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COUNSEL FOR DEBTORS AND DEBTORS IN POSSESSION

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In re:	§	**Chapter 11 Cases**
	§	
R.E. LOANS, LLC,	§	**Case No. 11-35865-BJH**
R.E. FUTURE, LLC,	§	
CAPITAL SALVAGE, a California corporation,	§	**(Jointly Administered)**
	§	
	§	
Debtors.	§	

DISCLOSURE STATEMENT FOR THE DEBTORS' JOINT CHAPTER 11 PLAN OF REORGANIZATION

NOTICE

THE BANKRUPTCY COURT HAS NOT YET APPROVED THIS DISCLOSURE STATEMENT PURSUANT TO 11 U.S.C. § 1125. THEREFORE, IT IS NOT TO BE RELIED UPON OR USED IN CONNECTION WITH THE SOLICITATION OF VOTES FOR OR AGAINST ANY CHAPTER 11 PLAN FILED IN THE BANKRUPTCY

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The chapter 11 debtors are R.E. Loans, LLC, a California limited liability company ("**R.E. Loans**"), Capital Salvage, a California corporation ("**Capital Salvage**"), and R.E. Future, LLC, a California limited liability company ("**R.E. Future**" collectively with R.E. Loans and Capital Salvage, the "**Debtors**"). The Debtors submit this Disclosure Statement in connection with the solicitation of acceptances and rejections with respect to the Debtors' Joint Chapter 11 Plan of Reorganization (as amended, the "**Plan**"), a copy of which is attached hereto as **Exhibit "A"**. Capitalized terms used and not otherwise defined herein will have the same meanings as ascribed to them in the Plan.

The purpose of this Disclosure Statement is to set forth such information regarding the history of the Debtors, their businesses, the chapter 11 Cases, and the Plan to enable the holders of Claims who are entitled to vote on the Plan to make an informed judgment regarding whether they should vote to accept or reject the Plan.

By Order dated _____, 2012 (the "**Disclosure Statement Order**"), the Court, after notice and a hearing, approved this Disclosure Statement as containing "adequate information" to permit affected Creditors to make an informed judgment in exercising their rights to vote to accept or reject the Plan, and authorized its use in connection with the solicitation of votes with respect to the Plan. THE COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT MEAN THAT THE COURT RECOMMENDS EITHER ACCEPTANCE OR REJECTION OF THE PLAN. No solicitation of votes may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. In voting on the Plan, Creditors should not rely on any information relating to the Debtors, other than that contained in this Disclosure Statement, the Plan, and all exhibits hereto and thereto, or such other materials approved by the Court.

The Plan divides Creditors and Holders of Interests into Classes based on their legal rights and interests and provides for the satisfaction of Claims from the Debtors' Assets. The Holders of Interests in R.E. Loans will not receive or retain anything on account of their Interests and the equity in the successor to R.E. Loans, hereinafter referred to as "NewCo" will

be transferred to the Liquidating Trust for the benefit of the Debtors' creditors. NewCo will also acquire all of the REO Property currently owned by Capital Salvage and R.E. Future, each of which owns some of the REO Property on which R.E. Loans has previously foreclosed, subject to the Liens provided for in the Plan.

Only Holders of Claims or Interests Allowed under section 502 of the Bankruptcy Code, or temporarily allowed for voting purposes under Bankruptcy Rule 3018, whose Claims or Interests are in those Classes of Claims that are "impaired" (as defined in section 1124 of the Bankruptcy Code) under the Plan are entitled to vote to accept or reject the Plan. A Class is Impaired if the legal, equitable, or contractual rights of the Claims or Interests in the Class are altered. Classes of Claims that are not Impaired are conclusively presumed to have voted to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code and, therefore, are not entitled to vote on the Plan. The following charts summarize which Classes of Claims and Interests are Impaired and which Classes of Claims are Unimpaired under the Plan.

CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

The Plan classifies Claims and Interests—except for Administrative Claims and Priority Tax Claims, which are not classified—for all purposes, including voting, Confirmation, and distribution under the Plan. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest falls within the Class description. To the extent that part of the Claim or Interest falls within a different Class description, that portion of the Claim or Interest is classified in that different Class. The following table summarizes the Classes of Claims and Interests under the Plan:

Class	Description	Status	Entitled to Vote?
Claims and Interests against R.E. Loans are classified as follows:			
REL 1	Prepetition Lender Claims	Impaired	Yes
REL 2	Other Secured Claims	Unimpaired	No
REL 3	Secured Tax Claims	Impaired	Yes
REL 4	Noteholders' Secured Claims	Impaired	Yes

Class	Description	Status	Entitled to Vote?
REL 5	Priority Non-Tax Claims	Impaired	Yes
REL 6	General Unsecured Claims	Impaired	Yes
REL 7	Intercompany Claims	Impaired	No
REL 8	Subordinated Claims	Impaired	Yes
REL 9	Interests in R.E. Loans	Impaired	No
Claims and Interests against Capital Salvage are classified as follows:			
CS 1	Prepetition Lender Claims	Impaired	Yes
CS 2	Other Secured Claims	Unimpaired	No
CS 3	Secured Tax Claims	Impaired	Yes
CS 4	Priority Non-Tax Claims	Impaired	Yes
CS 5	General Unsecured Claims	Impaired	Yes
CS 6	Intercompany Claims	Impaired	No
CS 7	Subordinated Claims	Impaired	No
CS 8	Interests in Capital Salvage	Impaired	No
Claims and Interests against R.E. Future are classified as follows:			
REF 1	Prepetition Lender Claims	Impaired	Yes
REF 2	Other Secured Claims	Unimpaired	No
REF 3	Secured Tax Claims	Impaired	Yes
REF 4	Priority Non-Tax Claims	Impaired	Yes
REF 5	General Unsecured Claims	Impaired	Yes
REF 6	Intercompany Claims	Impaired	No
REF 7	Subordinated Claims	Impaired	No
REF 8	Interests in R.E. Future	Impaired	No

For convenience, collective references to all three Classes of a given type of Claim are referred to collectively by number alone. Thus, for example, a reference to "all Class 2 Claims" refers collectively to all Claims in Classes REL 2, REF 2 and CS 2.

If you are a Holder of a Claim in an impaired Class, accompanying this Disclosure Statement is a Ballot for casting your vote(s) on the Plan and a pre-addressed envelope for the return of the Ballot. BALLOTS FOR ACCEPTANCE OR REJECTION OF THE PLAN ARE BEING PROVIDED ONLY TO HOLDERS OF CLAIMS AND INTERESTS IN CLASSES LISTED IN THE ABOVE CHART WHICH ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN. If you are the holder of a Claim or Interest in said Class(es), and (a) did not receive a Ballot, (b) received a damaged or illegible Ballot, or (c) lost

your Ballot, or if you are a party in interest and have any questions concerning this Disclosure Statement, any of the Exhibits hereto, the Plan, or the voting procedures in respect thereof, please contact Stutman, Treister & Glatt Professional Corporation, Attn: Kendra Johnson, 1901 Avenue of the Stars, 12th Floor, Los Angeles, California 90067; Telephone: (310) 228-5600; E-mail: kjohnson@stutman.com.

THE DEBTORS, AS PROPONENTS OF THE PLAN, RECOMMEND THAT THE HOLDERS OF CLAIMS IN EVERY CLASS ENTITLED TO VOTE, VOTE TO ACCEPT THE PLAN.

VOTING ON THE PLAN, BY EACH HOLDER OF A CLAIM, IS IMPORTANT. EACH SUCH CREDITOR SHOULD READ THIS DISCLOSURE STATEMENT WITH ITS EXHIBITS, INCLUDING THE PLAN, IN ITS ENTIRETY. AFTER CAREFULLY REVIEWING THESE DOCUMENTS, PLEASE FOLLOW THE DIRECTIONS FOR VOTING CONTAINED ON THE BALLOT, AND RETURN THE BALLOT IN THE ENVELOPE PROVIDED. TO BE COUNTED, YOUR BALLOT MUST BE RECEIVED BY _____, 2012, AT 5:00 P.M. (THE "**VOTING DEADLINE**") AT THE ADDRESS SET FORTH ON THE PRE-ADDRESSED ENVELOPE ENCLOSED WITH YOUR BALLOT.

Votes cannot be transmitted orally or by e-mail. Accordingly, you are urged to return your signed and completed Ballot promptly. Ballots not received by the Voting Deadline and unsigned Ballots will not be counted. Any executed Ballots that are timely received, but which do not indicate either an acceptance or rejection of the Plan, will be deemed to constitute an acceptance of the Plan.

The Court has scheduled a hearing on confirmation of the Plan for _____, 2012 at ___:_____ __.m. (Central Time) at the United States Bankruptcy Court for the Northern District of Texas, Dallas Division, 14th floor, Courtroom 2, 1100 Commerce Street, Dallas, Texas 75252-1496. Any objections to confirmation of the Plan must be in writing and filed with the Court, and served so as to be received by 5:00 p.m. (Central Time) on _____, 2011, upon the following: (1) counsel to the Debtors, Stutman, Treister &

Glatt, 1901 Avenue of the Stars, 12th Floor, Los Angeles, California 90067, Attn: Jeffrey C. Krause; (2) counsel to the Debtors, Gardere Wynne Sewell LLP, 3000 Thanksgiving Tower, 1601 Elm Street, Dallas, Texas 75201-4761, Attn: Holland Neff O'Neil; (3) Office of the United States Trustee, Earl Cabell Federal Building, 1100 Commerce Street, Room 976, Dallas, Texas 75242; (4) counsel to Wells Fargo, David Weitman, K&L Gates LLP, 1717 Main Street, Suite 2800, Dallas, Texas 75201; and (5) counsel to the Official Committee of Noteholders, Charles R. Gibbs, Akin Gump Strauss Hauer & Feld LLP, 1700 Pacific Avenue, Suite 4100, Dallas, Texas 75201.

I.

DISCLAIMER

THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN. PLEASE READ THIS DOCUMENT WITH CARE. THE PURPOSE OF THIS DISCLOSURE STATEMENT IS TO PROVIDE "ADEQUATE INFORMATION" OF A KIND, AND IN SUFFICIENT DETAIL, AS FAR AS IS REASONABLY PRACTICABLE IN LIGHT OF THE NATURE AND HISTORY OF THE DEBTORS AND THE CONDITION OF THE DEBTORS' BOOKS AND RECORDS, THAT WOULD ENABLE A HYPOTHETICAL REASONABLE INVESTOR, TYPICAL OF HOLDERS OF CLAIMS OR INTERESTS OF THE RELEVANT CLASS, TO MAKE AN INFORMED JUDGMENT CONCERNING THE PLAN. SEE 11 U.S.C. § 1125(a). UNLESS OTHERWISE INDICATED, THE DATE OF ALL OF THE FINANCIAL INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT IS AS OF DECEMBER 31, 2011.

FOR THE CONVENIENCE OF CREDITORS AND INTEREST HOLDERS, THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN, BUT THE PLAN ITSELF QUALIFIES ANY SUMMARY. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN ARE CONTROLLING.

NO REPRESENTATIONS CONCERNING THE DEBTORS, THEIR FINANCIAL CONDITION, OR ANY ASPECT OF THE PLAN ARE AUTHORIZED BY THE DEBTORS, OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE, WHICH ARE OTHER THAN AS CONTAINED IN, OR INCLUDED WITH, THIS DISCLOSURE STATEMENT, SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION.

THE FINANCIAL INFORMATION CONTAINED HEREIN, UNLESS OTHERWISE INDICATED, IS UNAUDITED. THE DEBTORS ARE UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT INACCURACIES. GREAT EFFORT, HOWEVER, HAS BEEN MADE TO ENSURE THAT ALL SUCH INFORMATION IS PRESENTED FAIRLY.

ALTHOUGH A COPY OF THIS DISCLOSURE STATEMENT HAS BEEN SERVED ON THE SECURITIES AND EXCHANGE COMMISSION ("**SEC**") AND THE SEC HAS BEEN GIVEN AN OPPORTUNITY TO OBJECT TO THE ADEQUACY OF THIS DISCLOSURE STATEMENT, THIS DISCLOSURE STATEMENT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR APPLICABLE STATE SECURITIES LAWS. NEITHER THE SEC NOR ANY STATE REGULATORY AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT, THE EXHIBITS HERETO, OR THE STATEMENTS CONTAINED HEREIN.

THE CONTENTS OF THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED AS LEGAL, BUSINESS, OR TAX ADVICE. ANY TAX ADVICE HEREIN WAS NOT INTENDED TO BE USED, AND IT CANNOT BE USED, FOR THE PURPOSE OF AVOIDING ANY TAX PENALTIES THAT MAY BE IMPOSED ON ANY PERSON. THERE IS NO LIMITATION IMPOSED ON ANYONE READING THIS DISCLOSURE STATEMENT ON DISCLOSURE OF THE TAX TREATMENT OR TAX STRUCTURE OF

ANY TRANSACTION. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE USED OR REFERRED TO IN PROMOTING, MARKETING OR RECOMMENDING A PARTNERSHIP OR OTHER ENTITY, INVESTMENT PLAN, OR ARRANGEMENT TO ANY PERSON. ALL CREDITORS AND/OR INTEREST HOLDERS SHOULD CONSULT THEIR OWN LEGAL COUNSEL AND/OR ACCOUNTANT(S) AS TO LEGAL, TAX, AND OTHER MATTERS CONCERNING THEIR CLAIMS OR INTERESTS.

II.

OVERVIEW OF THE CHAPTER 11 PROCESS AND THE PLAN

A. The Chapter 11 Process.

Chapter 11 of the Bankruptcy Code contains numerous provisions, the general effect of which is to provide debtors with "breathing space" within which to propose a restructuring of their obligations to third parties. The filing of a chapter 11 bankruptcy petition creates a bankruptcy "estate" comprising all of the property interests of the debtor. Unless a trustee is appointed by the Court for cause (no trustee has been appointed in these Cases), a debtor remains in possession and control of all its assets as a "debtor in possession." The debtor may continue to operate its business in the ordinary course on a day-to-day basis without Court approval. Court approval is only required for various enumerated kinds of transactions (such as certain financing transactions) and transactions out of the ordinary course of a debtor's business. The filing of the bankruptcy petition gives rise to what is known as the "automatic stay" which, generally, enjoins creditors from taking any action to collect or recover obligations owed by a debtor prior to the commencement of a chapter 11 case. The Court can, however, grant relief from the automatic stay, under certain specified conditions or for cause.

A chapter 11 debtor may propose a plan providing for the reorganization of the debtor. A plan may either be consensual or non-consensual and provides, among other things, for the treatment of the claims of creditors and interests of equity holders.

B. Overview of the Debtors' Proposed Joint Plan.

The following is a brief overview of the material provisions of the Plan and is qualified in its entirety by reference to the full text of the Plan. For a more detailed description of the terms and provisions of the Plan, see Article IV below, entitled "The Chapter 11 Plan."

The Plan that is described in this Disclosure Statement is a reorganization Plan. The Plan is intended to maximize the recoveries of Creditors by (1) transferring all Assets of the Debtors, other than Causes of Action, to NewCo, (2) issuing the New Members Interest in NewCo to the Liquidating Trust for the benefit of Creditors, and (3) transferring the Causes of Action to the Liquidating Trust, which shall investigate and prosecute or settle such Causes of Action and distribute the proceeds thereof to the Beneficiaries. The Liquidating Trustee will be an independent third party approved by the Court.

The Plan designates three series of Classes of Claims and Interests (one for each Debtor), which include all Claims against, and Interests in each of the Debtors. These Classes take into account the differing nature and priority under the Bankruptcy Code of the various Claims against and Interests in the Debtors.

The following table (the "**Plan Summary Table**") summarizes the treatment of Claims and Interests under the Plan. The Debtors reserve the right to dispute the validity or amount of any Claim or Interest that has not already been Allowed by the Court or by agreement of the parties.

No representation can be, or is being, made with respect to the estimated Allowed amount of Claims in each Class is accurate. The Debtors have not attempted to estimate the percentage recoveries for each Class, because the percentage recoveries for Noteholders and General Unsecured Creditors will be impacted by the fundamental question of whether the Noteholders' Claims are subordinated to General Unsecured Creditors, which has not yet been resolved.

SUMMARY OF CLAIMS AND INTERESTS UNDER THE PLAN

Class	Claim/Interest	Treatment
n/a	Administrative Claims against all Debtors	Each holder of an Allowed Administrative Claim shall receive Cash in an amount equal to such Allowed Administrative Claim on the later of (i) the Effective Date, and (ii) the fifteenth (15th) Business Day after such Administrative Claim becomes an Allowed Administrative Claim; provided, however, that Ordinary Course Administrative Claims will be paid in accordance with the terms and conditions of the particular transactions.
	DIP Financing Facility Claims	Wells Fargo, as the Holder of the Allowed DIP Financing Facility Claims, shall be indefeasibly paid in full in cash on the Effective Date from the proceeds of the Exit Facility.
n/a	Priority Tax Claims against all Debtors	The Debtors do not believe that there are any Priority Tax Claims against the Debtors. Except to the extent that a Holder of an Allowed Priority Tax Claim has been paid by the Debtors before the Effective Date, each Holder of an Allowed Priority Tax Claim shall receive Cash in an amount equal to such Allowed Priority Tax Claim on the later of (i) the Effective Date and (ii) the fifteenth (15th) Business Day after such Priority Tax Claim becomes an Allowed Priority Tax Claim.
REL	**CLASSES**	
REL Class 1	Wells Fargo R.E. Loans Secured Claims	Wells Fargo, as the Holder of the REL Class 1 Claims, shall be refinanced and deemed to be indefeasibly paid in full in cash on the Effective Date through the Exit Facility. At this time, the Debtors anticipate that Wells Fargo will provide the Exit Facility on such terms and conditions as are acceptable in writing to Wells Fargo and NewCo. The Debtors reserve the right to modify the Plan to provide for an Exit Facility that is provided by a third party lender.
REL Class 2	R.E. Loans Other Secured Claims	The Debtors believe there are no Allowed Claims in REL Class 2. If any such Claims exist, they will not be impaired under the Plan.
REL Class 3	R.E. Loans Secured Tax Claims	Allowed REL Class 3 Claims will retain their Liens and will be paid interest only on a quarterly basis following the Effective Date of the Plan until the five (5) year anniversary of the Plan, at which time the entire principal balance will be all due and payable. As REO Property that secures Allowed REL Class 3 Claims is sold, the entire balance of each REL Class 3 Claim secured by each REO Property sold shall be paid in full in Cash from the sales proceeds securing the payment of the respective Allowed REL Class 3 Claims.
REL Class 4	R.E. Loans Noteholders' secured Claims (limited to residual value of	There will be no claims in REL Class 4 if the Noteholders' Claims are subordinated into REL Class 7. If the Noteholders' Claims are subordinated, they will receive the treatment described below under REL Class 7. If they are not subordinated, the Allowed REL Class 4 Claim of each Noteholder shall be equal to its *pro rata* share of the REL Class 4

Class	Claim/Interest	Treatment
	Collateral after deducting senior Liens)	Collateral Value. The Allowed REL Class 4 Claims will be limited to the REL Class 4 Collateral Value, which is much less than the current balance owing to the Noteholders. Allowed REL Class 4 Claims will be paid through a New Second Lien Note executed by NewCo in favor of the Liquidating Trustee in the face amount of the REL Class 4 Collateral Value, which shall replace the individual existing Notes held by the Noteholders. Each Noteholder will also be entitled to an REL Class 6 Claim for the amount owing to that Noteholder as of the Petition Date, minus its Pro Rata Share of the New Second Lien Note. The Collateral Agent will be appointed to administer the New Second Priority Security Interest and the New Second Lien Note, if any. NewCo will have the absolute right to sell the Collateral free and clear of the New Second Priority Security Interest securing the payment of the New Second Lien Note, with the sales proceeds payable to the Exit Facility Lenders to reduce the amounts owed under the Exit Facility, together with Secured Tax Claims. There will be no distributions to Holders of Allowed REL Class 4 Claims until the Exit Facility is indefeasibly paid in full in cash. The New Second Lien Note will accrue interest at the rate of 8% per annum from the Effective Date until it is paid in full. As the REL Class 4 Collateral is liquidated and Secured Tax Claims are paid, and after the Exit Facility is indefeasibly paid in full in cash in accordance with the Exit Facility Loan Documents, the New Second Lien Note will be paid from the disposition proceeds. The New Second Lien Note will be all due and payable five (5) years after the Effective Date.
REL Class 5	R.E. Loans Priority Non-Tax Claims	The Debtors believe that there are no REL Class 5 Claims. Each R.E. Loans Allowed Priority Non-Tax Claim will be paid in Cash in full the amount of the R. E. Loans Allowed Priority Non-Tax Claim on the later of (i) the Effective Date and (ii) the fifteenth (15^{th}) Business Day after such date that the Claim becomes an R.E. Loans Allowed Priority Non-Tax Claim.
REL Class 6	R.E. Loans General Unsecured Claims	Each holder of an R.E. Loans Allowed General Unsecured Claim shall receive a Beneficial Interest, based on which it shall receive from the Liquidating Trust a *Pro Rata* Distribution of the net Trust Proceeds. The Liquidating Trustee shall make Distributions to the holders of the Beneficial Interests from the net Liquidating Trust Proceeds in accordance with the provisions of the Liquidating Trust Agreement, and as provided for under the Plan and the Confirmation Order.
REL Class 7	Intercompany Claims against R.E. Loans	The Debtors believe there are no material Intercompany Claims against R.E. Loans. Any such Intercompany Claims will be forgiven and released without consideration.
REL Class 8	R.E. Loans Subordinated Claims	The Noteholders' Claims will be in Class 8 only if the Noteholders' Claims are subordinated. Any Allowed Claims that are subject to subordination pursuant to Bankruptcy Code § 510(b), including without limitation, any securities fraud Claims asserted by Noteholders, shall also be Class 8 Claims. On the Effective Date, each Holder of an Allowed REL Class 8 Claim shall receive a nontransferable Subordinated Trust Interest and thereafter

Class	Claim/Interest	Treatment
		shall receive, from the Liquidating Trust, a *Pro Rata* Distribution of the net Liquidating Trust Proceeds after all Beneficial Interests are paid in full with interest. The Liquidating Trustee shall make Distributions to the holders of the Subordinated Trust Interests, on account of their respective Allowed REL Class 8 Claims, from the net Liquidating Trust Proceeds in accordance with the provisions of the Liquidating Trust Agreement, and as provided for under the Plan and the Confirmation Order.
REL Class 9	R.E. Loans Interests	Holders of Class REL Class 9 Interests shall receive nothing and shall be cancelled as of the Effective Date. On the Effective Date, the Liquidating Trustee shall become the sole member of NewCo.
CS	**CLASSES**	
CS Class 1	Capital Salvage Wells Fargo Secured Claims	Wells Fargo, as the Holder of the CS Class 1 Claims, shall be refinanced and deemed to be indefeasibly paid in full in cash on the Effective Date through the Exit Facility. At this time, the Debtors anticipate that Wells Fargo will provide the Exit Facility on such terms and conditions as are acceptable in writing to Wells Fargo and NewCo. The Debtors reserve the right to modify the Plan to provide for an Exit Facility that is provided by a third party lender.
CS Class 2	Capital Salvage Other Secured Claims	The Debtors believe there are no Allowed Claims in CS Class 2. If any such Claims exist, they will not be impaired under the Plan.
CS Class 3	Capital Salvage Secured Tax Claims	Allowed CS Class 3 Claims will retain their Liens and will be paid interest only on a quarterly basis following the Effective Date of the Plan until the five (5) year anniversary of the Plan, at which time the entire principal balance will be all due and payable. As REO Property that secures Allowed CS Class 3 Claims is sold, the entire balance of each CS Class 3 Claim secured by each REO Property sold shall be paid in full in Cash from the sales proceeds securing the payment of the respective Allowed CS Class 3 Claims.
CS Class 4	Capital Salvage Priority Non-Tax Claims	The Debtors believe that there are no Allowed Claims in CS Class 4. If any such Claims exist, they will be paid in full in Cash on the Effective Date or as soon as they are Allowed.
CS Class 5	Capital Salvage General Unsecured Claims	The Debtors believe that there are no material Allowed Claims in CS Class 5. If any such Claims exist, each holder of a CS Allowed General Unsecured Claim shall receive a Beneficial Interest, based on which it shall receive from the Liquidating Trust a *Pro Rata* Distribution of the net Liquidating Trust Proceeds available for distribution to Liquidating Trust Interest Holders. The Liquidating Trustee shall make Distributions to the holders of the Beneficial Interests from the net Liquidating Trust Proceeds in accordance with the provisions of the Liquidating Trust Agreement, and as provided for under the Plan and the Confirmation Order.

