determine disputes with respect to compensation of the Debtors' professional advisors;

20. Hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under the Bankruptcy Code;

21. Adjudicate any and all Causes of Action, adversary proceedings, applications, and contested matters that have been or hereafter are commenced or maintained in or in connection with the Chapter 11 Cases or the Plan, including, without limitation, any adversary proceeding or contested matter, proceedings to adjudicate the allowance of Disputed Claims, and all controversies and issues arising from or relating to any of the foregoing;

22. Hear and determine all matters relating to the enforcement and interpretation of Section 14.4 of the Plan;

23. Hear and determine all matters involving Claims or Causes of Action involving the Debtors or their property; and

24. Enter an order closing the Chapter 11 Cases.

Notwithstanding anything contained herein to the contrary, the Bankruptcy Court retains exclusive jurisdiction to hear and determine disputes concerning (i) Claims or (ii) Causes of Action and any motions to compromise or settle such disputes. Despite the foregoing, if the Bankruptcy Court is determined not to have jurisdiction with respect to the foregoing, or if the Debtors choose to pursue any Claim or Cause of Action (as applicable) in another court of competent jurisdiction, the Debtors will have authority to bring such action in any other court of competent jurisdiction.

IX. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtors believe that the Plan affords Holders of Claims the potential for the greatest realization on the Debtors' assets and, therefore, is in the best interests of such Holders.

If the Plan is not confirmed, however, the theoretical alternatives include (a) continuation of the pending Chapter 11 Cases, (b) an alternative chapter 11 plan or plans of liquidation proposed at a later date (that if it does not include the FDIC Treatment will likely be after all material litigation with the FDIC has been finally adjudicated or settled, resulting in long delays until distributions are made), or (c) liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

Since the Debtors have no ongoing operations, the alternatives to the Plan are very limited and not likely to benefit creditors.

A. Continuation of the Chapter 11 Cases

If the Debtors remain in Chapter 11, the Debtors could continue to wind down their businesses and liquidate their remaining properties as Debtor in Possession, but it would remain subject to the restrictions imposed by the Bankruptcy Code. Ultimately, the Debtors (or other parties in interest) could propose another plan or liquidate under Chapter 7. But the Debtors would continue to incur costs of remaining in bankruptcy until any such alternative plan could be proposed or while (and after) the case was being converted to a chapter 7.

B. Alternative Chapter 11 Plans

If the Plan is not confirmed, the Debtors, or, if the Bankruptcy Court did not grant further extensions of the Debtors' exclusive period in which to solicit a chapter 11 plan, any other party in interest in the Chapter 11 Cases, could attempt to formulate and propose a different plan or plans seeking to liquidate the Debtors' assets. The Debtors believe that the Plan provides the best return for all stakeholders. Moreover, any plan that does not resolve the FDIC Claim would result in more delay, uncertainty, and costs to the Debtors' estates. Although, absent the FDIC Treatment, the Debtors do not believe the FDIC Claim should be Allowed, if it were Allowed, depending on its priority, it could result in the FDIC reaping the benefit of all, or substantially all of the remaining assets of the Estates, leaving Holders of General Unsecured Claims with little or no distribution.

In addition, the Plan has been developed after several months of analysis to produce a structure for liquidating the Debtors' assets as quickly and efficiently as possible, while minimizing the Debtors' time in bankruptcy, all to the benefit of all creditors. There is little possibility that consensual, viable alternatives could be proposed and confirmed, especially considering that the FDIC Treatment only came about after months of negotiations with the FDIC.

The Plan establishes a framework and vehicle for the settlement of claims and the prompt distribution of Estate Property to Holders of Claims at the time when barriers to such distribution have been eliminated, whether as the result of entry of final orders in litigation, approved settlements, or claims estimation by the Bankruptcy Court. It also allows the Debtors to have an exit strategy, so that they are only in bankruptcy for as long as needed to implement the foregoing structure.

C. Liquidation Under Chapter 7

If no plan is confirmed, the Debtors' Chapter 11 Cases may be converted to a case under Chapter 7 of the Bankruptcy Code. As noted above, in a Chapter 7 case, a trustee or trustees would be appointed to liquidate the assets of the Debtors. It is impossible to predict precisely how the proceeds of the liquidation would be distributed to the respective Holders of Claims.