Class	Claim/Interest	Treatment
CS Class 6	Intercompany Claims against Capital Salvage, including without limitation Intercompany Note Claims	Capital Salvage will convey all of its REO Property, subject to existing Liens securing Claims in CS Class 1 and CS Class 3, to R.E. Loans in full satisfaction of the Intercompany Claims.
CS Class 7	Subordinated Claims	The Debtors believe there are no CS Class 7 Claims. If there are any such Claims the holders thereof shall receive nontransferable Subordinated Trust Interests in full satisfaction of such subordinated Claims.
CS Class 6	Capital Salvage Interests	The Capital Salvage Interests shall be cancelled under the Plan.
REF	**CLASSES**	
REF Class 1	R.E. Future Wells Fargo Secured Claims	Wells Fargo, as the Holder of the REF Class 1 Claims, shall be refinanced and deemed to be indefeasibly paid in full in cash on the Effective Date through the Exit Facility. At this time, the Debtors anticipate that Wells Fargo will provide the Exit Facility on such terms and conditions as are acceptable in writing to Wells Fargo and NewCo. The Debtors reserve the right to modify the Plan to provide for an Exit Facility that is provided by a third party lender.
REF Class 2	R.E. Future Other Secured Claims	The Debtors believe there are no Allowed Claims in REF Class 2. If any such Claims exist, they will be treated as unimpaired under the Plan.
REF Class 3	R.E. Future Secured Tax Claims	Allowed REF Class 3 Claims will retain their Liens and will be paid interest only on a quarterly basis following the Effective Date of the Plan until the five (5) year anniversary of the Plan, at which time the entire principal balance will be all due and payable. As REO Property that secures Allowed REF Class 3 Claims is sold, the entire balance of each REF Class 3 Claim secured by each REO Property sold shall be paid in full in Cash from the sales proceeds securing the payment of the respective Allowed REF Class 3 Claims..
REF Class 4	R.E. Future Priority Non-Tax Claims	The Debtors believe that there are no Allowed Claims in REF Class 4. If any such Claims exist, they will be paid in full in Cash on the Effective Date or as soon as they are allowed.
REF Class 5	R.E. Future General Unsecured Claims	The Debtors believe that there are no material Allowed Claims in REF Class 5. If any such Claims exist, each holder of a REF Allowed General Unsecured Claim shall receive a Beneficial Interest, based on which it shall receive from the Liquidating Trust a *Pro Rata* Distribution of the net Liquidating Trust Proceeds available for distribution to Beneficial Interest Holders. The Liquidating Trustee shall make Distributions to the

Class	Claim/Interest	Treatment
		holders of the Beneficial Interests from the net Liquidating Trust Proceeds in accordance with the provisions of the Liquidating Trust Agreement, and as provided for under the Plan and the Confirmation Order.
REF Class 6	Intercompany Claims against R.E. Future, including without limitation Intercompany Note Claims	R.E. Future will convey all of its REO Property, subject to existing Liens securing Claims in REF Class 1 and REF Class 3, to R.E. Loans in full satisfaction of the Intercompany Claims.
REF Class 7	Subordinated Claims	The Debtors believe there are no REF Class 7 Claims. If there are any such Claims the holders thereof shall receive nontransferable Subordinated Trust Interests in full satisfaction of such subordinated Claims.
REF Class 6	R.E. Future Interests	The R.E. Future Interests are cancelled under the Plan.

THE TREATMENT AND DISTRIBUTIONS PROVIDED TO HOLDERS OF ALLOWED CLAIMS AND INTERESTS PURSUANT TO THE PLAN ARE IN FULL AND COMPLETE SATISFACTION OF THE ALLOWED CLAIMS AND INTERESTS ON ACCOUNT OF WHICH SUCH TREATMENT IS GIVEN AND DISTRIBUTIONS ARE MADE.

Administrative Priority Claims, Priority Taxes, and other Priority Claims will be paid in full in Cash on the Effective Date or as soon as each individual Claim is Allowed. These payments will be funded through draws under the Exit Facility.

The Wells Fargo Allowed Secured Claims will be indefeasibly paid in full in cash with the proceeds of the Exit Facility, and the Exit Facility will be indefeasibly paid in full in cash prior to any Distributions to Holders of Allowed General Unsecured Claims or Noteholders.

Interest only on the Allowed Secured Tax Claims held by taxing authorities for real property taxes secured by the REO Property by the Debtors will be paid quarterly following

the Effective Date at the statutory rate over five years, with taxes on each parcel fully paid as and when such real estate is sold with the sales proceeds securing the payment of the applicable Allowed Secured Tax Claim.

The relative rights of the Noteholders and the Holders of General Unsecured Claims will depend on whether the Noteholders' Claims are subordinated to General Unsecured Claims.

Even if the Noteholders' Claims are not subordinated, no payments will be made on account of the Allowed REL Class 4 Claims until the Exit Lenders are indefeasibly paid in full in cash under the Exit Facility. Thereafter, NewCo will use the net Cash proceeds (after payment of Secured Tax Claims on the REO Property sold) realized from any future dispositions by NewCo first to establish a reserve for funding ongoing costs of operating NewCo and the Liquidating Trust, and administering the Collateral and second, to pay the New Second Lien Note until the New Second Lien Note is paid in full. If not paid prior to the five-year anniversary of the Effective Date, the New Second Lien Note will be all due and payable on that date.

When the New Second Lien Note is paid in full with interest, then any net proceeds from any future sales will be transferred to the Liquidating Trust for distribution to the Beneficial Interests (i.e. the former Holders of Allowed General Unsecured Claims, including, without limitation, the Noteholders' Unsecured Deficiency Claims).

If the Noteholders' Claims and Liens are subordinated to Allowed General Unsecured Claims, the Noteholders will receive only the Subordinated Trust Interests, will not hold any Allowed REL Class 4 Claims, and the New Second Lien Note and the New Second Lien Security Agreement will be cancelled. If this occurs, the first proceeds from the disposition of Collateral will still be used to satisfy amounts owed to Exit Lenders under the Exit Facility, together with amounts owing for real property taxes secured by each REO Property and the real estate which secures the Notes Receivable. Thereafter, NewCo will establish a reserve for funding ongoing costs of operating NewCo and will turn over the net Cash proceeds (after

payment of property taxes on the REO Property sold) realized from any future dispositions by NewCo to the Liquidating Trust. The Liquidating Trust will first establish appropriate reserves and then distribute the amounts received to the holders of Allowed General Unsecured Claims, who will have received Beneficial Interests (i.e. the former holders of General Unsecured Claims, NOT including the Noteholders' Unsecured Deficiency Claims). Any surplus remaining after the payment to the holders of Beneficial Interests will be paid to the Noteholders on account of their Subordinated Trust Interests issued on account of Allowed REL Class 7 Claims.

In addition to realizing on the equity in the assets to be vested in NewCo, the Liquidating Trust will pursue any Causes of Action that the Liquidating Trustee concludes it is cost effective to pursue. The net proceeds of the Causes of Action, after paying the expenses of the Liquidating Trust, will be distributed to the Holders of Beneficial Interests (i.e. the former holders of Allowed General Unsecured Claims, which will include the Noteholders' Unsecured Deficiency Claims if their Claims under the Exchange Notes are not subordinated). If the Noteholders' Claims are subordinated, the net proceeds from the Causes of Action will first be distributed to all Holders of Allowed General Unsecured Claims on account of the Beneficial Interests and only then will any surplus be distributed to the Noteholders on account of their Subordinated Trust Interests.

III.

COMPANY HISTORY

A. The Organization of the Debtors.

The Debtors are (1) R.E. Loans, (2) Capital Salvage, and (3) R.E. Future. The ownership and inter-relationships between the Debtors and their affiliates are described below.

1. R.E. Loans: Primary Operating Company.

R.E. Loans was formed in 2002 as the successor entity resulting from the merger of nine limited partnerships. It is the primary operating entity. It held all Notes Receivable, which had aggregate unpaid principal balances as of the Petition Date of approximately $636

million. R.E. Loans is one of the borrowers under the Prepetition Facility and is the sole obligor on the Exchange Notes.

2. B-4 Partners: Member and Former Manager of R.E. Loans.

B-4 Partners was the sole manager of R.E. Loans from the time R.E. Loans was formed in 2002, through the Petition Date. B-4 Partners has been the sole member of R.E. Loans at all times from and after November 2007, when the "Exchange Offer" described in Section III.C. below was consummated. B-4 Partners is also a borrower under the Prepetition Facility.

Walter Ng, Kelly Ng, Barney Ng, and Bruce Horwitz were the members of B-4 Partners, until December of 2008.[1] Each member owned 25% of B-4 Partners. Walter Ng was a manager of B-4 Partners at all relevant times prior to the commencement of Walter Ng's personal chapter 11 case on May 12, 2011. Bruce Horwitz was also a manager of B-4 Partners until September 24, 2009. At that time, Bruce Horwitz resigned as a manager of B-4 Partners and sold his 25% interest in B-4 Partners to Kelly Ng. As a result, the members of B-4 Partners are currently Walter Ng (25%), Barney Ng (25%) and Kelly Ng (50%). Kelly Ng was the sole manager of B-4 Partners from the time that Walter Ng resigned until the Petition Date.

3. Bar-K: Originator and Former Servicer of R.E. Loans' Portfolio.

Until October 1, 2010, Bar-K serviced all of R.E. Loans' portfolio of loans. Bar-K also originated most of those loans. In 1975 Walter Ng, his wife, Maribel Ng, Barney Ng and Kelly Ng formed Bar-K. Each was originally a 25% shareholder. Walter Ng and Maribel Ng conveyed their interests to Barney Ng and Kelly Ng. Barney Ng and Kelly Ng each have owned 50% of the equity in Bar-K. Until September of 2009, Barney Ng was the president of Bar-K,

[1] Walter Ng and his wife filed their voluntary petition under chapter 11 of the Bankruptcy Code on May 12, 2011, in the United States Bankruptcy Court for the Northern District of California, Oakland Division (the "Oakland Bankruptcy Court"). That case was converted to a chapter 7 case on November 4, 2011. Involuntary chapter 7 petitions were filed against Kelly Ng, Barney Ng, Bruce Horwitz and B-4 Partners in the Oakland Bankruptcy Court during December of 2011. The Oakland Bankruptcy Court has not yet ruled on any of those involuntary petitions.

Inc. ("**Bar-K**"). Barney Ng resigned from that position in September of 2009 and Kelly Ng has been the president of Bar-K at all times since September of 2009.

Bar-K was terminated as the servicer of R.E. Loans' portfolio effective October 1, 2010. Effective as of that date, R.E. Loans entered into a new servicing agreement with LEND, Inc. This new agreement provides for only reimbursement of LEND, Inc.'s out-of-pocket expenses and provides for no profit from the servicing. Kelly Ng and Walter Ng own the stock in LEND, Inc. Kelly Ng is the president of LEND, Inc. All employees that provided services to R.E. Loans prior to the Petition Date were employed by LEND, Inc. None of the Debtors had any employees as of the Petition Date.

4. Capital Salvage: An REO Subsidiary.

Capital Salvage is a California corporation that is wholly owned by R.E. Loans.[2] Capital Salvage was formed to take title to REO Property upon which R.E. Loans had foreclosed. In exchange for the transfer of REO Property by R.E. Loans to Capital Salvage after a foreclosure sale, Capital Salvage delivered to R.E. Loans an Intercompany Note with the same unpaid principal balance as the note previously signed by the third-party borrower, and a deed of trust or mortgage on the property obtained by Capital Salvage. Through this mechanism, R.E. Loans continued to hold notes secured by trust deeds, and these notes continued to serve as collateral for R.E. Loans' debts (as described in Section III.D, below).

Kelly Ng was the president of Capital Salvage at all times prior to the Petition Date. James Weissenborn became the sole director and President of Capital Salvage as of the Petition Date.

The Debtors believe that the only material creditors of Capital Salvage are (1) R.E. Loans on account of the Intercompany Note Claims; (2) Wells Fargo, which holds a non-recourse deed of trust or mortgage on certain properties owned by Capital Salvage to secure

[2] It was originally owned by Barney Ng and Kelly Ng. During 2010, Kelly Ng and Barney Ng conveyed their stock in Capital Salvage to R.E. Loans.

Wells Fargo's Prepetition Lender Claims; and (3) taxing authorities on account of Secured Tax Claims with respect to the REO Properties owned by Capital Salvage.

5. R.E. Future: An REO Subsidiary.

R.E. Loans formed R.E. Future during 2010. R.E. Loans is the sole member of R.E. Future and was its sole manager at all times prior to the Petition Date. Mackinac Partners ("**Mackinac**") became the sole manager of R.E. Future as of the Petition Date.

R.E. Loans concluded that it might be more tax efficient to form a wholly owned limited liability company, rather than continuing to transfer REO Properties upon which R.E. Loans had foreclosed to Capital Salvage, a California corporation. The transfers to R.E. Future are implemented in the same manner as transfers described above to Capital Salvage: when REO Property is transferred by R.E. Loans to R.E. Future after a foreclosure sale, R.E. Future delivers to R.E. Loans an Intercompany Note with the same unpaid principal balance as the note previously signed by the third-party borrower, and a deed of trust or mortgage on the property obtained by R.E. Future. Through this mechanism R.E. Loans continues to hold notes secured by trust deeds and these notes continue to serve as collateral for R.E. Loans' debts.

The Debtors believe that the only material creditors of R.E. Future are: (1) R.E. Loans, on account of the Intercompany Notes; (2) Wells Fargo, which holds a non-recourse deed of trust or mortgage on certain parcels owned by R.E. Future to secure Wells Fargo's Prepetition Lender Claims; and (3) taxing authorities, on account of Secured Tax Claims with respect to the properties owned by R.E. Future.

B. <u>R.E. Loan's Chief Restructuring Officer.</u>

Effective as of the Petition Date, Mackinac became the sole manager of R.E. Loans and R.E. Future and Mr. Weissenborn became the sole director and President of Capital Salvage. During January of 2010, R.E. Loans engaged Mackinac and its principal, Mr. Weissenborn, to provide consulting services to assist R.E. Loans in dealing with its existing defaults to its creditors and the transition of R.E. Loans from a lender to a real estate management company, as the result of its acquisitions of REO Property through multiple

foreclosure sales. On April 10, 2010, R.E. Loans formally engaged Mr. Weissenborn as its Chief Restructuring Officer (the "**CRO**"). On the Petition Date, the Debtors filed the *Application to Authorize Employment of Mackinac Partners and James A. Weissenborn on an Interim and Final Basis From the Petition Date to Provide Interim Management and Management Assistance to the Debtors Pursuant to 11 U.S.C. § 363* [Docket No. 10] (the "**CRO Motion**"). On September 19, 2011, the Bankruptcy Court entered *its Interim Order Authorizing Employment of Mackinac Partners and James A. Weissenborn as Other Professional On an Interim Basis* [Docket No. 52] and October 31, 2011, the Bankruptcy Court entered its *Final Order Granting Application to Employ Mackinac Partners and James A. Weissenborn as Other Professional To Provide Interim Management and Management Assistance to the Debtors* [Docket No. 179].

C. Evolution of R.E. Loans' Structure.

R.E. Loans began doing business, as the product of the merger of nine limited partnerships, which became effective on January 1, 2002. The relationships among the investors and the principals date back to a much earlier time and the structure for effectuating the pooling and investment of funds has evolved over time.

Starting in approximately 1986, Walter Ng, Bruce Horwitz, Barney Ng, and Kelly Ng formed a partnership to pool investors' cash to make loans secured by real property. The limited partners of the partnership invested their cash and obtained limited partnership interests. Walter Ng and Bruce Horwitz managed the limited partnerships and invested the cash received from the limited partners in loans secured by real property. Prior to the formation of the partnerships that were merged into R.E. Loans, Bar-K originated loans and serviced loans for individual investors.

Over the period of time from approximately 1986 through the end of 2001, Walter Ng, Bruce Horwitz, Barney Ng, and Kelly Ng formed nine (9) different limited partnerships into which limited partners invested their cash. Through these partnerships, they raised the funds necessary to make loans secured by real property. Those loans generated returns to the limited partners of approximately 8% per year for the entire period from approximately 1986 through

2001, when the partnerships were merged into R.E. Loans.

The decision was made to merge all of the partnerships into a single limited liability company. That merger was effected as of January 1, 2002. After the merger, each of the limited partners became a member of R.E. Loans and the assets, liabilities and operations of all of the partnerships were consolidated. From its inception, R.E. Loans was in the business of providing financing to the owners and developers of real property. Most of R.E. Loans' loans were initially secured by first deeds of trust on real property owned by the borrower. R.E. Loans provided approximately a 9% rate of return to its investors from its inception through September of 2008.

From the time that R.E. Loans was formed in 2002 until April of 2007, R.E. Loans raised additional capital by selling membership interests in R.E. Loans. In April of 2007, R.E. Loans stopped selling membership interests. At that time, the aggregate capital accounts of R.E. Loans' members totaled approximately $743 million. As of April of 2007 R.E. Loans had approximately 3,000 members,[3] but its sole manager was B-4 Partners.

R.E. Loans thereafter engaged in the Exchange Offer. (See Section III.D.2., below) In November of 2007, R.E. Loans consummated the Exchange Offer pursuant to which all of the members of R.E. Loans, other than B-4 Partners and Bar-K, received Exchange Notes in exchange for their membership interests. Pursuant to the Exchange Offer, R.E. Loans issued Exchange Notes in the aggregate face amount of $706 million in exchange for the interests of its former members. The dollar amount of the Exchange Note delivered to each former member was equal to the balance of that member's capital account, including the principal and interest accrued but not paid, as of the date the Exchange Offer closed. As of the Petition Date, there were approximately $646 million in Exchange Notes held by approximately 2,900 noteholders. These Exchange Notes are discussed further in Section III.D.2, below.

[3] R.E. Loans had approximately 1,500 separate investors, but many investors had more than one account, often in different capacities, resulting in approximately 3,000 total membership accounts.

D. R.E. Loans' Secured Loans.

1. Wells Fargo Line of Credit.

Wells Fargo has a first priority Lien in all or substantially all of the assets of R.E. Loans, including notes payable to R.E. Loans by Capital Salvage and R.E. Future, to secure Wells Fargo's Prepetition Lender Claims. Wells Fargo provided a working capital line of credit to the B-4 Partners and R.E. Loans pursuant to the Loan and Security Agreement, dated as of July 17, 2007 (as amended from time to time, the "**Loan Documents**"). B-4 Partners and R.E. Loans granted to Wells Fargo a first priority Lien in all or substantially all of their Assets to secure that credit facility.

True and correct copies of the original Loan and Security Agreement dated as of July 17, 2007 and the subsequent amendments thereto are attached to the "Addendum To Joint Stipulation And Agreed Interim Order: (I) Authorizing Debtors To (A) Obtain Post-Petition Financing On A Super-Priority, Secured And Priming Basis In Favor Of Wells Fargo Capital Finance, LLC; (B) Use Cash Collateral On An Interim Basis, (C) Provide Adequate Protection To Wells Fargo Capital Finance, LLC And The Noteholders, And (D) Enter Into Post-Petition Agreements With Wells Fargo Capital Finance, LLC; (II) Modifying The Automatic Stay, And (III) Scheduling A Final Hearing Pursuant To Bankruptcy Rule 4001" (the "**Addendum**") filed by the Debtors with the Court on the Petition Date. The UCC-1 financing statements are attached to the Addendum as part of Exhibit "B" thereto. In addition, R.E. Loans granted to Wells Fargo a first-priority deed of trust or mortgage on each of the REO Properties acquired by R.E. Loans through foreclosure sales. True and correct copies of these deeds of trust are attached to the Addendum as Exhibit "E" thereto. No lien was granted on Perdido Key because of the large transfer taxes that would have been incurred for recording such a grant.

The balance owing to Wells Fargo as of the Petition Date was approximately $68 million. This balance has been reduced to approximately $66 million as the result of sales during the Debtors' chapter 11 cases.

The collateral securing Wells Fargo's secured claim includes all of the Notes Receivable held by R.E. Loans, including the Intercompany Notes, and all of the REO Property that R.E. Loans retained after R.E. Loans foreclosed as the result of defaults under Notes Receivable. Each time R.E. Loans obtained and retained title to a REO Property which had previously secured a Note Receivable, R.E. Loans granted to Wells Fargo a first priority deed of trust or mortgage on that REO Property. In other cases, R.E. Loans transferred title of the property to Capital Salvage or R.E. Future, in exchange for an Intercompany Note secured by a deed of trust. These Intercompany Notes and deeds of trust were pledged to Wells Fargo as security.

2. Exchange Notes.

On December 1, 2007, R.E. Loans consummated an exchange offer pursuant to which each member of R.E. Loans, other than B-4 Partners, received an Exchange Note in exchange for the member's membership interest. As of the Petition Date, there were approximately 2,800 Exchange Notes outstanding, held by approximately 1,400 separate individuals or entities. In some instances a single person holds more than one Exchange Note in different capacities or through different accounts, including retirement accounts.

The second-priority Lien in the Notes Receivable owned by R.E. Loans was granted effective November 1, 2007, pursuant to the form of Exchange Notes, the Security Agreement, and "Exchange Agreement," true and correct copies of which are attached to the Addendum as Exhibits "I", "J", and "K", respectively. The Exchange Notes issued to R.E. Loans' former members are secured by a second priority Lien in substantially all of R.E. Loans' personal property. The Exchange Notes are payable interest only until December 31, 2012, at which time they are all due and payable.

The Security Agreement securing the Exchange Notes expressly provides that the Lien granted to secure the Exchange Notes is subordinate to the Wells Fargo first-priority security interest. Section 3.6(b) of the Exchange Agreement reads as follows:

> The lien on [R.E. Loans'] assets established by the security agreement (the "**Lien**") will be subordinate to the lien of any Company Borrowings, including the WFF Lien. In addition, the terms of the WFF LOC provide for the payment of principal and interest on the WFF LOC on a priority basis under specified circumstances from certain income and assets of the Company, including from revenues and income generated by Portfolio Loans and from proceeds payable to the Company with respect to Portfolio Loan principal or the exercise of the Company's rights and remedies with respect to the Portfolio Loans.

"Company Borrowings" is defined at page 2, paragraph E of the Exchange Agreement to state that R.E. Loans "is specifically authorized to enter into loan agreements and lines of credit with institutional and other lenders for the purpose of borrowing operating capital and capital funds in order to make portfolio loans and for such other purposes as the Manager may determine (. . . such borrowings shall be collectively referred to as the 'Company Borrowings')." The Summary of Reorganization Plan, a true and correct copy of which is attached to the Addendum as Exhibit "M" thereto, is incorporated into the Confidential Memorandum accompanying the R.E. Loans Reorganization Plan and Note Program, dated October 2007, which was approved by the Exchange Agreement. The Summary of Reorganization Plan states that "The Note Documents will subordinate the Fund's obligations under the Investor Notes to its obligations as borrower under the WFF Loan Documents." (Addendum Exhibit "L" at page 2). The "R.E. Loans, LLC Reorganization Plan and Note Program Confidential Memorandum dated October, 2007", a true and correct copy of which is attached to the Addendum as Exhibit "L" also contains several subordination provisions, at page 2 (confirming subordination of the Noteholders' lien on R.E. Loans' assets to "other Company Borrowings, including the WFF Line of Credit"), page 5 ("the WFF Line of Credit will be secured by a senior lien"), and page 13 (the Noteholders' lien is "junior to the liens imposed by Company Borrowings . . .").

Because Wells Fargo's documentation provided for R.E. Loans' grant to Wells Fargo of a first-priority Lien in all Notes Receivable, this includes the Intercompany Notes, which are payable by the REO Subsidiaries. Similarly, because the Noteholders were granted a second-priority Lien in all Notes Receivable, this also includes the Intercompany Notes payable by the REO Subsidiaries. Wells Fargo also received a deed of trust on each parcel of REO

Property acquired by R.E. Loans through the foreclosure process. R.E. Loans did not execute or deliver or record a deed of trust or mortgage on any of the REO Property owned by R.E. Loans or the REO Subsidiaries to secure the Exchange Notes.

Although the Exchange Notes were not due and payable until December, 2012, Noteholders could request prepayment of amounts due to them at any time and R.E. Loans honored those requests when possible. Until R.E. Loans defaulted under the Wells Fargo senior secured credit facility, R.E. Loans consistently honored requests for cash distributions by holders of Exchange Notes.[4]

The Exchange Notes and the Lien granted to the holders of the Exchange Notes may be avoidable pursuant to Bankruptcy Code § 544(b) and Cal. Civ. Code § 3439.04. The Exchange Notes were issued to equity holders in exchange for their membership interests. As a result, R.E. Loans may have received no "value" in exchange for the Exchange Notes. If, therefore, R.E. Loans was insolvent, undercapitalized, or should have known that it would be unable to meet its obligations as they became due immediately after the exchange offer, and if there were any unsecured creditors that held Claims before the Exchange Offer that still held Claims as of the Petition Date, the Exchange Notes and the Lien that secures them may be avoidable by the Debtors as constructive fraudulent transfers. Immediately after the issuance of the Exchange Notes, R.E. Loans had increased its obligations from less than $70 million, including approximately $60 million owing to Wells Fargo, to approximately $780 million, including the balances due on the Exchange Notes. This exchange may have rendered R.E. Loans insolvent, undercapitalized, or unable to meet its obligations as they became due.

On December 27, 2011, the former collateral agent to the Noteholders, Development Specialists, Inc., filed an objection asserting that the Exchange Notes and the liens securing them may be avoidable pursuant to Bankruptcy Code § 544(b) and Cal. Civ. Code § 3439.04 [Docket No. 372]. If R.E. Loans received no "value" in exchange for the

[4] Prior to the consummation of the Exchange Offer R.E. Loans had also honored requests to redeem membership interests for cash.

Exchange Notes, and if R.E. Loans was insolvent, undercapitalized, or should have known that it would be unable to meet its obligations as they became due immediately after the exchange offer, and if there were any unsecured creditors that held Claims before the Exchange Offer that still held Claims as of the Petition Date, the Exchange Notes and liens that secure them may be avoidable by the Debtors as constructive fraudulent transfers. DSI has not served this objection and it is not clear that DSI has standing to assert the avoidability of the Exchange Notes. Additionally, the objection is likely procedurally defective.

If the Exchange Notes are avoidable, it appears that the Noteholders should be entitled to subordinated Claims. Otherwise, avoidance of the Exchange Notes might render R.E. Loans solvent and generate a windfall for B-4 Partners, R.E. Loans' sole member.

3. Pre-Petition Defaults Under Secured Debts.

The Exchange Notes and the Prepetition Facility were both in default for an extended period of time prior to the Petition Date. Pursuant to the terms and conditions of the operative loan agreements between R.E. Loans and Wells Fargo, Wells Fargo declared a default under the Prepetition Facility in August of 2008. Between that date and the Petition Date, Wells Fargo and R.E. Loans entered into a series of forbearance agreements during which time Wells Fargo did not exercise its rights or remedies and funded R.E. Loans' operations through optional protective advances. Pursuant to the various amendments and forbearance agreements Wells Fargo continued to fund the Debtors' ongoing operating expenses based on agreed budgets, and the Debtors have turned over to Wells Fargo the net cash proceeds the Debtors have realized from R.E. Loans' Borrowers or from the sale of foreclosed properties. This structure was effectively continued during the Chapter 11 Cases through the DIP Facility.

After that default was declared, Wells Fargo was under no obligation to make additional advances to R.E. Loans. R.E. Loans also stopped making interest payments on the Exchange Notes on September 30, 2008. With very few exceptions, no interest or principal payments have been made to any Noteholders since that date.

The entire outstanding balance owing under the Prepetition Facility became all

due and payable, without acceleration, by terms of the Loan Documents, on July 17, 2010. The Debtors were not, however, able to pay the balance when it became due. As a result, the Debtors and Wells Fargo have entered into a series of additional Forbearance Agreements.

E. R.E. Loans' Assets.

R.E. Loans invested in Notes Receivable substantially all of which were secured by first priority trust deeds or mortgages on real property of the borrowers. In a few instances disputes have arisen over the priority of the Liens securing the Notes Receivable. In virtually all circumstances, the borrowers were special purpose entities set up for the sole purpose of developing the particular property in question. In very few cases did R.E. Loans obtain guarantees from insiders of these borrowers.

1. Loans Secured by Real Property.

In many instances R.E. Loans holds Notes Receivable secured by real property, not the real property itself. In most instances, the real property that secures the Notes Receivable (and the REO Property that has been acquired by R.E. Loans or its affiliates) is raw land or partially developed land, most of which is not in primary residential areas and virtually all of which faces complex development challenges. Most of these assets simply cannot be liquidated in the short run at any reasonable price. R.E. Loans owns very few finished lots or real property at which vertical construction has been commenced.

Most of this raw land that may someday be developed as residential property is not in primary residential areas. Rather, the property was intended to be developed for second homes, golf-course or retirement communities, or destination properties and resorts. There is very limited demand for such properties in the current market. The REO Property and the collateral that secures Notes Receivable that is in areas that may be developed as primary residences, is unentitled raw land, with significant development challenges. In most of the markets where these properties are located there is an existing supply of finished lots that exceeds existing demand. Based on these factors any buyer would likely be willing to pay only a relatively low price if the Debtors were forced to liquidate these assets today.

The current unpaid principal balance of the remaining R.E. Loans portfolio (including the unpaid principal balance on REO Property on which R.E. Loans has foreclosed already) is approximately $650 million. R.E. Loans currently owns, either directly or through its affiliates, only about 45% of the real property that originally secured Notes Receivable. This percentage is based upon the unpaid principal balances of the loans in the R.E. Loans portfolio and the unpaid principal balances of the loans on which R.E. Loans has foreclosed, not based on the fair market value of the various properties. The other 55% of the portfolio is still owned by R.E. Loans' borrowers. R.E. Loans must either reach an agreement with the owner/borrower or foreclose on each of these properties. This will take time and money to obtain control of these assets. In some instances R.E. Loans must also resolve disputes with parties asserting competing encumbrances on those properties, including without limitation alleged mechanics' liens.

2. Defaults by R.E. Loans' Borrowers.

In 2008 the United States economy in general and real estate development in particular entered into the worst economic downturn since the Great Depression. Virtually all of the borrowers to whom R.E. Loans had outstanding loans in 2008 have defaulted. Those that have not defaulted have paid off the entire balance that they owed. As a result, the Debtors have no regular cash flow. R.E. Loans has worked with many of its borrowers in an effort to maximize the recovery on the defaulted Notes Receivable, but in other instances it has been forced to foreclose.

As a result of the multiple defaults by R.E. Loans' Borrowers, R.E. Loans has effectively transitioned from being a lender to becoming a property management company. R.E. Loans has foreclosed on property securing many of its Notes Receivable and has converted that collateral into REO Property. R.E. Loans has foreclosed on Notes Receivable with aggregate unpaid principal balances totaling more than $325 million.

When R.E. Loans acquired property as the result of credit bids at foreclosure sales (the "**REO Properties**") in many cases it transferred title to REO Properties to one of its wholly owned subsidiaries, Capital Salvage or R.E. Future (the "**REO Subsidiaries**"). Each of the

REO Subsidiaries delivered an Intercompany Note payable to R.E. Loans and granted to R.E. Loans a first-priority deed of trust or mortgage on the same REO Property to secure the repayment of the Intercompany Note. The REO Property owned by each REO Subsidiary and the amounts of the Intercompany Notes payable by each REO Subsidiary to R.E. Loans are listed in **Exhibit "B"**, which is attached hereto.[5] R.E. Loans retained title to certain REO Property acquired through foreclosure proceedings, but thereafter transferred other REO Properties to one of the REO Subsidiaries. The real estate owned by R.E. Loans is listed in **Exhibit "C"**, which is attached hereto.

In many instances, R.E. Loans cannot liquidate the asset that it owns (a Note Receivable secured by a deed of trust) until it obtains control over the underlying real property collateral. Attempting to liquidate Notes Receivable that are currently in default would in most instances generate far less value than might be generated by first foreclosing on the real property collateral and then taking appropriate steps to maximize the value of the underlying real estate collateral. The Debtors operations do not generate sufficient cash flow to pay their operating expenses to engage in this activity and generate fair value for the holders of the Exchange Notes. The Debtors must, therefore, obtain financing to maximize the return to the holders of the Exchange Notes.

The Debtors do not have current appraisals of all of the Debtors' assets. The appraisals that the Debtors do have are listed in **Exhibit "D"** to this Disclosure Statement, which lists the property, the date of the appraisal, and the appraised value of that property. Based on those appraisals and the reasonable business judgment of Mr. Weissenborn, the value of the Debtors' assets is substantially more than the sum of the balance owing to Wells Fargo on account of the Prepetition Lender Claim and the DIP Facility Claims combined, and unpaid Secured Tax Claims, but substantially less than the aggregate balance owing on the Exchange

[5] Based on the best information currently available to the Debtors, it appears likely that the actual value of each of the REO Properties is far less than the face amount of the Intercompany Notes payable by the REO Subsidiaries to R.E. Loans.

Notes (approximately $776 million, including interest accrued through the Petition Date). If the Debtors were to liquidate their Assets, including the illiquid Notes Receivable that are currently in default, on an expedited basis, the Debtors should be able to satisfy the Prepetition Lender Claims, the Secured Property Taxes and the DIP Facility Claims, but such a liquidation would greatly reduce the ultimate recoveries by the Noteholders.

3. Investment in R.E. Reno., LLC and Loan Secured by The Siena Hotel & Casino.

In addition to the secured loans described in Section III.E.1, above, R.E. Loans invested approximately $21 million to acquire membership interests in R.E. Reno, LLC, a Nevada limited liability company ("**R.E. Reno**"). Walter Ng was the manager of R.E. Reno. Other members of R.E. Reno invested approximately $29 million and, therefore, R.E. Loans owns approximately 42% of the membership interests in R.E. Reno.

R.E. Reno made a $50 million loan to One South Lake Street, LLC ("**OSLS**"), the owner of the real property used to operate the Siena Hotel and Casino in Reno, Nevada (the "**Siena**"). This loan was secured by a first priority mortgage on the real property owned by OSLS and the lease of that property to Wild Game Ng, Inc. ("**WGN**"). WGN defaulted on its lease payments to OSLS and OSLS defaulted on its note payable to R.E. Reno. R.E. Reno commenced foreclosure proceedings during 2010. In July, 2010 WGN and OSLS both filed chapter 11 petitions. The Siena was closed in late October 2010 and sold at a bankruptcy court auction sale on November 12, 2010. The purchase price was only $3.9 million, only part of which constituted the proceeds of R.E. Reno's collateral, which secured its $50 million loan. R.E. Reno did not have a Lien on the personal property sold as part of the joint bankruptcy court sale by OSLS and WGN.

R.E. Reno settled with OSLS and WGN. R.E. Reno received approximately $2.7 million which was 90% of the net proceeds after payment of senior lien claims on OSLS's assets and surcharges for costs of the sale. R.E. Loans received reimbursement of advances R.E. Loans had previously made to fund R.E. Reno's out of pocket enforcement expenses of

approximately $500,000. R.E. Loans will soon receive approximately $850,000 (approximately 42% of R.E. Reno's remaining cash of approximately $2.1 million).

Walter Ng was the sole manager of R.E. Reno. Walter Ng resigned as manager and the members of R.E. Reno are in the process of electing a replacement manager. The Debtors believe that Insolvency Services Group, Inc. ("ISG") is likely to be elected as the successor manager.

Barney Ng was the owner of the equity of OSLS and WGN, which leased the Siena from OSLS and operated the Siena. Barney Ng and Walter Ng each signed a letter in which they promised to pay the balance due to R.E. Reno if OSLS defaulted. R.E. Reno contends that it has claims against Walter Ng and Barney Ng based on that letter. Walter Ng has filed a chapter 11 petition and his case was converted to a chapter 7 case. His obligation under the guarantee is listed as a debt, though it is unclear what distribution will be made in that chapter 7 case. If R.E. Reno recovers on account of the guarantee claims against Walter Ng or Barney Ng approximately 42% of its net recovery should be delivered to R.E. Loans.

F. Business Transactions Among the Debtors.

Pursuant to the agreements among B-4 Partners, Bar-K and R.E. Loans and the Operating Agreement of R.E. Loans, prior to the Petition Date B-4 Partners and Bar-K contend that they were entitled to receive compensation in exchange for the services that they provided to R.E. Loans. Mackinac was engaged to provide services to R.E. Loans beginning in January of 2010. B-4 Partners and Bar-K acknowledge that all amounts paid to Mackinac should be credited against any amounts that otherwise would be due to B-4 Partners or Bar-K, because Mackinac is providing the management services for which B-4 Partners and Bar-K are entitled to compensation.

B-4 Partners, as manager of R.E. Loans, was entitled to payment equal to 1% of the unpaid principal balance of the loan portfolio pursuant to the Operating Agreement and B-4 Partners' agreements with R.E. Loans. This fee was paid until December 1, 2009. B-4 Partners

contends that this fee has continued to accrue through the Petition Date, subject to the credit for amounts actually paid to Mackinac.

B-4 Partners committed to buy loans made to affiliated borrowers in which the Insiders owned controlling interests, if the borrowers defaulted thereunder and failed to cure the default within 30 days. Several loans that may be covered by this commitment have defaulted. B-4 Partners has not bought those loans from R.E. Loans and does not have the financial resources to do so. Although it is not possible at this time to determine how much R.E. Loans will recover from the borrowers on those loans, or what R.E. Loans' net damages will be, R.E. Loans contends that it holds a Claim against B-4 Partners arising from B-4 Partners' failure to buy those defaulted loans.

Bar-K was entitled to receive from R.E. Loans a loan servicing fee equal to 1% of the unpaid principal balance of the loans in R.E. Loans' portfolio, to be paid exclusively from interest collected on such loans. R.E. Loans paid these fees to Bar-K until October 28, 2009. Thereafter, Bar-K contends that these fees continued to accrue through October 1, 2010, at which time Bar-K was terminated as the servicer of R.E. Loans' portfolio.

Bar-K also received origination fees that were funded by borrowers from the proceeds of loans made by R.E Loans. The cash fees paid were usually in the range of 5% of the amount funded. Where loans included an initial advance and provided for additional future draws to fund development, the payment of the origination fee for the additional draw amounts was often deferred until the additional balance was actually drawn. In some instances Barney Ng or one of his affiliates also received additional compensation from R.E. Loans' borrower in the form of a note secured by a junior deed of trust or mortgage on the same collateral on which R.E. Loans received a first deed of trust or mortgage. In some instances the claim secured by this junior lien was paid off from the proceeds of a later loan by R.E. Loans to the same borrower to refinance and increase the original loan.

R.E. Loans reserves its right to contend that it does not owe the fees that B-4 Partners and Bar-K contend have accrued since R.E. Loans stopped paying those fees in cash.

R.E. Loans reserves all claims that R.E. Loans has against B-4 Partners, Bar-K and all other insiders. The Noteholders Committee is currently investigating potential claims against multiple parties, including insiders and affiliates. The Debtors have entered into a Joint Litigation Agreement with the Noteholders Committee pursuant to which the Debtors are able to share additional confidential and potentially privileged information with the Committee to facilitate the Committee's investigation. Pursuant to the Plan, the Liquidating Trust will have the right to object to the claims of B-4 Partners and Bar-K for accrued, unpaid fees and to review whether any claims exist against B-4 Partners or Bar-K (and other insiders) for the benefit of the creditors of R.E. Loans.

G. Transfers to Mortgage Fund 2008, LLC.

During 2008, R.E. Loans sold to Mortgage Fund 2008, LLC ("**MF08**") certain secured promissory notes receivable previously owned by R.E. Loans. The Mortgage Fund, LLC is the sole member and manager of MF08. Kelly Ng is the only manager of The Mortgage Fund, LLC. MF08 was formed during 2007 in a structure similar to the structure of R.E. Loans after the Exchange Offer. Each investor in MF08 received a promissory note in a principal amount equal to the investment (the "**MF08 Notes**"). The MF08 Notes are secured by a first lien on substantially all of MF08's assets, which consist of notes primarily secured by first priority deeds of trust on real property (and occasionally by second deeds of trust on real property). The total principal balance of the MF08 Notes is approximately $80 million.

During 2008, MF08 purchased certain loans from R.E. Loans, ultimately resulting in the transfer from R.E. Loans of the loans scheduled in **Exhibit "E"** to this Disclosure Statement. Most or all of the notes receivable that R.E. Loans sold to MF08 have defaulted. MF08 filed a proof of claim against R.E. Loans in the amount of $66,226,496, for the cash that MF08 alleges that it paid to R.E. Loans. The Debtors and the Committee are investigating the veracity of MF08's claim and reserve all defenses to such Claim.

H. Chapter 11 Cases.

In order to avoid a fire-sale liquidation of their Assets and to maximize value for

all Creditors of their Estates, the Debtors filed voluntary petitions for relief on September 13, 2011. On or about the first day after the Petition Date, the Debtors filed various motions (collectively, the "**First Day Motions**"), including without limitation the following:

1. First Day Motions.

(1) "Motion for Order Authorizing Joint Administration of Chapter 11 Cases" (the "**Joint Administration Motion**"). Through the Joint Administration Motion, the Debtors obtained entry of an order jointly consolidating their cases under Bankruptcy Rule 1015(b).

(2) "Motion for Order Establishing Notice Procedures and Permitting Debtors in Possession to Serve Insured Depository Institutions by First-Class Mail" (the "**Notice Procedures Motion**"). Through the Notice Procedures Motion, the Debtors obtained entry of an order limiting the number of individuals and entities that they needed to serve pleadings on, thereby minimizing the administrative costs of the Debtors' cases.

(3) "Motion for Order Authorizing Debtors and Debtors in Possession to Employ and Compensate Professionals in the Ordinary Course of Business" (the "**OCP Motion**"). Pursuant to the OCP Motion, the Debtors sought and obtained entry of an order authorizing them to employ and compensate certain non-bankruptcy professionals in the ordinary course of the Debtors' businesses.

2. Motion to Set Claims Bar Date and Approve Notice Procedures.

On December 9, 2011, the Court established February 6, 2012 as the deadline for filing proofs of claim against the Debtors by those creditors required to do so (the "**Bar Date**"). [Docket No. 321].

3. Debtors' Professionals.

The Debtors have engaged Gardere, Wynne, Sewell, LLP, to provide bankruptcy related services as local Texas counsel and to provide other services, including without limitation, services relating to, responding to government investigations and advising the Debtors regarding tax matters. The Debtors have engaged Stutman, Treister & Glatt

Professional Corporation as their general reorganization counsel. The Debtors have engaged Hines Smith Carter as special litigation counsel and Latham and Watkins LLP, as special counsel to consult and advise in connection with litigation relating to Ranch Las Flores, LLC, one of the properties on which the Debtors currently hold a Note Receivable.

In addition, the Debtors have sought and obtained authority to employ various professionals in the ordinary course of business, primarily to represent the interests of the Debtors in connection with various pending litigation matters.

On September 15, 2011, the Office of the United States Trustee ("**UST**") appointed an eleven (11) member Official Committee of Noteholders holding Claims against R.E. Loans (the "**Noteholders' Committee**"). Official committees appointed under section 1102 of the Bankruptcy Code have, among other rights, the rights (i) to consult with a debtor concerning administration of the case; (ii) to investigate the acts, conduct, assets, liabilities, and financial condition of the debtor, the debtor's operations, and any other matter relevant to the case or to the formulation of a plan; and (iii) to participate in the formulation and acceptance or rejection of a plan. The Noteholders' Committee currently consists of the following individuals: Pearl L. Tom, Sherratt Reicher, Linda Reilly, Barbara Hamrick, Gene Rapp, Steve Fong, Edwin Blue, Allan Cone on behalf of Pensco Trust FBO Patrick Simmons, Elliott Abrams, and Dixon Collins, and Ron Nahas.[6]

To protect confidential and privileged communications between the Noteholders' Committee and its advisors, as well as facilitate the free flow of confidential proprietary business information to the Noteholders' Committee by the Debtors, the Noteholders' Committee sought and obtained an order of the Bankruptcy Court clarifying the rights and obligations of the Noteholders' Committee to provide information to creditors generally. That order generally provides that the Noteholders' Committee may provide non-confidential, non-privileged information to noteholders, but may not share confidential or privileged information with

[6] Dixon Collins replaced Deborah Kurtin, who resigned from the Committee in November 2011. Lisa Kran resigned from the Committee in January 2012.

noteholders.

The Noteholders' Committee has engaged Akin Gump Strauss Hauer & Feld, LLP as general reorganization counsel, Diamond McCarthy, LLP as special litigation counsel, and FTI Financial Advisors ("**FTI**") as their financial consultants.

The Noteholders' Committee has commenced an investigation into potential claims of the bankruptcy estates against multiple insiders and third parties, including without limitation, Greenburg Traurig and Wells Fargo. Specifically, the Noteholders' Committee obtained at least ten separate orders authorizing the Bankruptcy Rule 2004 examinations of insiders and third parties. The Noteholders' Committee employed special litigation counsel, Diamond McCarthy, to spearhead this investigation. The Debtors and the Noteholders' Committee have entered into a Joint Litigation Agreement to which the Noble Class Plaintiffs are also parties. That agreement is intended to provide Noteholders' Committee with greater access to the documents in possession and control of the Debtors to facilitate a cost efficient and timely investigation.

The estates must determine whether it would be beneficial to pursue litigation claims against Wells Fargo not later than February 29, 2012, because the Final Financing Order establishes that as a deadline for the prosecution of the claims against Wells Fargo. The Noteholders' Committee has obtained ten separate Court orders granting examinations of fifteen separate entities and individuals pursuant to Bankruptcy Rule 2004, in addition to reviewing the Debtors' documents, as part of its investigation of potential claims against Wells Fargo and others. That investigation is ongoing.