The Debtors believe, after considering all relevant factors in these Chapter 11 Cases, that all Impaired Classes will receive under the Plan property of a value that is at least as much as (and very likely more than) they would receive in a chapter 7 liquidation.

The Debtors believe that in liquidation under Chapter 7, before creditors receive any distribution, additional administrative expenses involved in the appointment of a trustee or trustees and attorneys, accountants, and other professionals to assist such trustees would cause a substantial diminution in the value of the Estates. The assets available for distribution to creditors would be reduced by such additional expenses, as well as the loss of the institutional knowledge of the Debtors' remaining officers and the benefit that such continuity provides. Consequently, there is little likelihood that a chapter 7 liquidation would produce any costs savings and likely would increase costs due to the chapter 7 trustee's unfamiliarity with the Debtors and pending claims brought by and against the Debtors. To react quickly and cost-effectively, a chapter 7 trustee would have to overcome substantial hurdles at the outset, including understanding the relationship between the Debtors and their affiliates.

Furthermore, key components of the Plan, including the FDIC Treatment, would likely not occur in a chapter 7 liquidation. Accordingly, the Debtors believe the Holders of Allowed General Unsecured Claims would receive less than anticipated under the Plan if the Chapter 11 Cases were converted to chapter 7 cases.

X. VOTING REQUIREMENTS

On April 16, 2012, the Bankruptcy Court entered the Solicitation Procedures Order approving, among other things, the Disclosure Statement, setting voting procedures, and scheduling the hearing on confirmation of the Plan. A copy of the Notice of Confirmation Hearing is enclosed with the Disclosure Statement. The Notice of the Confirmation Hearing sets forth in detail, among other things, the voting deadlines and objection deadlines. The Notice of Confirmation Hearing and the instructions attached to the Ballot should be read in connection with this section of the Disclosure Statement.

If you are the Holder of a Claim entitled to vote on the Plan and you have any questions about (a) the procedure for voting your Claim, (b) the packet of materials that you have received, or (c) the amount of your Claim, or if you wish to obtain, at your own expense, unless otherwise specifically required by Federal Rule of Bankruptcy Procedure 3017(d), an additional copy of the Plan, the Disclosure Statement, or any appendices or exhibits to such documents, please contact GCG, at the following address:

SBK Bankruptcy Administration,
c/o GCG
P.O. Box 9855
Dublin, Ohio 43017-5755
Phone: 1-888-421-9899

The Bankruptcy Court may confirm the Plan only if it determines that the Plan complies with the technical requirements of Chapter 11 of the Bankruptcy Code and that the disclosures by the Debtors concerning the Plan have been adequate and have included information concerning all payments made or promised by the Debtor in connection with the Plan and the Chapter 11 Case. In addition, the Bankruptcy Court must determine that the Plan has been proposed in good faith and not by any means forbidden by law and, under Bankruptcy Rule 3020(b)(2), it may do so without receiving evidence if no objection is timely filed.

In particular, the Bankruptcy Code requires the Bankruptcy Court to find, among other things, that (a) the Plan has been accepted by the requisite votes of all Classes of Impaired Claims and Interests unless approval will be sought under section 1129(b) of the Bankruptcy Code in spite of the dissent of one or more such Classes, (b) the Plan is "feasible" under section 1129(a)(11) of the Bankruptcy Code, and (c) the Plan is in the "best interests" of all Claim Holders, which means that such Holders will receive at least as much under the Plan as they would receive in a liquidation under Chapter 7 of the Bankruptcy Code. The Bankruptcy Court must find that all conditions mentioned above are met before it can confirm the Plan. Thus, even if all the Classes of Impaired Claims against the Debtors accept the Plan by the requisite votes, the Bankruptcy Court must make an independent finding that the Plan conforms to the requirements of the Bankruptcy Code, that the Plan is feasible, and that the Plan is in the best interests of the Holders of Claims against the Debtors. These statutory conditions to confirmation are discussed above.