4. DIP Facility

On September 13, 2011, the Debtors also filed their *Motion for Order (I) Authorizing Debtors to (A) Obtain Interim Postpetition Financing on a Superpriority, Secured and Priming Basis In Favor of Wells Fargo Capital Finance, LLC; (B) Use Cash Collateral on an Interim Basis; (C) Providing Adequate Protection to Wells Fargo Capital Finance, LLC; (D) Modifying the Automatic Stay Authorizing the Debtors to Enter Into*

Postpetition Agreements with Wells Fargo Capital Finance, LLC; and (II) Scheduling, and Establishing Deadlines Relating to a Final Hearing Authorizing the Debtors to Obtain Postpetition Financing and Use of Cash Collateral (the "**DIP Financing Motion**"). Through the DIP Motion, the Debtors obtained authority to enter into a postpetition financing agreement with Wells Fargo and utilize Wells Fargo's cash collateral, as such term is defined in Bankruptcy Code section 363, so that the Debtors could continue their operations in the Chapter 11 Cases.

On September 22, 2011, this Court entered its *Joint Stipulation and Agreed Interim Order: (I) Authorizing Debtors To (A) Obtain Post-Petition Financing On Super-Priority, Secured And Priming Basis In Favor Of Wells Fargo Capital Finance, LLC; (B) Use Cash Collateral On An Interim Basis; (C) Provide Adequate Protection To Wells Fargo Capital Finance, LLC And The Noteholders; And (D) Enter Into Post-Petition Agreements With Wells Fargo Capital Finance, LLC; And (II) Modifying The Automatic Stay* [Docket No. 80] (the "**First Interim Financing Order**"). The Noteholders' Committee, the Debtors, and Wells Fargo thereafter engaged in extensive negotiations regarding continued debtor in possession financing. The Noteholders' Committee also sought alternative sources of debtor in possession financing. In order to continue funding operations pending these negotiations, the parties entered into a series of stipulated orders extending the interim approval of debtor in possession financing. *See* Docket Nos. 111,180,190, and 221.

The Noteholders' Committee obtained a debtor in possession financing proposal from an alternative funding source. The proposal for debtor in possession financing was conditioned on the granting to the alternative debtor in possession lender of a senior security interest in substantially all of the Debtors' Assets. Wells Fargo informed the Noteholders' Committee and the Debtors that it objected to the grant of a security interest senior to Wells Fargo's Liens. The Bankruptcy Court approved payment of a $50,000 due diligence fee to the alternative financing source [Docket No. 173].

The Debtors, the Noteholders' Committee, and Wells Fargo thereafter negotiated

a modified final financing arrangement with Wells Fargo that is memorialized in the *Joint Stipulation And Agreed Final Order: (I) Authorizing Debtors To (A) Obtain Post-Petition Financing On A Super-Priority, Secured And Priming Basis In Favor Of Wells Fargo Capital Finance, LLC; (B) Use Cash Collateral On A Final Basis; (C) Provide Adequate Protection To Wells Fargo Capital Finance, LLC And The Noteholders; And (D) Enter Into Post-Petition Agreements With Wells Fargo Capital Finance, LLC; And (II) Modifying The Automatic Stay* [Docket No. 273] (the "**Final Financing Order**"). The Final Financing Order was entered on November 23, 2011.

Pursuant to the Final Financing Order, any representative of the Debtors' bankruptcy estates with authority to do so is required to file objections to Wells Fargo's Prepetition Lender Claims by set dates. Certain types of objections had to be filed not later than December 31, 2011. Other types of objections have to be filed not later than February 29, 2012.

On December 31, 2011, the Debtors, the Noteholders' Committee, and Wells Fargo entered into the *Supplemental Stipulation Relating To The Joint Stipulation And Agreed Final Order: (I) Authorizing Debtors To (A) Obtain Post-Petition Financing On A Super-Priority, Secured And Priming Basis In Favor Of Wells Fargo Capital Finance, LLC; (B) Use Cash Collateral On A Final Basis; (C) Provide Adequate Protection To Wells Fargo Capital Finance, LLC And The Noteholders; And (D) Enter Into Post-Petition Agreements With Wells Fargo Capital Finance, LLC; And (II) Modifying The Automatic Stay* (the "**Supplemental Financing Order**"). The Supplemental Financing Order extended the time period for an authorized representative of the Debtors' estates "to object to or otherwise challenge the perfection of Wells Fargo's pre-petition security interest in and Liens on the Debtors' Commercial Tort Claims . . . from December 31, 2011 to February 29, 2012."

Wells Fargo has continued to provide debtor in possession financing to the Debtors pursuant to the Final Financing Order and the Supplemental Final Financing Order throughout the Debtors' Chapter 11 Cases.

5. Motions to Sell Assets and Compromise Claims.

During the chapter 11 cases, the Debtors have sought Bankruptcy Court authority to sell certain assets of the bankruptcy estates and to compromise some of the Notes Receivable owned by the bankruptcy estates. As of January 31, 2012, the Debtors have obtained Bankruptcy Court approval to sell those assets and compromise those claims listed below at the sales prices set forth below.

Property	**Price**	**Sale Order Entered**
Las Colinas Treasure Hills	$4,050,000	Docket No. 110 entered October 11, 2011
Bravo Marshall	$2,000,000	Docket No. 145 entered October 18, 2011
Weyrich Development and JC Reeves Property	$127,500 + $129,000 + $359,000	Docket No. 316 entered December 9, 2011
Pointe Lakeview Homes Lots	$200,000 + $260,000 +$205,000	Docket No. 317 entered December 9, 2011
Vantage Lofts, LLC	Accepted part of collateral and agreed to release part of collateral	Docket No. 318 entered December 9, 2011
Thurston County, Washington Property	$4,000,000	Docket No. 319 entered December 9, 2011
Quincy 132, LLC Note	$1,000,000	No. 442 entered January 25, 2012
Horry County, S.C.	$2,000,000	Docket No. 448 entered January 30, 2012

In addition to the foregoing specific authorization orders, the Debtors obtained Bankruptcy Court approval on December 9, 2011, to sell lots owned by the Debtors in the ordinary course of business [Docket No. 316] , and to release the Debtors' deeds of trust on lots being sold in the ordinary course of business in connection with the Lakeview Terrace Development in exchange for established release prices. [Docket No. 317]

In addition to obtaining approval of the sales of specific assets, the Debtors sought and obtained Bankruptcy Court approval to employ Debt Exchange, Inc. ("**DebtX**") to conduct a sealed bid auction process for the Debtors' Notes Receivable. [Docket No. 272]. DebtX has engaged in this auction process and has obtained bids for a number of the Notes Receivable. None of these sales has yet been approved by the Bankruptcy Court.

The Debtors also sought and obtained Bankruptcy Court approval to engage brokers to list all of the Debtors' REO Property for sale. Land Advisors, Inc. ("**Land Advisors**") was engaged to list substantially all of the Debtors' REO Property and to work with individual local brokers with respect to specific properties. [Docket No. 274].

6. Legal Proceedings and Claims.

The material or potentially material pending actions arising out of the Debtors' activities are listed in **Exhibit "F"** hereto. Recognizing that the Automatic Stay barred further prosecution of their actions as against the Debtors, several parties amended their complaints to voluntarily dismiss their lawsuits as against the Debtors. They sought to continue to prosecute claims against various other parties, including without limitation, Greenburg Traurig, Wells Fargo, Kelly Ng, Barney Ng, Bruce Horwitz, B-4 Partners and Bar-K. Certain of these defendants have asserted indemnification claims against the Debtors, for their costs of defense and for any potential liability and Wells Fargo has asserted that its indemnification claim is secured by substantially all of the Debtors' Assets. Further prosecution of these lawsuits may result in discovery directed to the Debtors. Moreover, some or all of the claims being pursued in these state court lawsuits may actually constitute property of the Debtors' Estates, which should be pursued, if at all, by a representative of the Estates for the benefit of all creditors.

Wells Fargo and Greenburg Traurig, each of which has been named in several state court lawsuits, each filed an adversary proceeding in the Bankruptcy Court seeking at least a temporary injunction barring further prosecution of the lawsuits against them. Those adversary proceedings were filed on November 28, 2011, by Wells Fargo, commencing adversary case number 11-03618, and on November 29, 2011, by Greenburg Traurig, commencing adversary case number 11-03620. The parties thereafter stipulated to a temporary stay of the state court lawsuits, pending the briefing in these adversary proceedings of the requests by Wells Fargo and Greenburg Traurig for a longer term injunction. These adversary proceedings and the dispute over whether it is appropriate for the Bankruptcy Court to enjoin further prosecution of the state

court actions, either temporarily, pending confirmation of the Plan, or for a more extended period, is currently being briefed in the adversary proceedings.

One of the Debtors' borrowers, Rancho Las Flores, LLC originally sought relief from the automatic stay from the Bankruptcy Court to permit Rancho Las Flores, LLC to sue R.E. Loans in the California Superior Court for the County of San Bernardino to block R.E. Loans' foreclosure on Rancho Las Flores, LLC's assets. Before the final hearing on Rancho Las Flores, LLC's motion for relief from the automatic stay, Rancho Las Flores, LLC unilaterally postponed that hearing and filed a voluntary chapter 11 case. Rancho Las Flores, LLC's chapter 11 case creates an automatic stay that prohibits R.E. Loans from continuing with its pending foreclosure against Rancho Las Flores, LLC. R.E. Loans and Wells Fargo intend to seek relief from the automatic stay in Rancho Las Flores, LLC's chapter 11 case of Rancho Las Flores, LLC to enable them to enforce the note and deed of trust secured by the real property owned by Rancho Las Flores, LLC.

Development Specialists, Inc. ("**DSI**") filed a motion to transfer venue of the Debtors' cases to the Oakland Bankruptcy Court. DSI filed that motion to transfer in the Oakland Bankruptcy Court based on DSI's contention that Walter Ng and R.E. Loans were affiliates. The Oakland Bankruptcy Court denied that Motion on January 25, 2012, based on a determination that DSI had filed its motion in the wrong court, because Walter Ng and R.E. Loans are not affiliates.

The Committee filed a motion to transfer venue of these cases to the Oakland Bankruptcy Court on January 31, 2012 [Docket No. 457]. That motion is scheduled for hearing on March 6, 2012.

IV.

THE CHAPTER 11 PLAN

A. Overview of the Plan.

The following is only a brief summary of the material terms of the Plan. Creditors, Interest Holders and other parties in interest are urged to review the Plan in its entirety.

The objective of the Plan is to vest all Assets of the Debtors, other than Causes of Action, in NewCo and to transfer the equity in NewCo and all Causes of Action to the Liquidating Trust, which shall liquidate such Trust Assets and distribute the proceeds thereof to the Beneficiaries.

The treatment under the Plan of Allowed Claims and Allowed Interests is in full and complete satisfaction of the legal, contractual, and equitable rights that each entity holding an Allowed Claim or an Allowed Interest may have in or against the Debtors or their property. This treatment supersedes and replaces any agreements or rights those entities have in or against the Debtors or their property. All Distributions under the Plan will be tendered to the Person holding the Allowed Claim. **EXCEPT AS SPECIFICALLY SET FORTH IN THE PLAN, NO DISTRIBUTIONS WILL BE MADE AND NO RIGHTS WILL BE RETAINED ON ACCOUNT OF ANY CLAIM OR INTEREST THAT IS NOT AN ALLOWED CLAIM OR ALLOWED INTEREST.**

B. Allowance and Treatment of Unclassified Claims (Administrative Claims and Priority Tax Claims).

1. Administrative Claims.

Except to the extent that any entity entitled to payment of any Allowed Administrative Claim agrees to a less favorable treatment or unless otherwise ordered by the Court, each holder of an Allowed Administrative Claim shall receive in full satisfaction, discharge, exchange and release thereof, Cash in an amount equal to such Allowed Administrative Claim on the later of (i) the Effective Date, and (ii) the fifteenth (15^{th}) Business Day after such Administrative Claim becomes an Allowed Administrative Claim, or, in either

case, as soon thereafter as is practicable; provided, however, that Ordinary Course Administrative Claims shall be paid in full in accordance with the terms and conditions of the particular transactions and any applicable agreements or as otherwise authorized by the Court. The Plan also requires payment in full of U.S. Trustee fees and procedures for the allowance and payment of professional fee claims. The Plan provides an Administrative Claims Reserve.

a. Administrative Expense Bar Date.

All Administrative Expense Requests must be filed with the Bankruptcy Court no later than the Administrative Expense Bar Date or be forever barred. Within ten (10) business days after the Effective Date, the Debtors shall serve notice of the Effective Date and the Administrative Expense Bar Date on all creditors and parties in interest. Holders of Ordinary Course Administrative Expenses shall not be required to file Administrative Expense Requests for allowance and payment of such Claims. The deadline for filing final applications for allowance and payment of Professional Fee Claims shall be governed by Section 4.1(d) below.

b. Deadline for Objections.

Any objection to the allowance of an Administrative Expense, other than an Ordinary Course Professional Claim or a Professional Fee Claim, must be filed no later than sixty (60) days after the expiration of the Administrative Expense Bar Date (the "**Administrative Expense Objection Deadline**"). The Administrative Expense Objection Deadline may be extended only by an order of the Bankruptcy Court. If no objection to the allowance of an Administrative Expense is filed on or before the Administrative Expense Objection Deadline, such Administrative Expense shall be deemed Allowed as of such date.

2. Priority Tax Claims.

Priority Tax Claims are Claims entitled to priority against the Estates under Bankruptcy Code section 507(a)(8). Except to the extent that a holder of an Allowed Priority Tax Claim has been paid by the Debtors before the Effective Date or agrees to a less favorable treatment, each holder of an Allowed Priority Tax Claim shall receive in full satisfaction,

discharge, exchange and release thereof, Cash in an amount equal to such Allowed Priority Tax Claim on the later of (i) the Effective Date and (ii) the fifteenth (15th) Business Day after such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is practicable. On the Effective Date, the Priority Tax Reserve shall be funded in Cash. Distributions shall be made to Holders of Allowed Priority Tax Claims from the Priority Tax Claim Reserve by NewCo.

Except as otherwise ordered by the Court, to the extent the Priority Tax Claim Reserve has insufficient funds to pay all Priority Tax Claims in full, the Liquidating Trustee is authorized and directed to use net Liquidating Trust Proceeds to ensure payment, in full, of all Allowed Priority Tax Claims Any amounts remaining in the Priority Tax Reserve after payment of all Allowed Priority Tax Claims shall be turned over to Wells Fargo and applied against the balance due under the Exit Facility.

3. DIP Financing Facility Claims.

Notwithstanding anything else contained in this Disclosure Statement, the Plan or the Confirmation Order, or any amendments thereto, and notwithstanding the confirmation of the Plan, the holder of the DIP Financing Facility Claim, which is a secured Administrative Claim, shall be entitled to all of the Liens, protections, benefits, and priorities granted under the DIP Financing Orders. All such Liens, protections, benefits, and priorities shall continue until the DIP Financing Facility Claim is indefeasibly paid in full under the terms of the Exit Facility, which secured Administrative Claim, by reason of the DIP Financing Orders, (a) is allowed and payable in its entirety, (b) includes principal, accrued but unpaid interest, and attorneys' fees, costs, and expenses through the date of the full and indefeasible payment in cash of the DIP Financing Facility Claim (subject to the terms and conditions in the DIP Financing Orders regarding attorneys' fees and expenses), and (c) is secured by the valid, unavoidable and perfected Liens and security interests granted under, or in connection with the Wells Fargo Loan Documents and authorized by the DIP Financing Orders, which is subject only to Permitted Senior Liens as defined in the DIP Financing Orders. All payments of the DIP Financing

Facility Claim through the Effective Date shall be deemed to have been indefeasibly paid in full in cash upon the closing and funding of the Exit Facility on the Effective Date.

C. Classification and Treatment of Claims.

The Classification and treatment of all Allowed Claims and Interests is set forth in Article V of the Plan and summarized at pages 10-15 of this Disclosure Statement. All Creditors and Interest Holders are urged to review the Plan provisions in detail.

D. Executory Contracts and Unexpired Leases.

Effective upon the Effective Date, the Debtors shall reject all executory contracts and unexpired leases that exist between the Debtor; and any other Person that have not previously been rejected, except the Debtors do not reject those executory contracts and unexpired leases (a) which are listed in Exhibit "1" to the Plan and assumed on the Effective Date, or (b) which are or have been specifically assumed, or assumed and assigned, by the Debtors with the approval of the Court by separate proceeding in the Case.

All Allowed Claims arising from the rejection of executory contracts or unexpired leases, whether under the Plan or by separate proceeding, shall be treated as General Unsecured Claims in the Class for unsecured, nonpriority Claims against the Debtor that is a party to that contract or lease (REL Class 6, CS Class 5 or REF Class 5).

If the rejection of an executory contract or unexpired lease by the Debtors results in damages to the counterparty to such contract or lease, then a Claim for damages or any other amounts related in any way to such contract or lease shall be forever barred and shall not be enforceable against the Debtors, the Estates or their property, unless a proof of claim is filed with the Court and served on NewCo within thirty (30) days after the Effective Date. The rejection claim bar date for leases and contracts rejected prior to the Effective Date, outside of the Plan, shall be, as applicable, (i) the date(s) set forth in the applicable order(s) rejecting such lease or contract or (ii) the Claims Bar Date.

E. Provisions Governing Plan Implementation.

On the Effective Date, the following shall occur in implementation of the Plan:

(i) all actions, documents and agreements necessary to implement the Plan shall have been effected or executed;

(ii) the Debtors shall have received all authorizations, consents, rulings, opinions or other documents that are determined by the Debtors, with the consent of the Noteholders' Committee, to be necessary to implement the Plan; and

(iii) the Debtors shall make all Distributions required to be made on the Effective Date to holders of Allowed Claims pursuant to the Plan.

The Plan will not be consummated or become binding unless and until the Effective Date occurs.

F. Management of NewCo After the Effective Date.

NewCo shall be created on or before the Effective Date as a California limited liability company. The Debtors will file with the Bankruptcy Court the operating agreement for NewCo, as a part of the Plan Supplement, prior to the Disclosure Statement hearing. NewCo's operating agreement shall provide for, among other things, (a) the issuance of the New Members Interests to the Liquidating Trust; and (b) a prohibition on the issuance of nonvoting equity securities to the extent, and only to the extent, required by § 1123(a)(6).

At this time the Debtors anticipate that Mackinac will be the sole manager of NewCo. Mackinac has been the sole manager of R.E. Loans and R.E. Future at all relevant times from and after the Petition Date. Similarly, Mr. Weissenborn has been the sole director and the president of Capital Salvage at all times from and after the Petition Date. The terms of employment of Mackinac Partners will be governed by the Amended Operating Agreement. Any transitions in management of NewCo also will be controlled by the Amended Operating Agreement.

G. Debts of NewCo.

NewCo will enter into the Exit Facility to finance the payments that must be made on the Effective Date and NewCo's future working capital needs. The terms of the Exit Facility will be set forth in the documents that will be included in the Plan Supplement. If Wells Fargo

and the Debtors reach final agreement and Wells Fargo provides the Exit Facility, the term sheet for the Exit Facility is attached hereto as **Exhibit "G"**.

If the Claims of Noteholders are not disallowed or Subordinated, NewCo will also issue to the Collateral Agent the New Second Lien Note and New Second Lien Security Agreement. In general terms, the New Second Lien Note shall be in a face amount equal to the value of the REL Class 4 Collateral Value, which is defined as the gross value of the Collateral securing the Noteholders' Allowed Claims as of the Effective Date of the Plan, less the amounts owing to creditors holding senior Liens on such Collateral (i.e., the Prepetition Lender Claims, the DIP Facility Claims, and Secured Tax Claims). The New Second Lien Note shall bear interest at the rate of 8% per annum, or such other rate as the Court determines is necessary to comply with Bankruptcy Code § 1129(b). The New Second Lien Note shall be executed by NewCo in favor of the Collateral Agent and shall replace the individual Notes held by Noteholders. No payments shall be made to the Collateral Agent on account of the New Second Lien Note until the Exit Facility has been indefeasibly paid in full, in Cash. The New Second Lien Note shall thereafter be paid from the first available net cash flow, as set forth therein, until the five-year anniversary of the Effective Date, at which time the entire unpaid balance of the New Second Lien Note shall be all due and payable.

Payment of the New Second Lien Note shall be subject to the New Intercreditor Agreement. Under the terms of the New Intercreditor Agreement, following the indefeasible payment in full in cash of the obligations owing to Wells Fargo under the Exit Facility, the New Second Lien Note and the New Second Lien Security Agreement may be subject to a new secured credit facility that may be obtained by NewCo to fund ongoing operations and the orderly disposition of NewCo. In the event of any inconsistency between the foregoing terms and the terms of the New Second Lien Security Agreement, the New Second Lien Note, and the New Intercreditor Agreement, the terms of the New Second Lien Security Agreement, the New Second Lien Note, and the New Intercreditor Agreement shall control.

H. Liquidating Trust.

1. Effectiveness of the Liquidating Trust.

On the Effective Date: (i) the Liquidating Trust Agreement shall become effective, and, if not previously signed, the Debtors and the Liquidating Trustee shall execute the Liquidating Trust Agreement. The Liquidating Trust is organized and established as a trust for the benefit of the Beneficiaries, as defined below, and is intended to qualify as a liquidating trust within the meaning of Treasury Regulation Section 301.7701-4(d).

2. Beneficiaries.

In accordance with Treasury Regulation Section 301.7701-4(d), the beneficiaries ("**Beneficiaries**") of the Liquidating Trust are the holders of certain Allowed Claims in the Cases. The Holders of Allowed Claims in the following Classes shall receive beneficial interests in the Liquidating Trust, as provided for in the Plan and the Liquidating Trust Agreement: REL Class 6, CS Class 5, and REF Class 5. These are General Unsecured Claims against each Debtor until Allowed.

If the Noteholders' Claims are not disallowed or Subordinated, the Noteholders will receive Beneficial Interests based on their Noteholders' Unsecured Deficiency Claims, which will be REL Class 6 Claims. This will entitle them to share in all Liquidating Trust Assets, including Causes of Action, *pro rata* with other Holders of Allowed General Unsecured Claims. The Debtors believe the Noteholders will comprise more than 90% of all Allowed General Unsecured Claims if their Claims are not subordinated or disallowed and, therefore, they will receive the vast majority of the Liquidating Trust Proceeds, including without limitation any litigation recoveries.

If the Noteholders' Claims are subordinated or disallowed, the Noteholders will not have receive either (1) the New Second Lien Security Agreement, New Intercreditor Agreement, and New Second Lien Note from NewCo, or (2) Beneficial Interests. Instead the Noteholders will receive the Subordinated Trust Interests, which will entitle them to receive their *Pro Rata* share of the Liquidating Trust Proceeds after all recipients of Beneficial Interests (*i.e.*, Holders of

unsubordinated General Unsecured Claims) have received distributions equal to their Allowed Claims.

The Beneficial Interests and Subordinated Trust Interests shall not be transferable except to the very limited extent set forth in the Liquidating Trust Agreement. The Beneficial Interests and Subordinated Trust Interests shall not be certificated.

The Holders of Beneficial Interests shall receive distributions from the Liquidating Trust as provided for in the Plan and the Liquidating Trust Agreement.

3. Implementation of the Liquidating Trust.

On the Effective Date, the Debtors, on behalf of the Estates, and the Liquidating Trustee shall be authorized to, and shall, take all such actions as are required to transfer from the Debtors and the Estates all of their Assets, including, without limitation, the Trust Assets to the Liquidating Trust. From and after the Effective Date, the Liquidating Trustee shall be authorized to, and shall take all such actions as are required, to implement the Liquidating Trust and the provisions of the Plan as are contemplated to be implemented by the Liquidating Trustee, including (1) administering the Trust Assets, including, without limitation, the Causes of Action, and (2) transferring all Assets received from the Debtors' Estates other than the Trust Assets to NewCo in exchange for the membership interest in NewCo. The Liquidating Trustee shall thereafter exercise the rights of the sole member of NewCo.

4. Transfer of Trust Assets.

On the Effective Date the following transfers will be deemed to be implemented in the following order:

1. In satisfaction of R.E. Loans' Intercompany Claims against R.E. Future, all Assets of R.E. Future shall be transferred to R.E. Loans, subject to all Liens securing the Prepetition Lender Claims, the DIP Facility Claim, and Secured Tax Claims, but free and clear of all other Liens, Claims and Interests;

2. In satisfaction of R.E. Loans' Intercompany Claims against Capital Salvage, all Assets of Capital Salvage shall be transferred to R.E. Loans, subject to all Liens securing the Prepetition Lender Claims, the DIP Facility Claim, and Secured Tax Claims, but free and clear of all other Liens, Claims and Interests;

3. All Assets of R.E. Loans, including without limitation the Assets received pursuant to 1 and 2, above, shall be transferred to the Liquidating Trust, subject to all Liens securing the Prepetition Lender Claim, the DIP Facility Claim, and Secured Tax Claims, but free and clear of all other Liens, Claims and Interests;

4. The Liquidating Trust will transfer the following Assets received by the Liquidating Trust pursuant to 3, above, to NewCo, subject to all Liens securing the Prepetition Lender Claims, the DIP Facility Claim, Secured Tax Claims, and the New Second Lien, but free and clear of all other Liens, Claims and Interests: (i) all REO property, (ii) all Notes Receivable, and (iii) all Notes Receivable Claims. In exchange for these Assets NewCo shall issue the New Members Interest to the Liquidating Trust, free and clear of all Liens, Claims and Interests. The Liquidating Trust shall retain the Trust Assets, including without limitation all Causes of Action, free and clear of all Liens, Claims and Interests.

All of the Assets transferred to NewCo shall be subject to the Liens securing the DIP Facility and the Prepetition Lender Claims until such Claims are indefeasibly paid in full in Cash from the proceeds of the Exit Facility.

Promptly after receiving the transfer under paragraph 4, NewCo shall (1) consummate the Exit Facility, including without limitation the granting to the Exit Lenders of a new first priority Lien on all of NewCo's assets, subject only to the Liens securing Allowed Secured Tax Claims (Class 2) and executing and delivering to the Exit Lenders all of the Exit Facility Loan Documents and the New Intercreditor Agreement; and (2) execute and deliver to the Collateral Agent the New Second Lien Note and the New Second Lien Security Agreement, unless the Noteholders' Claims have been subordinated prior to the Effective Date. If the Noteholders' Claims are subordinated after the Effective Date, the New Second Lien Note and the New Second Lien Security Agreement shall be void and of no further force and effect. The New Second Priority Security Interest shall be subordinated to the Liens securing the Exit Facility pursuant to the New Intercreditor Agreement.

As the result of the foregoing transfers and agreements, (1) the Liquidating Trust will acquire and retain the Trust Assets, including without limitation the New Members Interests, free and clear of all Liens, Claims and Interests, (2) NewCo will acquire all Assets of the Debtors

that are not Trust Assets, free and clear of all Liens, Claims and Interests, except those granted or preserved under the Plan, and (3) the Debtors will transfer all of their Assets and will not retain ownership of any Assets.

5. Representative of the Estates.

The Liquidating Trustee shall be appointed as a representative of the respective Estates pursuant to sections 1123(a)(5), (a)(7) and (b)(3)(B) of the Bankruptcy Code and as such shall be vested with the authority and powers (subject to the Liquidating Trust Agreement) to set forth in Article VIII of the Plan and the Liquidating Trust Agreement.

6. No Liability Of Liquidating Trustee.

To the maximum extent permitted by law, the Liquidating Trustee and its employees, officers, directors, agents, members, representatives, or professionals employed or retained by the Liquidating Trustee (the "Liquidating Trustee's Agents") shall not have or incur liability to any Person or governmental entity for an act taken or omission made in good faith in connection with or related to the administration of the Trust Assets, the implementation of the Plan and the Distributions made thereunder or Distributions made under the Liquidating Trust, subject to the provisions of the Liquidating Trust Agreement. The Liquidating Trustee and the Liquidating Trustee's Agents shall in all respects be entitled to reasonably rely on the advice of counsel with respect to their duties and responsibilities under the Plan and the Liquidating Trust. Entry of the Confirmation Order constitutes a judicial determination that the exculpation provision contained in Section 11.5 of the Plan is necessary to, *inter alia*, facilitate Confirmation and feasibility and to minimize potential claims arising after the Effective Date for indemnity, reimbursement or contribution from the Estates, or the Liquidating Trust, or their respective property. Notwithstanding the foregoing, nothing in this Section shall alter any provision in the Liquidating Trust Agreement that provides for the potential liability of the Liquidating Trustee to any Person or governmental entity.

I. The Noteholders' Committee.

Until the Effective Date, the Noteholders' Committee shall continue in existence. As of Effective Date, the Noteholders' Committee shall terminate and disband and the members of the Noteholders' Committee and the Noteholders' Committee shall be released and discharged of and from all further authority, duties, responsibilities and obligations related to and arising from their service as Committee members.

J. The Source of Distributions.

The sources of all Distributions and payments under the Plan are Cash, including Cash in any Reserves, advances under the Exit Facility, and Liquidating Trust Proceeds.

K. Deemed Cancellation of Notes In Exchange for Treatment Under The Plan.

As of the Effective Date, and whether or not surrendered by the Holder thereof, all existing Notes and any Lien securing the existing Notes, shall be deemed automatically cancelled and deemed void and of no further force or effect, without any further action on the part of any person, and any Claims under or evidenced by any such Notes shall be deemed fully discharged and exchanged for the rights provided to the Noteholders under the Plan.

L. Distribution of Property Under the Plan.

1. Manner of Cash Payments.

Cash Distributions made pursuant to the Plan shall be in United States funds, by check drawn on a domestic bank, or by wire transfer from a domestic bank.

2. Setoff and Recoupment.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE PLAN, NEWCO AND LIQUIDATING TRUSTEE MAY SET OFF, RECOUP, OR WITHHOLD AGAINST THE DISTRIBUTIONS TO BE MADE ON ACCOUNT OF ANY ALLOWED CLAIM ANY CLAIMS THAT THE DEBTORS OR THE ESTATES MAY HAVE AGAINST THE ENTITY HOLDING THE ALLOWED CLAIM. THE DEBTORS, THE ESTATES, AND THE LIQUIDATING TRUST WILL NOT WAIVE

OR RELEASE ANY CLAIM AGAINST THOSE ENTITIES BY FAILING TO EFFECT SUCH A SETOFF OR RECOUPMENT, BY ALLOWING ANY CLAIM AGAINST THE DEBTOR OR THE ESTATE, OR BY MAKING A DISTRIBUTION ON ACCOUNT OF AN ALLOWED CLAIM.

3. No Distributions With Respect to Disputed Claims and Interests.

Notwithstanding any other Plan provision, Distributions will be made on account of a Disputed Claim only after, and only to the extent that, the Disputed Claim either becomes or is deemed to be an Allowed Claim for purposes of Distributions.

4. Undeliverable or Unclaimed Distributions.

The treatment of Distributions that cannot be delivered or are returned undeliverable is set forth in Section 10.1(e) of the Plan.

M. <u>Disputed Claims.</u>

1. Reserves for Administrative Claims.

On the Effective Date, the Administrative Claims Reserve shall be funded with sufficient monies to pay for all Allowed Administrative Claims and Disputed Claims that are Administrative Claims (in the event such claims become Allowed Claims). Any Cash remaining in the Administrative Claims Reserve, after all applicable Distributions or other payments have been made from said Reserve, shall be paid to Wells Fargo and applied to the balance owing under the Exit Facility.

2. Disputed Claims.

The procedures for dealing with Disputed Claims and establishing the Disputed Claims Reserve are set forth in Section 10.2(b) of the Plan.

3. Record Date.

The record date for purposes of Distributions under the Plan shall be the date the Court enters its order approving this Disclosure Statement. The Debtors and/or Liquidating Trustee will rely on the register of proofs of claim filed in the Case except to the extent a notice

of transfer of Claim or Interest has been filed with the Court prior to the record date pursuant to Bankruptcy Rule 3001.

V.

OTHER PLAN PROVISIONS

A. Exculpation and Release of Debtors, Committee, Wells Fargo, and Professionals of the Estates

Any and all Claims, liabilities, causes of action, rights, damages, costs and obligations held by any party against the Debtors, Mackinac Partners, Wells Fargo Group, the Noteholders' Committee, and their respective attorneys, accountants, agents and other professionals, and their officers, directors, principals, and employees, whether known or unknown, matured or contingent, liquidated or unliquidated, existing, arising or accruing, whether or not yet due in any manner, relating to any act taken or omitted to be taken in connection with, related to, or arising out of the Cases, the formulation, preparation, dissemination, implementation, confirmation, approval, or administration of the Plan or any compromises or settlements contained herein, the Disclosure Statement related thereto, the property to be distributed under the Plan, or any contract, instrument, release or other agreement or document provided for or contemplated in connection with the consummation of the transactions set forth in the Plan, shall be deemed fully waived, barred, released and discharged in all respects, except as to rights, obligations, duties, claims and responsibilities preserved, created or established by terms of the Plan; provided, however, nothing herein shall release any party to the extent that such claims arise from their respective willful misconduct or gross negligence; provided, further, that the foregoing proviso shall not limit the scope of the general release granted to the Wells Fargo Group under Section 11.6 of the Plan and the Exit Facility. This exculpation does not release any other Claims, liabilities, causes of action, rights, damages, costs or obligations held by any of the Debtors against any party other than the Wells Fargo Group, and no such release is being granted by any of the Debtors under the Plan, though the Debtors reserve the right to seek authority to release or settle claims prior to the Effective Date if

the Debtors believe that doing so is in the best interests of Creditors and the Estates.

Pursuant to section 1125(e) of the Bankruptcy Code, the Debtors, Mackinac Partners, the Wells Fargo Group, and the Noteholders' Committee and their present and former members, officers, directors, employees, agents, advisors, representatives, successors or assigns, and any Professionals (acting in such capacity) employed by any of the foregoing entities will neither have nor incur any liability to any Person or governmental entity for their role in soliciting acceptance or rejection of the Plan.

B. Release of the Wells Fargo Group.

By the Plan, and effective as of the Effective Date, for good and valuable consideration, the Debtors, their Estates, and NewCo shall and shall be deemed to completely and forever release, waive, void, extinguish, and discharge all causes of action that may be asserted by any of the Debtors, their Estates, or NewCo, or any party acting by, through, or under the Debtors, their Estates, or NewCo, against the Wells Fargo Group (other than the rights to enforce the Plan and any right or obligation under the Exit Facility), whether liquidated or unliquidated, fixed or contingent, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity, or otherwise, that are based in whole or in part on any act, omission, event or other occurrence taking place on or prior to the Effective Date relating in any way to the Debtors, NewCo, the Cases, or the Plan against any and all members of the Wells Fargo Group, which general release shall further be incorporated into the terms of the Confirmation Order.

C. Preservation of Causes of Action.

Pursuant to the Plan the Liquidating Trust will be vested with all Causes of Action and NewCo will be vested with all Notes Receivable Claims. The intent is not to release or waive any such Causes of Action or Notes Receivable Claims, other that the rights against the Wells Fargo Group released pursuant to 11.6 of the Plan. All parties against whom any of the Debtors may hold any claim, right or cause of action should refer to the reservation of rights set forth in detail in Section 8.16 of the Plan, which is incorporated herein by this reference.

D. Injunction Enjoining Holders of Claims Against Debtors.

The Plan is the sole means for resolving, paying or otherwise dealing with Claims and Interests. Except as provided in the Plan, as of the Effective Date, all non-Debtor entities are permanently enjoined from commencing or continuing in any manner, any Causes of Action, whether directly, derivatively, on account of or respecting any Causes of Action of the Debtors or NewCo, which the Liquidating Trust or NewCo, as the case may be, retain sole and exclusive authority to pursue in accordance with the terms of the Plan or which has been released pursuant to the Plan. Further, except as expressly provided in the Plan (including under the terms of the Exit Facility), at all times on and after the Effective Date, all Persons or governmental entities who have been, are, or may be Holders of Claims against or Interests in the Debtors arising prior to the Effective Date, shall be permanently enjoined from taking any of the following actions on account of any such Claims or Interests, against the Debtors, their Estates, or their property (other than actions brought to enforce any rights or obligations under the Plan and any adversary proceedings pending in the Cases as of the Effective Date):

(i) commencing, conducting or continuing in any manner, directly or indirectly any suit, action, or other proceeding of any kind against the Debtors, their Estates, NewCo, the Liquidating Trust, or the Liquidating Trustee, their successors, or their respective property or assets (including, without limitation, all suits, actions, and proceedings that are pending as of the Effective Date which shall be deemed to be withdrawn or dismissed with prejudice as against the Debtors);

(ii) enforcing, levying, attaching, executing, collecting, or otherwise recovering by any manner or means whether directly or indirectly any judgment, award, decree, or order against the Debtors, their Estates, NewCo, the Liquidating Trust, or the Liquidating Trustee, their successors, or their respective property or assets;

(iii) creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any lien, security interest or encumbrance against the Debtors, their Estates, NewCo, the Liquidating Trust, or the Liquidating Trustee, their successors, or their respective property or assets; and

(iv) proceeding in any manner in any place whatsoever against the Debtors, their Estates, NewCo, the Liquidating Trust, or the Litigation Trustee, their successors, or their respective property or assets, that does not conform to or comply with the provisions of the Plan.

E. Discharge of the Debtors.

The Confirmation Order will discharge all Claims against and Interests in the Debtors. No Holder of a Claim or Interest may receive any payment from, or seek recourse against, any assets that are to be distributed under the Plan other than assets required to be distributed to that Holder pursuant to the Plan. As of the Confirmation Date, all Persons and governmental entities are enjoined from asserting against any property that is to be distributed under the Plan any Claims, rights, causes of action, liabilities, or Interests based upon any act, omission, transaction, or other activity that occurred before the Confirmation Date, except as expressly provided in the Plan or the Confirmation Order. Upon the Effective Date and in consideration of the Distributions to be made hereunder, except as otherwise expressly provided for in the Plan or the Confirmation Order, each Holder of a Claim or Interest shall be deemed to have such Claim or Interest discharged to the fullest extent permitted by section 1141 of the Bankruptcy Code. Upon the Effective Date, all Entities shall be forever precluded and enjoined, pursuant to Section 524 of the Bankruptcy Code, from asserting against the Debtors or their respective successors or assigns, including, without limitation, NewCo and the Liquidating Trust, or their respective assets, properties, or interests in property, any discharged Claim or Interest in the Debtors, any other or further Claims based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date, whether or not the facts or legal bases therefore were known prior to the Effective Date regardless of whether a proof of

Claim or Interest was filed, whether the Holder thereof voted to accept or reject the Plan, or whether the Claim or Interest is an Allowed Claim or an Allowed Interest.

F. Revocation of the Plan.

The Debtors reserve the right to withdraw the Plan before the Confirmation Date.

G. Retention of Jurisdiction.

The Court will retain and have exclusive jurisdiction over any matter arising under the Bankruptcy Code, arising in or related to the Cases or the Plan, or that relates to the matters described in Section 13.15 of the Plan.

H. Nonconsensual Confirmation.

In the event that the Classes entitled to vote to accept or reject the Plan fail to accept the Plan in accordance with Bankruptcy Code section 1129(a)(8), the Debtors reserve the right to modify the Plan in accordance with Bankruptcy Code section 1127(a) and/or to request confirmation of the Plan over the negative vote of any Class, pursuant to Bankruptcy Code section 1129(b). In accordance with section 1127 of the Bankruptcy Code, the Debtors reserve the right to alter, amend, modify, revoke or withdraw the Plan or any Plan exhibit or schedule, including amending or modifying it to satisfy the requirements of the Bankruptcy Code.

I. No Waiver.

Neither the failure to list a Claim in the Schedules filed by the Debtors, the failure of any Person to object to any Claim for purposes of voting, the failure of any Person to object to a Claim or Administrative Claim prior to Confirmation or the Effective Date, the failure of any Person to assert a right of action prior to Confirmation or the Effective Date, the absence of a proof of Claim having been Filed with respect to a Claim, nor any action or inaction of any Person with respect to a Claim, Administrative Claim, or right of action other than a legally effective express waiver or release shall be deemed a waiver or release of the right of the Debtors or its successors or representatives, before or after solicitation of votes on the Plan or before or after Confirmation or the Effective Date to (a) object to or examine such Claim or Administrative Claim, in whole or in part or (b) retain and either assign or exclusively

assert, pursue, prosecute, utilize, otherwise act or otherwise enforce any right of action. Please refer to Section 8.16 of the Plan.

J. Plan Modification.

Subject to the restrictions set forth in Bankruptcy Code section 1127, the Debtors reserve the right to alter, amend, or modify the Plan before it is substantially consummated.

VI.

CERTAIN RISK FACTORS TO BE CONSIDERED

Holders of Impaired Claims entitled to vote on the Plan should read and consider carefully the factors set forth below, as well as other information set forth in this Disclosure Statement and the documents delivered together herewith and/or incorporated by reference herein, prior to voting to accept or reject the Plan.

A. Risk that the Debtors Will Have Insufficient Cash for the Plan to Become Effective.

The Plan cannot be confirmed by the Court unless the Debtors have sufficient funds by the Effective Date to pay or reserve for all Allowed Administrative Claims, Allowed Priority Tax Claims and Allowed Priority Non-Tax Claims, unless particular Holders of such Claims agree to a deferred payment of their Claims. The Debtors believe that at the time of Confirmation they will have sufficient Cash to satisfy or reserve for all such Claims.

B. Risk Regarding the Distributions to Be Made to Creditors and Interest Holders.

There can be no certainty as to the distributions that Creditors will receive under the Plan. The most important factor that will impact the distributions to Noteholders and all General Unsecured Creditors is the question of whether the Exchange Notes and the Liens that secure them are avoidable as constructive fraudulent transfers. If they are not avoidable, the Noteholders will be entitled to the New Second Lien Notes in the face amount equal to the REL Class 4 Collateral Value from NewCo, which shall be payable ahead of all General Unsecured Creditors, and to share *pari passu* with all General Unsecured Creditors in all Liquidating Trust

Proceeds. If the Exchange Notes are avoidable, General Unsecured Creditors are entitled to priority ahead of the Noteholders.

In addition to the foregoing, the Debtors' projections will be affected by, among other things: (1) recoveries that the Liquidating Trustee generates from the Causes of Action; (2) recoveries that NewCo generates in connection with the disposition of all other assets, including real estate owned and the Note Receivable Claims; (3) the outcome of objections to Claims; and (4) the cost and expenses of such actions.

C. Bankruptcy Risks.

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests of such class. The Debtors believe that the classification of Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code. However, there can be no assurance that the Court would reach the same conclusion.

Even if all Classes of Claims that are entitled to vote accept the Plan, the Plan might not be confirmed by the Court. Section 1129(a) of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, that the value of distributions to dissenting creditors and equity security holders not be less than the value of distributions such creditors and equity security holders would receive if the debtor were liquidated under chapter 7 of the Bankruptcy Code. The Debtors believe that the Plan satisfies all of the requirements for confirmation of a plan under section 1129.

VII.

VOTING PROCEDURES AND REQUIREMENTS

IT IS IMPORTANT THAT HOLDERS OF CLAIMS EXERCISE THEIR RIGHT TO VOTE TO ACCEPT OR REJECT THE PLAN. All known Holders of Claims entitled to vote on the Plan have been sent a Ballot together with this Disclosure Statement. Such Persons should read the Ballot carefully and follow the instructions contained therein. Please use only the Ballot (or Ballots) that accompanies this Disclosure Statement.

FOR YOUR VOTE TO COUNT, YOUR BALLOT MUST BE ACTUALLY RECEIVED BY THE BALLOTING AGENT (AS DEFINED BELOW), NO LATER THAN 5:00 P.M., CENTRAL TIME, ON _____, 2012.

ANY BALLOT THAT IS EXECUTED AND RETURNED BUT WHICH DOES NOT INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN WILL BE DEEMED AN ACCEPTANCE OF THE PLAN. IF YOU HAVE ANY QUESTIONS CONCERNING VOTING PROCEDURES OR IF A BALLOT IS DAMAGED OR LOST, YOU MAY CONTACT DEBTORS' COUNSEL, STUTMAN, TREISTER & GLATT PROFESSIONAL CORPORATION, ATTN: KENDRA JOHNSON, 1901 AVENUE OF THE STARS, 12TH FLOOR, LOS ANGELES, CA 90067, TELEPHONE: (310) 228-5600, FAX: (310) 228-5788, EMAIL: KJOHNSON@STUTMAN.COM.

A. Parties In Interest Entitled To Vote.

Subject to the provisions of this Disclosure Statement Order, any Holder of a Claim against the Debtors as of the Petition Date, which Claim has not been disallowed by order of the Court and is not disputed, is entitled to vote to accept or reject the Plan if (1) such Claim or Interest is Impaired under the Plan and is not of a Class that is deemed to have accepted the Plan pursuant to sections 1126(f) of the Bankruptcy Code, and (2) either (a) such Holder's Claim has been scheduled by the Debtors (and such Claim is not scheduled as disputed, contingent, or unliquidated), or (b) such Holder has filed a proof of Claim or Interest on or before the Claims Bar Date. Unless otherwise permitted in the Plan, the Holder of any Disputed Claim or Disputed Interest is not entitled to vote on the Plan on account of such Disputed Claim or Disputed Interest unless the Court, upon application by such Holder, temporarily allows such Disputed Claim or Disputed Interest for the limited purpose of voting to accept or reject the Plan. A vote on the Plan may be disregarded if the Court determines, after notice and a hearing, that such vote was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code. The Debtors may file a motion to estimate various disputed, contingent and unliquidated claims for voting purposes.

B. Classes Impaired and Entitled To Vote Under The Plan.

The chart set forth at pages 10-15, *supra,* summarizes which Classes of Claims and Interests are Impaired and which Classes of Claims are Unimpaired under the Plan. No Class of Interests is entitled to vote. All Classes of Claims, except REL Class 3, CS Class 3 and REF Class 3 (*i.e.*, "Other Secured Claims") are entitled to vote to accept or reject the Plan.

The Bankruptcy Code defines acceptance of a Plan by a class of claims as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of the claims of that class that actually cast ballots for acceptance or rejection of the Plan. Thus, acceptance by a Class of Claims occurs only if at least two-thirds in dollar amount and a majority in number of the Holders of such Claims that actually vote cast their Ballots in favor of acceptance.

CREDITORS AND OTHER PARTIES IN INTEREST ARE CAUTIONED TO REVIEW THIS DISCLOSURE STATEMENT ORDER FOR A FULL UNDERSTANDING OF VOTING REQUIREMENTS, INCLUDING, WITHOUT LIMITATION, COMPLETION AND SUBMISSION OF BALLOTS.

VIII.