UNLESS THE BALLOT OR MASTER BALLOT BEING FURNISHED IS TIMELY SUBMITTED TO THE VOTING AGENT ON OR PRIOR TO THE VOTING DEADLINE TOGETHER WITH ANY OTHER DOCUMENTS REQUIRED BY SUCH BALLOT, THE DISCLOSURE STATEMENT ORDER PROVIDES FOR THE REJECTION OF SUCH BALLOT AS INVALID. IN NO CASE SHOULD A BALLOT BE DELIVERED TO THE DEBTORS OR ANY OF THEIR ADVISORS.

THE BANKRUPTCY COURT, IN THIS CASE, HAS ADOPTED A PRESUMPTION THAT IF THERE ARE NO VOTES CAST IN A PARTICULAR CLASS ENTITLED TO VOTE ON THE PLAN, THEN THE PLAN WILL BE DEEMED

ACCEPTED BY SUCH CLASS. ACCORDINGLY, IF YOU DO NOT WISH SUCH A PRESUMPTION WITH RESPECT TO ANY CLASS FOR WHICH YOU HOLD CLAIMS OR INTERESTS TO BECOME EFFECTIVE, YOU SHOULD TIMELY SUBMIT A BALLOT ACCEPTING OR REJECTING THE PLAN FOR ANY SUCH CLASS.

A. Parties in Interest Entitled to Vote

Under section 1124 of the Bankruptcy Code, a class of claims is deemed to be "impaired" under a plan unless (1) the plan leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the Holder thereof, or (2) notwithstanding any legal right to an accelerated payment of such claim or interest, the plan cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such claim or interest as it existed before the default.

In general, a Holder of a claim or interest may vote to accept or to reject a plan if (1) the claim or interest is "allowed" for voting purposes, which means generally that no party in interest has objected to such claim or interest as of the Voting Deadline, and (2) the claim or interest is impaired by the Plan. If the Holder of an impaired claim or interest will not receive any distribution under the plan in respect of such claim or interest, the Bankruptcy Code deems such Holder to have rejected the plan. If the claim or interest is not impaired, the Bankruptcy Code deems that the Holder of such claim or interest has accepted the plan and the plan proponent need not solicit such Holder's vote.

The Holder of a Claim against the Debtors that is "impaired" under the Plan is entitled to vote to accept or reject the Plan if (1) the Plan provides for a distribution in respect of such Claim, and (2) (a) the Claim has been scheduled by the Debtors (and such claim is not scheduled as disputed, contingent or unliquidated), or (b) it has filed a proof of claim on or before the bar date applicable to such Holder, pursuant to sections 502(a) and 1126(a) of the Bankruptcy Code and Federal Rules of Bankruptcy Procedure 3003 and 3018. Any Claim as to which an objection has been timely filed and has not been withdrawn or dismissed is not entitled to vote, except to the extent that a portion of such Claim has not been objected to, unless the Bankruptcy Court, pursuant to Federal Rule of Bankruptcy Procedure 3018(a), upon application of the Holder of the Claim with respect to which there has been an objection, temporarily allows the Claim in an amount that the Bankruptcy Court deems proper for the purpose of accepting or rejecting the Plan.

A vote may be disregarded if the Bankruptcy Court determines, pursuant to section 1126(e) of the Bankruptcy Code, that it was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code. The Disclosure Statement Order also sets forth assumptions and procedures for tabulating Ballots that are not completed fully or correctly.

THE BANKRUPTCY COURT, IN THIS CASE, HAS ADOPTED A PRESUMPTION THAT IF THERE ARE NO VOTES CAST IN A PARTICULAR CLASS

ENTITLED TO VOTE ON THE PLAN, THEN THE PLAN WILL BE DEEMED ACCEPTED BY SUCH CLASS. ACCORDINGLY, IF YOU DO NOT WISH SUCH A PRESUMPTION WITH RESPECT TO ANY CLASS FOR WHICH YOU HOLD CLAIMS OR INTERESTS TO BECOME EFFECTIVE, YOU SHOULD TIMELY SUBMIT A BALLOT ACCEPTING OR REJECTING THE PLAN FOR ANY SUCH CLASS.