CONFIRMATION OF THE PLAN

Under the Bankruptcy Code, the following steps must be taken to confirm the Plan:

A. Confirmation Hearing.

Section 1128(a) of the Bankruptcy Code requires the Court, after notice, to hold a hearing on confirmation of a Plan. By order of the Court, the Confirmation Hearing has been scheduled for _____, 20011 at ___:___ __.m. (Central Time) before the Honorable Judge Houser, Chief Judge, United States Bankruptcy Court for the Northern District of Texas, Dallas Division, 14th Floor, 1100 Commerce Street, Dallas, Texas 75242. The Confirmation Hearing may be adjourned from time to time by the Court without further notice except for an announcement made at the Confirmation Hearing or any adjournment thereof.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan. Any objection to confirmation of the Plan must be in writing, conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Court, set forth the name of the objecting party, the nature and amount of the Claim or Interest held or asserted by the objecting party against the Debtors' Estates, the basis for the objection, and the specific grounds therefor. The objection, together with proof of service thereof, must then be filed with the Court, with a copy to chambers, and served upon: (1) counsel to the Debtors, Stutman, Treister & Glatt, 1901 Avenue of the Stars, 12th Floor, Los Angeles, California 90067, Attn: Jeffrey C. Krause; (2) counsel to the Debtors, Gardere Wynne Sewell LLP, 3000 Thanksgiving Tower, 1601 Elm Street, Dallas, Texas 75201-4761, Attn: Holland Neff O'Neil; (3) Office of the United States Trustee, Earl Cabell Federal Building, 1100 Commerce Street, Room 976, Dallas, Texas 75242; (4) counsel to Wells Fargo, David Weitman, K&L Gates LLP, 1717 Main Street, Suite 2800, Dallas, Texas 75201; and (5) counsel to the Official Committee of Noteholders, Charles R. Gibbs, Akin Gump Strauss Hauer & Feld LLP, 1700 Pacific Avenue, Suite 4100, Dallas, Texas 75201.

Objections to confirmation of the Plan are governed by Rule 9014 of the Federal Rules of Bankruptcy Procedure. UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY AND PROPERLY SERVED AND FILED, THE COURT MAY NOT CONSIDER IT.

B. Requirements for Confirmation of the Plan.

At the Confirmation Hearing, the Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation are that the Plan (1) is accepted by all Impaired Classes of Claims and Interests or, if rejected by an Impaired Class, that the Plan "does not discriminate unfairly" and is "fair and equitable" as to any Class that does not accept the Plan, (2) is feasible, and (3) is in the "best interest" of holders of Claims and Interests Impaired under the Plan.

1. Acceptance.

The holders of Claims in the following Classes are entitled to vote on the Plan: REL Class 1, REL Class 3, REL Class 4, REL Class 5, REL Class 6, REL Class 7, REL Class 8, CS Class 1, CS Class 3, CS Class 4, CS Class 5, CS Class 6, CS Class 7, REF Class 1, REF Class 3, REF Class 4, REF Class 5, REF Class 6, and REF Class 7. These Classes must accept the Plan in order for the Plan to be confirmed without application of the "fair and equitable test," described below, to such Class. As stated above, a Class of Claims will have accepted the Plan if the Plan is accepted by at least two-thirds in dollar amount, and a majority in number of the Claims of each such Class (other than any Claims of creditors designated under section 1126(e) of the Bankruptcy Code) that have voted to accept or reject the Plan.

Claims in the following Classes are Unimpaired by the Plan: REL Class 2, CS Class 2, and REF Class 2. The holders thereof are conclusively presumed to have accepted the Plan.

2. Fair and Equitable Test.

The Debtors will seek to have the Plan confirmed notwithstanding the rejection or deemed rejection of the Plan by any Impaired Class of Claims or Interests. To obtain such confirmation, it must be demonstrated to the Court that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such dissenting Impaired Class. A plan does not discriminate unfairly if the legal rights of a dissenting class are treated in a manner consistent with the treatment of other classes whose legal rights are substantially similar to those of the dissenting class, and if no class receives more than it is entitled to for its claims or interests. The Debtors believe that the Plan satisfies this requirement.

The Bankruptcy Code establishes different "fair and equitable" tests for secured claims, unsecured claims and interests, as follows:

a. Secured Claims.

Either the Plan must provide (i) that the Holders of such Claims retain the Liens securing such claims, whether the property subject to such Liens is retained by the Debtors or

transferred to another entity, to the extent of the Allowed amount of such Claims, and each Holder of a Claim receives deferred cash payments totaling at least the Allowed amount of such Claim, of a value, as of the Effective Date of the Plan, of at least the value of such Holder's interest in the Estate's interest in such property; (ii) for the sale of any property that is subject to the Liens securing such Claims, free and clear of such Liens, with such Liens to attach to the proceeds of such sale; or (iii) for the realization by such Holders of the indubitable equivalent of such Claims. If the Noteholder Claims are not subordinated or disallowed the Debtors believe that the Plan provides the Noteholders with the indubitable equivalent by issuing to the Collateral Agent the New Second Lien Note and the New Second Lien Security Agreement.

b. Unsecured Claims.

Either (i) each Holder of an Impaired Unsecured Claim receives or retains under the Plan property of a value equal to the amount of its Allowed Claim, or (ii) the holders of Claims and Interests that are junior to the Claims of the dissenting Class will not receive any property under the Plan.

c. Interests.

The holders of Interests in the Debtors will not receive any property under the Plan.

THE DEBTORS BELIEVE THAT THE PLAN MAY BE CONFIRMED ON A NONCONSENSUAL BASIS (PROVIDED AT LEAST ONE IMPAIRED CLASS OF CLAIMS VOTES TO ACCEPT THE PLAN). ACCORDINGLY, THE DEBTOR WILL DEMONSTRATE AT THE CONFIRMATION HEARING THAT THE PLAN SATISFIES THE REQUIREMENTS OF SECTION 1129(b) OF THE BANKRUPTCY CODE AS TO ANY NON-ACCEPTING CLASS.

3. Feasibility.

The Bankruptcy Code requires that confirmation of a plan is not likely to be followed by the liquidation, or the need for further financial reorganization of a debtor, unless

such liquidation or reorganization is proposed in the plan. The liquidity required by NewCo to meet its ongoing obligations will be provided by the Exit Facility and the disposition of REO Property by NewCo.

There is no absolute guarantee that the Debtors will be able to liquidate assets in the timeframe required to comply with their obligations under the Plan, re-pay the Exit Facility, and avoid any future liquidation. Based on the Debtors' projections and the timeframe permitted by the Exit Facility, the Debtors believe that the Plan satisfies the "feasibility" requirement of Court § 1129(a)(11).

4. "Best Interests" Test.

With respect to each Impaired Class of Claims and Interests, confirmation of the Plan requires that each such holder either (a) accepts the Plan, or (b) receives or retains under the Plan property of a value, as of the Effective Date of the Plan, that is not less than the value such holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

This analysis requires the Court to determine what the holders of Allowed Claims and Allowed Interests in each Impaired Class would receive from the liquidation of the Debtors' Assets in the context of a chapter 7 liquidation case. If the Debtors' cases were converted to cases under chapter 7, the chapter 7 trustee would have no financing facility and would be forced to liquidate assets on a very expedited basis. The liquidation of assets, particularly the Notes Receivable, on a "fire sale" basis would substantially reduce the proceeds received. Substantially all of the Notes Receivable held by R.E. Loans are currently in default. The underlying real property securing the Notes Receivable generates no current income. R.E. Loans has actively marketed the Notes Receivable during the Chapter 11 Cases and has sold any of the Notes Receivable for which it received offers that it believed were reasonable relative to the value of the underlying real property. Under these circumstances, a purchaser for any of the remaining defaulted Notes Receivable is likely to pay less than a purchaser would pay for the underlying real estate if R.E. Loans were to complete a foreclosure sale and obtain title to the real property.

In a chapter 7 case, the trustee probably would not have the luxury of time and available financing to complete those foreclosure sales and engage in an orderly marketing effort with respect to the underlying real property. This would substantially reduce the proceeds received.

While the orderly disposition of assets over the next several years pursuant to the Plan will delay distribution and NewCo will have to pay carrying costs while it obtains title to the Notes Receivable collateral and markets the REO Property that it will own, the net recovery to Noteholders and General Unsecured Creditors will be substantially increased through this process, when compared with an immediate liquidation of the assets currently owned by the Debtors in a chapter 7 case.

IX.

ALTERNATIVES TO CONFIRMATION OF THE PLAN

The Debtors have evaluated all alternatives to the Plan. After studying these alternatives, the Debtors have concluded that the Plan is the best alternative, and will maximize recoveries by parties in interest, assuming confirmation of the Plan.

If the Plan is not confirmed and the Debtors are required to engage in an immediate liquidation process, the net proceeds obtainable will be substantially reduced. See Section VIII.B.3, above.

THE PLAN MAY ALSO PROVIDE MOST NOTEHOLDERS AND GENERAL UNSECURED CREDITORS WITH THE BENEFIT OF ENABLING THEM TO RECOGNIZE THEIR TAX LOSSES DURING 2012, WHEREAS RECOGNITION OF SUCH LOSSES IN A CHAPTER 7 CASE COULD BE DELAYED SEVERAL YEARS. For the reasons set forth in Article X, below, the Debtors believe that the transfers on the Effective Date of the Plan will trigger taxable losses for each holder of an Allowed Claim equal to the difference between each creditor's existing tax basis in its Claim and the value of (1) that creditor's pro rata share of the assets transferred to the Liquidating Trust, and (2) if the Noteholders receive the New Second Lien Note, the face amount of the New Second Lien Note. The Debtors believe that most creditors have a basis equal to the amount of their claims. While

final values have not yet been determined, those values will be substantially less than the total debts owed by the Debtors. Therefore, Creditors who have a basis equal to their claims will realize large tax losses as more fully described in Article X below.

If the Debtors' cases were converted to cases under chapter 7, creditors would probably not be able to take a worthless debt deduction until the cases were fully administered. In light of the litigation that would likely proceed in chapter 7 cases, this could take several years.

Based on the foregoing, the Debtors respectfully submit that the Plan is the best available option for all creditors and parties in interest, including, without limitation, the Noteholders. The Debtors believe that the Plan fairly adjusts the rights of various Classes of Creditors consistent with the distribution scheme embodied in the Bankruptcy Code and enables such Persons to realize the most possible under the circumstances. The Plan provides for no distributions to Interest holders on account of their equity.

X.

CERTAIN U.S. FEDERAL TAX CONSEQUENCES OF THE PLAN

A. Introduction.

The following discussion summarizes certain federal income tax consequences of the implementation of the Plan to the Holders of Claims. The following summary does not address the federal income tax consequences to Holders of Claims that are not Impaired by the Plan, or to Interest Holders. The following summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations promulgated and proposed thereunder, judicial decisions and published administrative rules and pronouncements of the Internal Revenue Service ("**IRS**") as in effect on the date hereof. Changes in such rules or new interpretations thereof may have retroactive effect and could significantly affect the federal income tax consequences described below. Further, any discussion of the Liquidating Trust and the powers, obligations and/or actions of the Liquidating Trustee that may be set forth below is subject to the applicable provisions of the Plan and the Liquidating Trust Agreement; if and to

the extent that there is any inconsistency between such discussion on the one hand and the Plan and the Liquidating Trust Agreement on the other hand, the terms of the latter documents shall control. Creditors should read the Plan and the Liquidating Trust Agreement in their entirety.

The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtors have not requested a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation that the IRS or a reviewing court might adopt. In addition, this summary does not address foreign, state or local tax consequences of the Plan, nor does it purport to address the federal income tax consequences of the Plan to special classes of taxpayers (such as foreign taxpayers, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax-exempt organizations, investors in pass-through entities, Holders that hold Claims as part of a hedge, straddle or conversion, Holders who acquired their Claims as compensation, and Holders who do not hold their Claims as capital assets).

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM OR INTEREST. ALL HOLDERS OF CLAIMS OR INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

IRS CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS, PLEASE BE ADVISED THAT ANY WRITTEN U.S. TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENT) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF (1) AVOIDING PENALTIES UNDER THE INTERNAL REVENUE CODE OR (2) PROMOTING, MARKETING OR

RECOMMENDING TO ANOTHER PARTY ANY TRANSACTION OR MATTER ADDRESSED HEREIN.

B. Consequences to the Debtors.

R.E. Loans is not required to pay taxes on any income that it may generate because it is a single member LLC that is a disregarded entity for income tax purposes. R.E. Loans' sole member, B-4 Partners Partners, is a limited liability company taxed as a partnership. As a result, its gains and losses are passed through to its three members (Kelly Ng, Walter Ng, and Barney Ng). If it has gains, those gains are allocated to its members. If it has losses, those losses are passed through to its members. The passed-through income and losses include the income and losses of R.E. Loans.

Confirmation of the Plan will result in substantial cancellation of debt income ("**COD**"). Certain provisions of the Code provide for the exclusion of COD from income if the ultimate taxpayer (in this case the Ng family members) is insolvent or a debtor in a bankruptcy case. In addition to the COD that will be generated from the confirmation of the Plan, each of the Debtors will suffer substantial losses because the value of their assets being transferred under the Plan is far less than their basis in these assets. Those losses will offset the COD income passed through to the members of B-4 Partners. In light of the pass-through nature of R.E. Loans and B-4 Partners, neither entity will owe taxes as the result of the COD or the confirmation of the Plan.

As discussed below, under the Plan, the Debtors will be treated for U.S. federal income tax purposes as transferring the Assets directly to the Holders of Allowed General Unsecured Claims, who will then be treated as transferring such assets to the Liquidating Trust. Accordingly, the Debtors' transfer of Assets will result in the Debtors recognizing large losses, based on the fact the value of such assets on the Effective Date and will be for less than the adjusted tax basis of such assets on the Effective Date. These losses, like the COD described above, will be recognized by B-4 Partners (because R.E. Loans is a single member limited liability company). Because B-4 Partners is taxed as a partnership these losses (and the COD)

will be passed through to B-4 Partners' members.

C. Consequences to Holder of General Unsecured Claims

1. Recognition of Gain or Loss Generally.

Pursuant to the Plan, on the Effective Date, each Holder of General Unsecured Claim (excluding Intercompany Claims - REL Class 7, CS Class 6 and REF Class 6) will receive an allocated Liquidating Trust Interest which is a beneficial interest in the Liquidating Trust, entitling the holder thereof to distributions from the Liquidating Trust as provided for in the Plan and in the Liquidating Trust Agreement. Except to the extent that the holder of any such Claim and beneficial interest agrees to a different treatment, said Persons will receive on account of its Allowed General Unsecured Claim and Liquidating Trust Interest, in full and complete satisfaction thereof, from the Liquidating Trust, one or more *Pro Rata* Distributions of the net Liquidating Trust Proceeds based upon the amount of the respective Holder's Allowed General Unsecured Claim. In general, each holder of an Allowed Claim in these Classes will recognize gain or loss in an amount equal to the difference between (i) the sum of the amount of any Cash and the fair market value of any other property (including, as discussed below, its undivided interest in the Trust Assets and the amount of its pro rata share of the New Second Lien Note) that such holder receives in satisfaction of its Claim (other than in respect of any Claim for accrued but unpaid interest, and excluding any portion required to be treated as imputed interest due to the post-Effective Date Distribution of such consideration upon the resolution of Disputed Claims), and (ii) such holder's adjusted tax basis in its Claim (other than any Claim for accrued but unpaid interest). For a discussion of the U.S. federal income tax consequences of any Claim for accrued interest, see Section XI.B.2 below.

If the Noteholder Claims are subordinated to the claims of other Unsecured Creditors, the Noteholders will receive the Subordinated Trust Interests. Those interests will entitle the Noteholders to distribution from the Liquidating Trust only after General Unsecured Creditors are paid in full. If this occurs, the value of the assets transferred to the Liquidating Trust for the benefit of the Noteholders will be the net value after deduction of the amounts

owing to General Unsecured Creditors. As a result, the tax loss generated for the Noteholders at the time of the transfer of assets to the Liquidating Trust will be greater, because the net value of the assets transferred to the Liquidating Trust for their benefit will be lower and they will not receive any New Second Lien Note.

As discussed below, the Liquidating Trust has been structured to qualify as a "grantor trust" for U.S. federal income tax purposes. Accordingly, each holder of an Allowed Claim receiving a beneficial interest in the Liquidating Trust will be treated for U.S. federal income tax purposes as directly receiving and as a direct owner of its allocable percentage of the Trust Assets. As set forth in the Liquidating Trust Agreement, as soon as practicable after the Effective Date, and thereafter as may be required, the Liquidating Trustee will (if reasonably deemed necessary or desirable by the Liquidating Trustee) make or have caused to be made a good faith valuation of the Trust Assets, and all parties, including the recipients of Beneficial Interests and Subordinated Trust Interests must consistently use such valuation for all federal income tax purposes.

Due to the possibility that a holder of an Liquidating Trust Interest may receive more than one Distribution subsequent to the Effective Date (due to the subsequent disallowance of certain Disputed Claims or unclaimed Distributions), the imputed interest provisions of the Code may apply to treat a portion of such later Distributions to such holders as imputed interest. In addition, it is possible that any loss realized by an recipient of any Liquidating Trust Interest or REL Subordinated Trust Interest may be deferred until all subsequent Distributions relating to Disputed Claims are determinable, and that a portion of any gain realized may be deferred under the "installment method" of reporting. Holders are urged to consult their tax advisors regarding the possibility for deferral, and the potential ability to elect out of the installment method of reporting any gain realized in respect of their Claims.

After the Effective Date, any amount a holder receives as a Distribution from the Liquidating Trust in respect of its beneficial interest therein (other than as a result of the subsequent disallowance of Disputed Claims) should not be included for federal income tax

purposes in the holder's amount realized in respect of its Allowed Claim, but should be separately treated as a distribution received in respect of such holder's beneficial (ownership) interest in the Liquidating Trust.

Where a holder recognizes gain or loss in respect of its Claim, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the holder, whether the Claim constitutes a capital asset in the hands of the holder and how long it has been so held, whether the holder had acquired the Claim at a market discount, and whether and to what extent the holder had previously claimed a bad debt deduction. A holder that purchased its Claim from a prior holder at a market discount may be subject to the market discount rules of the Code. Under those rules, assuming that the holder has made no election to amortize the market discount into income on a current basis with respect to any market discount instrument, any gain recognized on the exchange of such Claim (subject to a *de minimis* rule) generally would be characterized as ordinary income to the extent of the accrued market discount on such Claim as of the date of the exchange.

In general, a holder's tax basis in any beneficial interest received (and undivided interest in Trust Assets deemed owned) will equal the fair market value of its proportionate share of the Trust Assets on the Effective Date. The holding period for such assets generally will begin the day following the Effective Date.

2. Distributions in Payment of Accrued But Unpaid Interest.

Distributions to any Holder of an Allowed Claim will be allocated first to the original principal portion of such Claim as determined for federal income tax purposes, and then, to the extent the consideration exceeds such amount, to the portion of such Claim representing accrued but unpaid interest. However, there is no assurance that the IRS would respect such allocation for federal income tax purposes.

To the extent a holder of debt receives an amount of Cash or property in satisfaction of interest accrued during its holding period, such holder generally recognizes

taxable interest income in such amount (if not previously included in the holder's gross income). Conversely, a holder generally recognizes a deductible loss to the extent any accrued interest claimed was previously included in its gross income and is not paid in full. Each holder is urged to consult its tax advisor regarding the allocation of consideration and the deductibility of unpaid interest for U.S. federal income tax purposes.

3. Tax Treatment of the Liquidating Trust and Holders of Beneficial Interests Therein.

On the Effective Date, the Liquidating Trust will be established for the benefit of recipients of Beneficial Interests and Subordinated Trust Interests. The Liquidating Trust is intended to qualify as a liquidating trust for federal income tax purposes. In general, such a trust is not a separate taxable entity but rather is treated for federal income tax purposes as a "grantor" trust (*i.e.*, a pass-through entity). However, merely establishing a trust as a liquidating trust does not ensure that it will be treated as a grantor trust for U.S. federal income tax purposes. The IRS, in Revenue Procedure 94-45, 1994-2 C.B. 684, set forth the general criteria for obtaining an IRS ruling as to the grantor trust status of a Liquidating Trust under a chapter 11 plan. The Liquidating Trust has been structured with the intention of complying with such general criteria. Pursuant to the Plan, and in conformity with Revenue Procedure 94-45, all parties (including the Debtors, the Liquidating Trustee, and the Beneficiaries of the Liquidating Trust) are required for federal income tax purposes to treat the Liquidating Trust as a grantor trust of which the Persons receiving interests therein are the owners and grantors. The following discussion assumes that the Liquidating Trust will be so respected for U.S. federal income tax purposes. However, no ruling has been requested from the IRS and no opinion of counsel has been requested concerning the tax status of the Liquidating Trust as a grantor trust. Accordingly, there can be no assurance that the IRS would not take a contrary position. If the IRS were to challenge successfully such classification, the federal income tax consequences to the Liquidating Trust and the Beneficiaries could vary from those discussed herein.

For all U.S. federal income tax purposes, all parties (including the Debtors, the

Liquidating Trustee, and the Beneficiaries) must treat the transfer of the Trust Assets to the Liquidating Trust, in accordance with the terms of the Plan and the Liquidating Trust Agreement, as a transfer of such Trust Assets directly to the Beneficiaries, followed by such Beneficiaries' transfer of the Trust Assets to the Liquidating Trust. Consistent therewith, all parties must treat the Liquidating Trust as a grantor trust of which the Beneficiaries are the owners and grantors. Thus, such Beneficiaries will be treated as the direct owners of their respective undivided interests in the Trust Assets for all U.S. federal income tax purposes. Each such Person will have a tax basis in its proportionate share of the Trust Assets deemed owned equal to the fair market value thereof on the Effective Date. As set forth in the Liquidating Trust Agreement, as soon as practicable after the Effective Date, and thereafter as may be required, the Liquidating Trustee will (if reasonably deemed necessary or desirable by the Liquidating Trustee) make or have caused to be made a good faith valuation of the Trust Assets, and all parties, including the Beneficiaries, must consistently use such valuation for all federal income tax purposes.

The Debtors believe that the foregoing income tax treatment will result in the recognition of large losses by each Noteholder upon the creation of the Liquidating Trust and transfer of assets to the Liquidating Trust. The Debtors believe that most of the Noteholders have a tax basis in their Notes approximately equal to the face amount of the Notes. The value of the assets to be transferred to the Liquidating Trust has not yet been finally determined, but it will be substantially less than the aggregate face amount of the Notes. As a result, the Debtors believe that each Holder of a Note is likely to realize a loss in an amount equal to that Noteholder's tax basis in the Note, minus the value of the assets transferred to the Liquidating Trust and the Noteholder's pro rata share of the New Second Lien Note.

Accordingly, except as discussed below (in connection with pending Disputed Claims), each recipient of an Liquidating Trust Interest or a Subordinated Liquidating Trust Interest will be required to report on its U.S. federal income tax return its allocable share of any income, gain, loss, deduction, or credit recognized or incurred by the Liquidating Trust, in

accordance with its relative beneficial interest.[7] The character of items of income, deduction, and credit to any holder and the ability of such holder to benefit from any deduction or losses may depend on the particular situation of such holder.

The U.S. federal income tax reporting obligations of a holder is not dependent upon the Liquidating Trust distributing any Cash or other proceeds. Therefore, a holder may incur a federal income tax liability with respect to its allocable share of the income of the Liquidating Trust regardless of the fact that holder has not received any prior or concurrent Distribution. Other than in respect of Cash retained on account of Disputed Claims and subsequently distributed, the Liquidating Trust' Distribution of Cash to Beneficiaries generally will not be taxable to said Beneficiaries because they already are regarded for federal income tax purposes as owning the underlying Trust Assets.