B. Classes Impaired Under the Plan

1. Voting Impaired Classes of Claims

The following Classes are Impaired under, and entitled to vote on, the Plan:

Class 3 (FDIC Claims)
Class 4 (Senior Indebtedness Claims)
Class 5 (General Unsecured Claims)
Class 6 (Subordinated Note Claims)

2. Non-Voting Impaired Classes of Claims and Interests

The Classes listed below are not entitled to receive or retain any property under the Plan. Under section 1126(g) of the Bankruptcy Code, Claim Holders and Interest Holders in such Classes are deemed to reject the Plan, and the votes of such Claim Holders and Interest Holders will not be solicited.

Class 7 (Other Subordinated Claims)
Class 8 (Old Equity Interests)

3. Unimpaired Classes of Claims

The Classes of Claims listed below are Unimpaired under the Plan and deemed under section 1126(f) of the Bankruptcy Code to have accepted the Plan. Their votes to accept or reject the Plan will not be solicited. Acceptances of the Plan are being solicited only from those who hold Claims in an Impaired Class whose members will receive a distribution under the Plan.

Class 1 (Secured Claims)
Class 2 (Non-Tax Priority Claims)

XI. CONCLUSION

The Disclosure Statement was approved by the Bankruptcy Court after notice and a hearing. The Bankruptcy Court has determined that the Disclosure Statement contains

information adequate to permit Claim Holders and Interest Holders to make an informed judgment about the Plan. Such approval, however, does not mean that the Bankruptcy Court recommends either acceptance or rejection of the Plan.

A. Hearing on and Objections to Confirmation

1. Confirmation Hearing

The hearing on confirmation of the Plan has been scheduled for **June 13, 2012, in Courtroom 613, at 10:30 a.m.** (prevailing Central Time) at the Bankruptcy Court. Such hearing may be adjourned from time to time by announcing such adjournment in open court, all without further notice to parties in interest, and the Plan may be modified by the Debtors pursuant to section 1127 of the Bankruptcy Code prior to, during, or as a result of that hearing, without further notice to parties in interest. At the Confirmation Hearing, the Debtors will present the results of the voting on the Plan, and the Bankruptcy Court will consider all conditions precedent to confirmation of the Plan under the Bankruptcy Code, as well as any objections to the Plan that are timely Filed.

2. Date Set for Filing Objections to Confirmation

The time by which all objections to confirmation of the Plan must be Filed with the Bankruptcy Court and received by the parties listed in the Confirmation Hearing Notice has been set for **May 30, 2012, at 5:00 p.m.** (prevailing Central Time). A copy of the Confirmation Hearing Notice has been provided with the Disclosure Statement.

B. Recommendation

The Plan provides for an equitable and timely distribution to the Debtors' Creditors. The Debtors believe that any alternative to confirmation of the Plan, such as liquidation or attempts by another party in interest to file a plan, could result in significant delays, litigation, and costs. Moreover, the Debtors believe that creditors will receive greater and earlier recoveries under the Plan than those that would be achieved in a Chapter 7 liquidation, and thus the Debtors believe the Plan is in the best interest of all Holders of Claims.

THE DEBTORS BELIEVE THAT THE PLAN PROVIDES THE BEST RECOVERIES POSSIBLE FOR THE HOLDERS OF CLAIMS AGAINST THE DEBTORS. ACCORDINGLY, THE DEBTORS STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

BECAUSE THE CREDITORS' COMMITTEE WAS JUST RECENTLY FORMED, THE CREDITORS' COMMITTEE HAS NOT YET EXPRESSED A VIEW ON THE PLAN. IT HAS RESERVED ALL OF ITS RIGHTS.

THE DEBTORS AND THEIR ADVISORS HAVE SUPPLIED ALL REQUESTED INFORMATION TO THE CREDITORS' COMMITTEE AND MADE MANAGEMENT AVAILABLE TO CONSULT WITH THE CREDITORS' COMMITTEE AND ITS ADVISORS.

Dated: Chicago, Illinois
April 16, 2012

Respectfully submitted,

THE SHOREBANK CORPORATION
(for itself and on behalf of the Affiliate Debtors)

By: */s/ George P. Surgeon*
Name: George P. Surgeon
Title: President and CEO, The ShoreBank Corporation

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and Debtors-in-Possession

APPENDIX A

AMENDED JOINT PLAN OF LIQUIDATION OF THE SHOREBANK CORPORATION AND ITS AFFILIATED DEBTORS