Subject to the Liquidating Trust Agreement, absent definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the issuance of applicable Treasury Regulations, the receipt by the Liquidating Trustee of a private letter ruling if the Liquidating Trustee so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Liquidating Trustee), the Liquidating Trustee will:

(i) treat all Trust Assets allocable to, or retained on account of, Disputed Claims, as a discrete trust for federal income tax purposes, consisting of separate and independent shares to be established in respect of each Disputed Claim, in accordance with the trust provisions of the Code (sections 641 *et seq.* of the Code);

(ii) treat as taxable income or loss of this separate trust with respect to any given taxable year the portion of the taxable income or loss of the Liquidating Trust that

[7] Among other notices and information that may be provided by the Liquidating Trustee in accordance with the Plan and Liquidating Trust Agreement, pursuant to the Liquidating Trust Agreement, following the end of each calendar year, the Liquidating Trustee will promptly submit to each Beneficiary appearing in its records during such year a separate statement setting forth the information necessary for such Beneficiary to determine its share of items of income, gain, loss, deduction, or credit and will instruct each Beneficiary to report such items on its federal income tax returns (and state and local tax returns, as applicable).

would have been allocated to the holders of such Disputed Claims had such Claims been Allowed on the Effective Date (but only for the portion of the taxable year with respect to which such Claims are unresolved);

(iii) treat as a distribution from this separate trust any increased amounts distributed by the Liquidating Trust as a result of any Disputed Claim resolved earlier in the taxable year, to the extent such distribution relates to taxable income or loss of this separate trust determined in accordance with the provisions hereof, and

(iv) to the extent permitted by applicable law, report consistently for state and local income tax purposes.

In addition, pursuant to the Liquidating Trust Agreement, all Beneficiaries are required to report consistently with such treatment. Accordingly, subject to issuance of definitive guidance, the Liquidating Trustee will report on the basis that any amounts earned by this separate trust and any taxable income of the Liquidating Trust allocable to it are subject to a separate entity level tax, except to the extent such earnings are distributed during the same taxable year. Any amounts earned by or attributable to the separate trust and distributed to a Beneficiary during the same taxable year will be includible in such Beneficiary's gross income.

4. Withholding.

All Distributions to Holders of Allowed General Unsecured Claims are subject to any applicable tax withholding, including employment tax withholding. Under federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to "backup withholding" at the then applicable withholding rate (currently 28%). Backup withholding generally applies if the holder (a) fails to furnish its social security number or other taxpayer identification number ("**TIN**"), (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends, or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax.

Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

THE FOREGOING SUMMARY HAS BEEN PROVIDED FOR INFORMATIONAL PURPOSES ONLY. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

XI.

SECURITIES LAW MATTERS

A. In General.

The Plan provides for the establishment of the Liquidating Trust and for the issuance of beneficial interests therein. Beneficial interests in trusts may be deemed to be "securities" under applicable federal and state securities laws. However, as discussed herein, the Debtors do not believe that either the Beneficial Interests or the Subordinated Trust Interests will constitute "securities" for purposes of applicable nonbankruptcy law. Alternatively, even if the Trust Interests constitute "securities," the Debtors believe that these would be exempt from registration pursuant to Bankruptcy Code section 1145(a)(1). Finally, the Debtors do not believe that the Investment Company Act of 1940, as amended (the "**Investment Company Act**") is applicable in that the Liquidating Trust will not be, and is not controlled by, an "investment company" for purposes of that Act.

1. Initial Issuance.

Unless an exemption is available, the offer and sale of a security generally is subject to registration with the United States Securities and Exchange Commission (the "**SEC**") under Section 5 of the Securities Act of 1933, as amended (the "**Securities Act**"). In the opinion of the Debtors, the Trust Interests do not constitute "securities" within the definition of Section 2(11) of the Securities Act and corresponding definitions under state securities laws and regulations ("**Blue Sky Laws**") because generally they are non-transferable. Accordingly, the Trust Interests should be issuable in accordance with the Plan without registration under the

Securities Act or any Blue Sky Law.

Alternatively, in the event that the Trust Interests are deemed to constitute securities, section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a plan of reorganization from registration under the Securities Act and Blue Sky Laws if three principal requirements are satisfied:

A. The securities are offered and sold under a plan of reorganization and are securities of the debtor, of an affiliate of the debtor participating in a joint plan with the debtor, or of a successor to the debtor under the plan;

B. The recipients of the securities hold a pre-petition or administrative claim against the debtor or an interest in the debtor; and

C. The securities are issued entirely in exchange for recipient's claim against or interest in the debtor, or principally in such exchange and partly for cash or property.

If and to the extent that the Trust Interests may constitute securities, the Debtor believes that these beneficial interests issued in respect of Allowed Claims will qualify as securities "of the debtor … or of a successor to the debtor" pursuant to section 1145(a)(1). In addition, the Trust Interests will be issued entirely in exchange for Claims. Thus, the Debtors believe that the issuance of the Beneficial Interests and the Subordinated Trust Interests pursuant to the Plan will satisfy the applicable requirements of section 1145(a)(1) of the Bankruptcy Code, and that such issuance should be exempt from registration under the Securities Act and any applicable Blue Sky Law.

The Debtors believe that their reliance upon the foregoing exemptions in respect of the issuance of the Beneficial Interests and the Subordinated Trust Interests is consistent with positions taken by the SEC with respect to similar transactions and arrangements by other chapter 11 debtors in possession. However, the Debtors have not sought any "no-action" letter by the SEC with respect to any such matters, and therefore no assurance can be given regarding the availability of any exemptions from registration with respect to any securities, if any, issued pursuant to the Plan.

2. Transfer of Beneficial Interests And Subordinated Trust Interests.

The Beneficial Interests and the Subordinated Trust Interests are subject to transfer restrictions under the terms of the Liquidating Trust Agreement. They cannot be assigned or transferred other than by death, by operation of law, or from a qualified retirement account to the beneficiary of that account, or otherwise in compliance with the securities laws (as more specifically set forth in the Liquidating Trust Agreement) and will not be represented by certificates.

3. Exchange Act Compliance.

Section 12(g) of the Exchange Act applies only to a company that has both (A) total assets in excess of $10 million and (B) a class of equity securities held by more than 500 persons as of the end of its fiscal year. The Debtors believe that, although the Liquidating Trust may be deemed to have both total assets in excess of $10 million and a class of equity securities held by more than 500 persons, the Liquidating Trust should not be required to register under Section 12(g) of the Exchange Act. The Debtors have been advised that the staff of the SEC has issued no-action letters with respect to the non-necessity of Exchange Act registration of a bankruptcy plan trust when the following are true:

A. the beneficial interests in the trust are not represented by certificates or, if they are, the certificates bear a legend stating that the certificates are transferable only upon death or by operation of law;

B. the trust exists only to effect a liquidation and will terminate within a reasonable period of time; and

C. the trust will issue annual unaudited financial information to all beneficiaries.

Based on the foregoing, the Debtors believe that the Liquidating Trust will not be subject to registration under the Exchange Act. However, the views of the SEC on the matter have not been sought by the Debtors and, therefore, no assurance can be given regarding this matter.

4. Investment Company Act.

As the assets of the Liquidating Trust do not consist of securities issued by the Debtors or any other person, and this trust is organized as a liquidating Person in the process of liquidation, the Debtors do not believe that the Liquidating Trust fall within the definition of "investment company" in any manner requiring such entity to register under the Investment Company Act.

B. Compliance if Required.

Notwithstanding the preceding discussion, if the Liquidating Trustee determines, with the advice of counsel, that the Liquidating Trust is required to comply with the registration and reporting requirements of the Exchange Act or the Investment Company Act, then prior to the registration of the Liquidating Trust under the Exchange Act or the Investment Company Act, the Liquidating Trustee shall seek to amend the Liquidating Trust Agreement to make such changes as are deemed necessary or appropriate to ensure that the Liquidating Trust is not subject to registration or reporting requirements of the Exchange Act, or the Investment Company Act, and the Liquidating Trust Agreement, as so amended, shall be effective after notice and opportunity for a hearing provided to the Post Effective Date Service List, and the entry of a Final Order of the Court. If the Liquidating Trust Agreement, as amended, is not approved by Final Order of the Court or the Court otherwise determines in a Final Order that registration under one or both of the Exchange Act or Investment Company Act is required, then the Liquidating Trustee shall take such actions as may be required to satisfy the registration and reporting requirements of the Exchange Act and/or the Investment Company Act, as applicable.

XII.

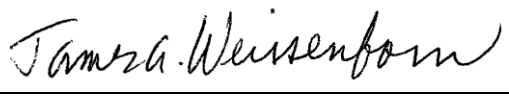
RECOMMENDATION

The Debtors recommend that all Creditors receiving a Ballot vote in favor of the Plan. The Debtors believe that the Plan maximizes recoveries to all Creditors and, thus, is in their best interests. The Plan as structured, among other things, allows said parties to participate

in distributions in excess of those that would be available if the Debtors' assets were liquidated under chapter 7 of the Bankruptcy Code.

Dated: February 1, 2012

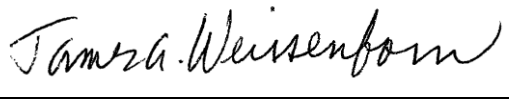
R.E. LOANS, LLC,
Chapter 11 Debtor and Debtor in Possession

By: 

James A. Weissenborn, managing partner of Mackinac Partners, sole manager of R.E. Loans, LLC

Dated: February 1, 2012

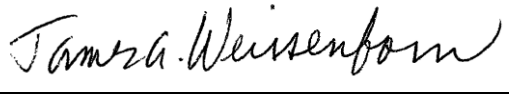
CAPITAL SALVAGE, a California corporation,
Chapter 11 Debtor and Debtor in Possession

By: 

Name: James A. Weissenborn
Title: President

Dated: February 1, 2012

R.E. FUTURE, LLC,
Chapter 11 Debtor and Debtor in Possession

By: 

James A. Weissenborn, managing partner of Mackinac Partners, sole manager of R.E. Loans, LLC

DATED: February 1, 2012

Respectfully submitted by:

/s/ Holland N. O'Neil

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Exhibits to the Disclosure Statement will be filed with the Bankruptcy Court in advance of the deadline for objecting to the Disclosure Statement

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COUNSEL FOR DEBTORS AND DEBTORS IN POSSESSION

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In re:	§	**Chapter 11 Cases**
	§	
R.E. LOANS, LLC,	§	**Case No. 11-35865-BJH**
R.E. FUTURE, LLC,	§	
CAPITAL SALVAGE, a California corporation,	§	**(Jointly Administered)**
	§	
	§	
Debtors.	§	

JOINT CHAPTER 11 PLAN OF REORGANIZATION

February 1, 2012

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ARTICLE I
INTRODUCTION

1.1 *Introduction.*

This Plan is proposed by and on behalf of R.E. Loans, LLC, R.E. Future, LLC, and Capital Salvage, a California corporation (collectively, the "**Debtors**"), as their joint plan under Chapter 11 of the Bankruptcy Code. Reference is made to the Disclosure Statement accompanying the Plan for a discussion of the Debtors' history, results of operations, historical financial information and assets, and for a summary and analysis of the Plan. All holders of Claims against or Interests in a Debtor are encouraged to read the Plan and the Disclosure Statement in their entirety before voting to accept or reject the Plan. **The Debtors urge all Holders of Claims in Impaired Classes receiving Ballots to accept the Plan.**

Capitalized terms used but not defined herein have the meanings assigned to them in Section 2.1 of the Plan or elsewhere in the Plan. Unless otherwise stated herein, section ("**§**") references are to the United States Bankruptcy Code, 11 U.S.C. §§ 101, et seq.

1.2 *Overview of the Plan.*

The Plan contemplates the reorganization of the Debtors' businesses and the resolution of outstanding Claims against and Interests in the Debtors pursuant to § 1121(a) through the formation of a Liquidating Trust intended to hold and administer the Debtors' Assets and distribute the proceeds to the holders of Allowed Claims pursuant to the Plan and the Trust Agreement. Generally, property of the Debtors' Estates, including Notes Receivable and REO Property, will vest initially in the Liquidating Trust, which shall contribute such assets to NewCo in exchange for the equity of NewCo on the Effective Date. All Causes of Action, including all Avoidance Actions, will be transferred to the Liquidating Trust. The Liquidating Trustee will be designated as the Debtors' representative pursuant to § 1123(b)(3)(B) and empowered to investigate, commence, prosecute and settle any claims and Causes of Action may have or hold against third parties. In addition, New Member Interests in NewCo will be issued to the Liquidating Trust and held by the Trustee for the benefit of holders of Allowed Claims. Accordingly, the Liquidating Trustee will be the sole member of NewCo.

The Plan will be financed through a secured Exit Facility, which will be provided by the Exit Facility Lender in an amount sufficient to (i) repay in full the Claims of the Prepetition Lender and the DIP Lender (*i.e.*, Wells Fargo), (ii) satisfy all Allowed Administrative Expenses, Priority Tax Claims and Priority Non-Tax Claims, and (iii) provide NewCo with sufficient liquidity to administer NewCo and dispose of its Assets. The Liquidating Trust will receive and prosecute claims and Causes of Action on behalf of the Debtors against third parties. The Exit Facility will secured by a first priority Lien on substantially all assets of NewCo, including all Notes Receivable and REO Property, but excluding all Causes of Action and the proceeds thereof that become Trust Assets.

Net Cash proceeds from the sale or disposition of Notes Receivable and REO Property will be used first to fund the operations of NewCo and repay the Exit Facility, pursuant to the terms of the Exit Facility. Net Cash proceeds recovered from the prosecution or settlement

of any Causes of Action will be distributed by the Liquidating Trustee to holders of Allowed Claims pursuant to the Plan and the Trust Agreement. In addition, because the Liquidating Trust will hold 100% of the New Members Interests issued by NewCo, any Net Cash proceeds of Notes Receivable and REO Property after indefeasible payment in full in Cash of the Exit Facility will be available for Distribution to Holders of Allowed Claims. In this way, Creditors will receive 100% of the value of the Debtors' remaining Assets, including Notes Receivable and REO Property, after payment of the Exit Facility. Outstanding membership interests in R.E. Loans shall be canceled as of the Effective Date, so that existing equity holders will receive nothing under the Plan.

1.3 *Classification of Claims and Interests.*

Pursuant to § 1122 and 1123(a)(1), the following Classes of Claims and Interests are designated for each Debtor under the Plan for all purposes, including voting, Confirmation and Distribution. In accordance with § 1123(a)(1), DIP Facility Claims, Administrative Expenses and Priority Tax Claims have not been classified and are excluded from the following Classes.

Class	Description	Status	Entitled to Vote?
Claims and Interests against R.E. Loans are classified as follows:			
REL 1	Prepetition Lender Claims	Impaired	Yes
REL 2	Other Secured Claims	Unimpaired	No
REL 3	Secured Tax Claims	Impaired	Yes
REL 4	Noteholder Secured Claims	Impaired	Yes
REL 5	Priority Non-Tax Claims	Impaired	Yes
REL 6	General Unsecured Claims	Impaired	Yes
REL 7	Intercompany Claims	Impaired	No
REL 8	Subordinated Claims	Impaired	Yes
REL 9	Interests in R.E. Loans	Impaired	No
Claims and Interests against Capital Salvage are classified as follows:			
CS 1	Prepetition Lender Claims	Impaired	Yes
CS 2	Other Secured Claims	Unimpaired	No
CS 3	Secured Tax Claims	Impaired	Yes
CS 4	Priority Non-Tax Claims	Impaired	Yes
CS 5	General Unsecured Claims	Impaired	Yes
CS 6	Intercompany Claims	Impaired	No
CS 7	Subordinated Claims	Impaired	No
CS 8	Interests in Capital Salvage	Impaired	No
Claims and Interests against R.E. Future are classified as follows:			
REF 1	Prepetition Lender Claims	Impaired	Yes

Class	Description	Status	Entitled to Vote?
REF 2	Other Secured Claims	Unimpaired	No
REF 3	Secured Tax Claims	Impaired	Yes
REF 4	Priority Non-Tax Claims	Impaired	Yes
REF 5	General Unsecured Claims	Impaired	Yes
REF 6	Intercompany Claims	Impaired	No
REF 7	Subordinated Claims	Impaired	No
REF 8	Interests in R.E. Future	Impaired	No

For convenience, collective references to all three Classes of a given type of Claim are referred to collectively by number alone. Thus, for example, a reference to "all Class 2 Claims" refers collectively to all Claims in Classes REL 2, REF 2 and CS 2.

The treatment in the Plan is in full and complete satisfaction of the legal, contractual, and equitable rights that each entity holding an Allowed Claim or an Allowed Interest may have in or against the Debtors or their property. This treatment supersedes and replaces any agreements or rights those entities have in or against the Debtors or their property. All Distributions under the Plan will be tendered to the Person holding the Allowed Claim. **EXCEPT AS SPECIFICALLY SET FORTH IN THIS PLAN, NO DISTRIBUTIONS WILL BE MADE AND NO RIGHTS WILL BE RETAINED ON ACCOUNT OF ANY CLAIM OR INTEREST THAT IS NOT AN ALLOWED CLAIM OR ALLOWED INTEREST.** The Debtors have established the foregoing Classes to address treatment of Allowed Claims that are filed with the Bankruptcy Court, but the Debtors believe that there are no Claims in any of the following Classes: (1) Other Secured Claims (REL Class 2, CS Class 2, and REF Class 2), or (2) Priority Non-Tax Claims (REL Class 6, CS Class 5 and REF Class 5). The Debtors also believe there will be no Allowed Priority Tax Claims. It is a condition precedent to the Effective Date that the Allowed Claims in the foregoing categories not exceed $500,000.

ARTICLE II
DEFINITIONS

2.1 *Defined Terms.*

For the purposes of the Plan and the Disclosure Statement, the following terms (which appear in this Plan in capitalized form) shall have the meanings set forth below, and such meanings shall be equally applicable to the singular and to the plural form of the terms defined, unless the context otherwise requires. Unless otherwise provided in this Plan, all terms used herein shall have the meanings assigned to such terms in the Bankruptcy Code or the Bankruptcy Rules. Unless otherwise noted herein, section (§) references are to the Bankruptcy Code.

"**Administrative Expense**" means any Claim for an administrative expense that is allowable under § 503(b) or 28 U.S.C. § 1930, including Ordinary Course Administrative Expenses, Professional Fee Claims, and U.S. Trustee Fees.

"**Administrative Expense Bar Date**" means the date set forth in the Confirmation Order as the deadline for filing Administrative Expense Requests that are not subject to the Claims Bar Date, which deadline shall be forty-five (45) days after the Effective Date unless otherwise ordered by the Bankruptcy Court; *provided, however*, that the Administrative Expense Bar Date for Professional Fee Claims is the date set forth in Section 4.1(d) of the Plan.

"**Administrative Expense Objection Deadline**" means the deadline set forth in Section 6.1(b) hereof.

"**Administrative Expense Request**" shall mean a request or application for allowance or payment of an Administrative Expense other than an Ordinary Course Administrative Expense or a Professional Fee Claim.

"**Administrative Reserve**" means a Cash Reserve which shall be established by the Liquidating Trust in the estimated amount necessary to pay all Administrative Expenses, Priority Tax Claims and Priority Non-Tax Claims outstanding as of the Effective Date, including Professional Fee Claims and Ordinary Course Administrative Expenses, in full; *provided, however*, that if Wells Fargo provides the Exit Facility the aggregate deposit into the Administrative Reserve shall not exceed the amount in the Agreed Budget, absent Wells Fargo's written consent, and the balance of any Professional Fee Claims in excess of the amounts in the Agreed Budget shall be Deferred Administrative Professional Fees. Prior to the Effective Date, the Debtors, the Exit Facility Lender and the Committee shall agree in writing upon the estimated amount necessary to fund the Administrative Reserve; *provided, however*, that such estimate shall not be construed as a modification of the treatment of Allowed Administrative Expenses, Allowed Priority Tax Claims and Allowed Priority Non-Tax Claims provided for herein.

"**Affiliate**" has the meaning set forth in § 101(2).

"**Agreed Budget**" means the budgets agreed upon under the DIP Facility.

"**Allowed**" means (a) any Claim or Interest that has been listed by a Debtor in the Schedules, as such Schedules may be amended by the Debtors from time to time in accordance with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent and for which no contrary Proof of Claim or interest has been timely filed; (b) any liquidated, noncontingent, undisputed Claim or Interest as to which a Proof of Claim or interest has been timely filed by on or before the applicable Bar Date and as to which no objection to allowance has been timely interposed in accordance with § 502 or as to which any objection has been determined by a Final Order to the extent such objection is determined in favor of the respective holder; or (c) any Claim or Interest expressly allowed pursuant to this Plan.

"**Asset Manager**" means the asset manager who shall be responsible for managing and selling the Notes Receivable and REO Property vested in NewCo, who shall be approved by the Bankruptcy Court at the Confirmation Hearing or any successor appointed pursuant to the provisions of the Plan and the requirements of the Exit Facility.

"**Assets**" means all assets of the Debtors' Estates including "property of the estate" as described in § 541.

"**Avoidance Action**" means any Cause of Action arising under (i) chapter 5 of the Bankruptcy Code, including §§ 502(d), 506, 510, 542, 543, 544, 545, 547, 548, 549, 550, 551, 552 or 553, (ii) any other state or federal law concerning the avoidance of fraudulent conveyances, fraudulent transfers or preferential transfers, or (iii) any similar state law or federal law that constitutes property of the Debtors' Estates under § 541, whether or not such Cause of Action is commenced on or before the Effective Date.

"**B-4 Partners**" means B-4 Partners, LLC, a California limited liability company. B-4 Partners is the sole member of R.E. Loans.

"**Ballot**" means the Ballot for accepting or rejecting the Plan in the form approved by the Bankruptcy Court and distributed with the Disclosure Statement.

"**Ballot Date**" means the date set by the Bankruptcy Court by which all Ballots with respect to the Plan must be received.

"**Bankruptcy Code**" means the Bankruptcy Reform Act of 1978, as amended and codified in Title 11 of the United States Code, as in effect on the Petition Date or thereafter amended and applicable to the Cases, as the case may be. Unless otherwise noted, section (§) references in the Plan and Disclosure Statement are to the Bankruptcy Code.

"**Bankruptcy Court**" means the United States Bankruptcy Court for the Northern District of Texas, Dallas Division, or such other bankruptcy court as shall exercise jurisdiction over the Cases.

"**Bankruptcy Rules**" means, collectively, (a) the Federal Rules of Bankruptcy Procedure, as amended from time to time, and (b) the Local Bankruptcy Rules applicable to cases pending before the Bankruptcy Court, as now in effect or hereafter amended.

"**Bankruptcy Schedules**" means the *Schedules of Assets and Liabilities*, the lists of holders of Interests, and the *Statements of Financial Affairs* filed by the Debtors in the Cases, as the same may have been amended or supplemented from time to time prior to the Confirmation Date.

"**Beneficial Interest**" means the nontransferable, uncertificated, beneficial interest of a Person entitled to receive Liquidating Trust Proceeds pursuant to the Trust Agreement and Article VIII of the Plan, which shall be senior to any Subordinated Trust Interest.

"Beneficiaries" means the recipients of Beneficial Interests and Subordinated Trust Interests.

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

"**Capital Salvage**" means Capital Salvage, a California corporation.

"**Cases**" means the above captioned chapter 11 cases of the Debtors pending in the Bankruptcy Court and jointly administered under Case No. 11-35865-BJH.

"**Cash**" means cash or cash equivalents including, but not limited to, bank deposits, checks or other similar items.

"**Cause of Action**" means any and all actions, proceedings, causes of action, obligations, suits, judgments, damages, demands, debts, accounts, controversies, agreements, promises, liabilities, powers to avoid transfers, legal remedies, equitable remedies, and claims (and any rights to any of the foregoing) that belong a Debtor or its Estate that have been or may be asserted against any third party, whether core or non-core, reduced to judgment, not reduced to judgment, liquidated, unliquidated, known or unknown, foreseen or unforeseen, fixed, contingent, matured, unmatured, disputed, undisputed, then existing or thereafter arising, secured or unsecured, and whether asserted or assertable directly or derivatively or as a defense, counterclaim or cross-claim, in law, equity or otherwise including any recharacterization, subordination, avoidance or other claim, power or right arising under or pursuant to § 105 or chapter 5 of the Bankruptcy Code or under any other similar provisions of applicable state or federal law. Causes of Action include (i) rights of setoff, counterclaim or recoupment, and claims on contracts or for breaches of duties imposed by law, (ii) the right to object to claims or interests, (iii) such claims and defenses as fraud, mistake, duress and usury, (iv) Avoidance Actions, (v) claims for tax refunds, (vi) claims to recover outstanding accounts receivable, (vii) such claims and defenses as alter ego and substantive consolidation, and (viii) any other claims which may be asserted against third parties; *provided*, *however*, that Causes of Action shall not include Note Receivable Claims and shall not include any rights released by the Wells Fargo Release, if the Wells Fargo Release is effective.

"**Claim**" has the meaning set forth in § 101(5).

"**Claims Agent**" shall mean AlixPartners LLP, the claims, noticing and balloting agent appointed by the Bankruptcy Court in these Cases.

"**Claims Bar Date**" means February 6, 2012, and any other date fixed by order of the Bankruptcy Court by which all Persons asserting a Claim must have filed a Proof of Claim or be forever barred from asserting such Claim.

"**Claims Objection Deadline**" means the deadline for the Liquidating Trustee to file objections to Claims as set forth in Section 10.4(a) of the Plan.

"**Class**" means a group of Claims or Interests as classified in Article V of the Plan.

"**Collateral**" means any property or interest in property of the Estates subject to a Lien that is not subject to avoidance under the Bankruptcy Code or otherwise invalid under the Bankruptcy Code or applicable federal and/or state law.

"**Collateral Agent**" means the collateral agent who will be granted the New Second Priority Security Interest to which REL Class 4 will be entitled and shall become the holder of the New Second Lien Note, and shall be responsible for making distributions to the Noteholders on account of their Allowed REL Class 4 Claims from the proceeds of the New Second Lien Note, in accordance with this Plan.

"**Committee**" means the Official Committee of Note Holders appointed by the U.S. Trustee in the Cases, as its composition may change from time to time.

"**Confirmation**" means the entry of an order by the Bankruptcy Court confirming the Plan pursuant to § 1129.

"**Confirmation Date**" means the date on which the Bankruptcy Court enters the Confirmation Order on its docket with respect to the Cases.

"**Confirmation Hearing**" means the hearing before the Bankruptcy Court to consider the confirmation of the Plan pursuant to § 1128(a), as such hearing may be continued or adjourned from time to time.

"**Confirmation Order**" means the order of the Bankruptcy Court confirming the Plan and approving the transactions contemplated herein pursuant to § 1129.

"**Creditor**" has the meaning set forth in § 101(10).

"**Debtors**" means, collectively, R.E. Loans, Capital Salvage, and R.E. Future.

"**Deferred Administrative Professional Fees**" means all Administrative Professional Fees awarded by the Bankruptcy Court that exceed the amounts in the Approved Budget.

"**DIP Facility**" means that certain postpetition secured credit facility extended by Wells Fargo to the Debtors and approved by the Bankruptcy Court pursuant to the DIP Financing Order and the Ratification and Amendment Agreement, dated as of September 22, 2011, as the same may be amended or modified from time to time.

"**DIP Facility Claim**" means any Claims against the Debtors arising under, in connection with, or related to the DIP Facility and all agreements and instruments relating thereto.

"**DIP Financing Order**" means the *Joint Stipulation And Agreed Final Order: (I) Authorizing Debtors To (A) Obtain Post-Petition Financing On A Super-Priority, Secured And Priming Basis In Favor Of Wells Fargo Capital Finance, LLC; (B) Use Cash Collateral On An Interim Basis, (C) Provide Adequate Protection To Wells Fargo Capital Finance, LLC And The Noteholders, and (D) Enter Into Post-Petition Agreements With Wells Fargo Capital Finance, LLC; and (II) Modifying The Automatic Stay*, entered by the Bankruptcy Court, and any other interim orders, stipulations, extensions or modifications related thereto.

"**Disclosure Statement**" means the disclosure statement filed in support of the Plan, including all exhibits and schedules thereto, and approved by the Bankruptcy Court pursuant to § 1125.

"**Disclosure Statement Order**" means the order entered by the Bankruptcy Court approving the Disclosure Statement.

"**Disputed**" means, with respect to a Claim or Interest, a Claim or Interest, or any portion of a Claim or Interest, that is not yet Allowed, including any Claim (a) as to which a Proof of Claim has been filed and the dollar amount of such Claim is not specified in a fixed amount; (b) prior to the deadline to object to such Claim, as to which a Proof of Claim has been filed and the dollar amount of such Claim is specified in a fixed liquidated amount, the extent to which the stated amount of such Claim exceeds the amount of such Claim listed in the Schedules; (c) prior to the deadline to object to such Claim, as to which a Proof of Claim has been filed and such Claim is not included in the Schedules; (d) with respect to a Proof of Claim that is filed or is deemed filed under Bankruptcy Rule 3003(b)(1) and is listed as contingent, disputed or unliquidated; (e) as to which an objection has been filed by the Liquidating Trustee or is deemed to have been filed pursuant to any order approving procedures for objecting to Claims and such objection has neither been overruled nor been denied by a Final Order and has not been withdrawn; or (f) with respect to an Administrative Expense, as to which an objection: (1) has been timely filed (or the deadline for objection to such Administrative Expense has not expired) and (2) has neither been overruled nor been denied by a Final Order and has not been withdrawn.

"**Distribution**" means any disbursement or transfer of Cash or other property in accordance with the Plan, or the Cash or other property as distributed.

"**Effective Date**" means first the Business Day on which all conditions to the occurrence of the Effective Date set forth in Article XII of the Plan have been satisfied or duly waived.

"**Estate**" means the estate of each Debtor created by § 541.

"**Exchange Notes**" means the secured promissory notes made by R.E. Loans and issued pursuant to the Exchange Agreement.

"**Exchange Agreement**" means that certain R.E. Loans Exchange Agreement, dated as of November 1, 2007 by and among R.E. Loans, B-4 Partners, Bar-K and the persons and entities identified on the schedule of investors/noteholders thereto.

"**Exit Facility**" means a senior secured credit facility to be entered into among the Exit Facility Lenders, as lenders, and NewCo, as borrower, on the Effective Date pursuant to the terms of the Exit Facility Loan Documents.

"**Exit Facility Lenders**" means the lenders party to the Exit Facility. The Debtors currently anticipate that Wells Fargo will be the Exit Facility Lender, in which case Wells Fargo will receive the release set forth in Section 11.6 of the Plan. If Wells Fargo is not

the Exit Facility Lender, the Debtors intend to amend the Plan in such ways as may be necessary to obtain and implement an Exit Facility from an alternative Exit Facility Lender.

"**Exit Facility Loan Documents**" means the agreement evidencing the Exit Facility and all documents executed in connection therewith.

"**Final Order**" means an order or judgment of the Bankruptcy Court or other applicable court, as entered on the applicable docket, that has not been reversed, stayed, modified or amended, and as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending or as to which any right to appeal, petition for certiorari, reargument, or rehearing shall have been waived in writing in form and substance satisfactory to the Debtors, after consultation with the Committee prior to the Effective Date or the Liquidating Trustee after the Effective Date, or, in the event that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought, such order or judgment of the Bankruptcy Court or other applicable court shall have been affirmed by the highest court to which such order or judgment was appealed, or certiorari has been denied, or from which reargument or rehearing was sought, and the time to take any further appeal, petition for certiorari or move for reargument or rehearing shall have expired.

"**General Unsecured Claim**" means any Claim against the Debtors that is not a Secured Claim and does not fit the definition of any other Class of Claim against a Debtor. For the avoidance of doubt, General Unsecured Claims shall include the Noteholders' Unsecured Deficiency Claims, unless the Noteholders' Claims are subordinated or disallowed.

"**Holder**" means the holder of a Claim against or Interest in a Debtor.

"**Impaired**" means, when used with reference to a Claim or Interest, a Claim or Interest that is impaired within the meaning of § 1124.

"**Intercompany Claim**" means a Claim held by any Debtor against any other Debtor based on any fact, action, omission, occurrence or transaction that occurred or came into existence prior to the Confirmation Date, including any account receivable, account payable, contribution claim, Intercompany Note Claim or Cause of Action asserted by one Debtor against another Debtor,

"**Intercompany Note Claim**" means any Claim arising from a note receivable made by R.E. Future or Capital Salvage in favor of R.E. Loans, including all related documents, including deeds of trust, mortgages and security agreements securing such note.

"**Interest**" means any "equity security" in a Debtor, as such term is defined in § 101(16), including any stock, partnership, membership interest, warrants, options or other rights to purchase or acquire any equity interest in a Debtor.

"**Interest Holder**" means the record holder of an Interest. As of the date hereof, B-4 Partners is the sole Interest Holder of R.E. Loans, and R.E. Loans is the sole Interest Holder of both Capital Salvage and R.E. Future.

"**Late Filed Claim**" means any General Unsecured Claim described in §§ 726(a)(2) or 726(a)(3).

"**Lien**" shall have the meaning set forth in § 101(37).

"**Liquidating Trust**" means the trust formed pursuant to the Plan, Confirmation Order, and Trust Agreement.

"**Liquidating Trustee**" means the trustee of the Liquidating Trust, who has the powers and responsibilities set forth in the Plan, the Confirmation Order, and the Trust Agreement, or any successor trustee appointed pursuant to the Trust Agreement.

"**Liquidating Trustee Disclosure**" means written disclosures, to be filed with the Bankruptcy Court at least ten (10) Business Days prior to the Confirmation Hearing, disclosing the identity of the Liquidating Trustee, the Liquidating Trustee's credentials, any and all relevant affiliations, and connections, and an engagement letter setting forth the terms of the Liquidating Trustee's employment and compensation.

"**Liquidating Trust Proceeds**" means any and all Cash, property and other proceeds derived from the Trust Assets.

"**Local Bankruptcy Rules**" means the Local Bankruptcy Rules for the Bankruptcy Court, as now in effect or hereafter amended.

"**New Intercreditor Agreement**" means the intercreditor agreement, to be dated as of the Effective Date, by and among the Exit Lenders, NewCo, and the Collateral Agent for the Holders of the New Second Lien Note.

"**New Member Interests**" means the authorized new economic membership interests issued by NewCo on the Effective Date pursuant to the terms of the Plan.

"**New Second Lien Note**" means the new secured note to be issued by NewCo pursuant to the terms of this Plan, following the Effective Date and in the face amount equal to the REL Class 4 Collateral Value, which shall bear interest at the rate of 8% per annum, or such other rate as the Bankruptcy Court deems necessary to comply with Bankruptcy Code §1129(b), and shall be in substantially the form set forth in the Plan Supplement.

"**New Second Lien Security Agreement**" means the form of security agreement to be filed with the Plan Documents, pursuant to which the Collateral Agent shall receive the grant of the New Second Priority Security Interest in the Assets transferred to NewCo and all proceeds thereof, to secure the New Second Lien Note. The New Second Lien Security Agreement shall be effective only if the Claims in REL Class 4 do not become (either before or after the Effective Date) Subordinated Claims or disallowed Claims, and shall be subject to release provisions set forth in the New Intercreditor Agreement.

"**New Second Priority Security Interest**" means the security interest that shall be created by the New Second Lien Security Agreement if the Claims in REL Class 4 do not

become (either before or after the Effective Date) Subordinated Claims or disallowed Claims, which Lien shall be subordinate to all Allowed Secured Tax Claims and to the security interests securing the Prepetition Lender Claim, the DIP Facility and the Exit Facility pursuant to the New Intercreditor Agreement, and shall be subject to subordination to the Liens securing an operating line of credit when the Exit Credit Facility is fully satisfied and no longer available to fund NewCo's operations.

"**Noteholder**" means any Holder of one or more Exchange Notes (or their permitted transferees).

"**Noteholder Claim**" means any Claim for payment of amounts owing under any Exchange Notes, including outstanding principal, accrued and unpaid interest thereon through the Petition Date, and any other amounts owing thereunder.

"**Noteholder Secured Claims**" means the Noteholders' Claims that are Allowed in Class 4 if the Noteholders' Claims are not subordinated and shall be limited to the REL Class 4 Collateral Value.

"**Noteholders' Unsecured Deficiency Claims**" means the unsecured deficiency claims of the Noteholders, if the Notes are Allowed and not subordinated, which shall be equal to the balance owing to the Noteholders as of the Petition Date, minus the Noteholder Secured Claims.

"**Note Receivable**" means any note receivable made in favor of, and owned by, R.E. Loans, including all related documents, including deeds of trust, mortgages and security agreements securing such notes and guaranties of such notes.

"**Note Receivable Claim**" means any claim of R.E. Loans against a borrower under a Note Receivable or any guarantors, indemnitors or sureties of such Note Receivable, including contractual claims under such Note Receivable, deeds of trust, mortgages and other loan documents previously delivered to R.E. Loans, and any and all claims arising from or relating to the real or personal property securing such claim, including claims for waste or conversion and the right of foreclosure on such real or personal property securing such Note Receivable.

"**Ordinary Course Administrative Expense**" means a claim for administrative costs or expenses that are allowable under § 503(b) that are incurred in the ordinary course of the Debtors' operations or the Cases, or are provided for in an order of the Bankruptcy Court.

"**Other Secured Claim**" means any Secured Claim other than (1) the DIP Facility Claim, (2) the Prepetition Lender Claim, (3) any Secured Tax Claim and (4) any Secured Claim of the Noteholders.

"**Penalty**" means any Claim for any fine, penalty, or forfeiture, or for multiple, exemplary, or punitive damages, arising before the Petition Date, to the extent that such fine, penalty, forfeiture, or damages are not compensation for actual pecuniary loss suffered by the holder of such claim as set forth in § 726(a)(4).

"**Person**" has the meaning set forth in § 101(41).

"**Petition Date**" means September 13, 2011, the date on which the Debtors filed voluntary petitions commencing the Cases.

"**Plan**" means this plan of reorganization under chapter 11 of the Bankruptcy Code (as the same may be modified or amended in accordance with the Bankruptcy Code and the Bankruptcy Rules), including all exhibits, supplements, appendices, and schedules hereto and any documents incorporated herein by reference.

"**Plan Documents**" means the documents to be executed, delivered, assumed and/or performed in conjunction with the consummation of the Plan on the Effective Date, including, but not limited to, the Trust Agreement, the Exit Facility Loan Documents, the New Second Lien Note, the New Second Lien Security Agreement and the New Intercreditor Agreement.

"**Plan Supplement**" means a supplement or supplements to the Plan containing the Plan Documents, to be filed with the Bankruptcy Court no later than ten (10) days prior to the Voting Deadline. The Plan Supplement will contain the Exit Facility Loan Documents and the Trust Agreement.

"**Post Effective Date Trust Expenses**" means all voluntary and involuntary, costs, expenses, charges, obligations, or liabilities of any kind or nature, whether unmatured, contingent, or unliquidated (collectively, the "**Expenses**") incurred by the Liquidating Trust or the Liquidating Trustee after the Effective Date of or related to the implementation of the Plan, including (i) the Expenses of the Liquidating Trustee in connection with administering and implementing the Plan, including any taxes incurred by the Liquidating Trust or on the Trust Assets and accrued on or after the Effective Date; (ii) all fees which accrue after the Effective Date which are payable to the U.S. Trustee under 28 U.S.C. § 1930(a)(6); (iii) the Expenses of the Liquidating Trustee in making the Distributions required by the Plan, including paying taxes, filing tax returns, and paying professionals' fees with respect to such Distributions; (iv) any Expenses incurred by the Liquidating Trust, and the Liquidating Trustee; (v) the Expenses of independent contractors and professionals (including attorneys, advisors, accountants, brokers, consultants, experts, professionals and other Persons) providing services to the Liquidating Trustee; and (vi) the Expenses related to the Liquidating Trust indemnity obligations, the purchase of errors and omissions insurance and/or other form of indemnification.

"**Postpetition**" means the time from and after the Petition Date and prior to the Effective Date.

"**Postpetition Interest**" means interest accrued on any Allowed Claim from the Petition Date until the date of payment at the federal judgment rate as set forth in 28 U.S.C. § 1961(a), in effect as of the Petition Date or the contract rate, if applicable.

"**Prepetition Facility**" means that certain Loan and Security Agreement, dated as of July 17, 2007, by and among R.E. Loans, B-4 Partners and the Prepetition Lender, as the same

has been amended, modified, restated or ratified, and the other loan and security documents executed in connection therewith.

"**Prepetition Lender**" means Wells Fargo, in its capacity as the lender under the Prepetition Facility**.**

"**Prepetition Lender Claims**" means all Claims of the Prepetition Lender arising under the Prepetition Facility.

"**Priority Non-Tax Claim**" means any Claim entitled to priority pursuant to § 507 that is not an Administrative Expense or a Priority Tax Claim.

"**Priority Tax Claim**" means a Claim of a governmental unit against the Debtors entitled to priority against the Estates under § 507(a)(8) that is not a Secured Tax Claim.

"**Professional**" means any Person (i) retained pursuant to an order of the Bankruptcy Court in accordance with §§ 327, 363 or 1103 and to be compensated for services rendered on or before the Effective Date pursuant to §§ 328, 329, 330, 331 or 363, or (ii) awarded compensation and reimbursement by the Bankruptcy Court pursuant to § 503(b)(4)(D). This term excludes the Asset Manager and any Person that may be employed by the Liquidating Trustee on and after the Effective Date.

"**Professional Fee Claim**" means (i) any Claim asserted by a Professional or other Entity for compensation for legal, financial advisory, accounting and other services and reimbursement of expenses Allowed pursuant to §§ 328, 330(a), 331, 363, 503(b) or 1103 or otherwise for the period commencing on the Petition Date and through the Effective Date, including any Claim by a Professional for fees or expenses incurred subsequent to the Effective Date in connection with the prosecution or resolution of any dispute or objection, of any final application for fees and expenses, and (ii) any Claim under § 503(b)(4) for compensation for professional services rendered or under § 503(b)(3)(D) for expenses incurred prior to the Effective Date in making a substantial contribution to the Estates.

"**Proof of Claim**" shall mean a Proof of Claim filed in the Cases pursuant to § 501 or any order of the Bankruptcy Court, together with supporting documents.

"***Pro Rata***" means proportionately, so that with respect to a particular Allowed Claim, the ratio of (i) the amount of property distributed on account of such Claim to (ii) the amount of such Claim is the same as the ratio of (x) the amount of property distributed on account of all Allowed Claims of the Class in which such Claim is included to (y) the amount of all Allowed Claims in that Class.

"**Protected Party**" means any of the Debtors or their Estates, NewCo, Mackinac Partners, the Committee, Wells Fargo, the Liquidating Trust, the Liquidating Trustee, their respective property or assets, and each of their respective officers, directors, current (but not former) employees, members, shareholders, advisors, attorneys, representatives, professionals and other agents.

"**R.E. Future**" means R.E. Future, LLC, a California limited liability company.

"**REL Class 4 Collateral Value**" means the value of the Collateral securing the Noteholders' Claims as of the Effective Date as determined by the Court at or before the Confirmation Hearing, minus the sum of (1) the Prepetition Lender Claims, (2) the DIP Facility Claims, (3) all Allowed Secured Tax Claims, and (4) any "Permitted Senior Liens" as defined in the DIP Facility Loan Documents.

"**R.E. Loans**" means R.E. Loans, LLC, a California limited liability company.

"**REO Property**" means any real property, including all fixtures and personal property related thereto, acquired by any Debtor as a result of R.E. Loans' exercise of its rights under a Note Receivable, whether through foreclosure or otherwise.

"**Reserves**" means all reserve accounts established under the Plan.

"**Schedule of Assumed Contracts**" means the list of executory contracts and unexpired leases, if any, to be assumed by the Debtors and assigned to NewCo on the Effective Date, which list shall be filed with the Bankruptcy Court as part of the Plan Supplement; *provided, however*, that list may be amended at any time prior to the Confirmation Hearing.

"**Secured Claim**" means a Claim secured by a Lien on Collateral to the extent of the value of such Collateral (a) as set forth in the Plan, (b) as agreed to by the holder of such Claim and the Debtors, or (c) as determined pursuant to a Final Order in accordance with § 506(a) or, in the event that such Claim is subject to setoff under § 553, to the extent of such setoff.

"**Secured Tax Claim**" means a Secured Claim of a Governmental Unit for property taxes assessed or for property taxes if and to the extent that the Lien securing such Claim attached under applicable law before the commencement of the Cases.

"**Subordinated Claim**" means any Claim which by its terms or by Final Order of the Bankruptcy Court is subordinated to the payment of any General Unsecured Claim, including any Claim which is subordinated to the payment of another Claim pursuant to any applicable provision of the Bankruptcy Code (including § 510 thereof) or applicable non-bankruptcy law, including the Allowed Noteholder Claims if and only if such Claims are subordinated by a Final Order of the Bankruptcy Court.

"**Subordinated Trust Interest**" means a beneficial interest in the Liquidating Trust entitling the Holder thereof to a Distribution, if any, from the Liquidating Trust after Distributions have been made in full to holders of Beneficial Interests as provided for in this Plan, in the Trust Agreement, and any applicable order of the Bankruptcy Court subordinating a Claim against any Debtor to Allowed General Unsecured Claims against that Debtor.

"**Trust Agreement**" means that certain "Trust Agreement and Declaration of Trust," by and among the Debtors and the Liquidating Trustee, to be entered into pursuant to the

Plan and the Confirmation Order, substantially in the form included in the Plan Supplement, as may be amended from time to time.

"**Trust Assets**" means (i) all Causes of Action belonging to any of the Debtors immediately prior to the Effective Date, all of which shall be transferred or assigned to the Liquidating Trust on the Effective Date of the Plan, free and clear of any Liens or claims that might otherwise have existed in favor of any party, (ii) $**[INSERT** "seed money" amount**]** in Cash; and (iii) 100% of the New Member Interests.

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

"**Unimpaired**" means, when used with reference to a Claim or Interest, a Claim that is not Impaired.

"**U.S. Trustee**" means the Office of the United States Trustee for the Northern District of Texas, Dallas Division.

"**U.S. Trustee Fees**" means all fees and charges assessed against the Estates by the U.S. Trustee and due pursuant to 28 U.S.C. § 1930.

"**Voting Deadline**" means _____, 2012, which is the date by which a Holder of a Claim or Interest must deliver a Ballot voting to accept or reject the Plan as set forth in the order of the Bankruptcy Court approving the instructions and procedures relating to the solicitation of votes with respect to the Plan.

"**Wells Fargo**" means Wells Fargo Capital Finance, LLC.

"**Wells Fargo Group**" means Wells Fargo and its affiliates, together with their respective officers, directors, members, managers, employees, advisors, representatives, attorneys, professionals and other agents.

"**Wells Fargo Release**" means that by the Plan, and effective as of the Effective Date, for good and valuable consideration, the Debtors, their Estates, and NewCo shall and shall be deemed to completely and forever release, waive, void, extinguish, and discharge all Causes of Action that may be asserted by any of the Debtors, their Estates, or NewCo, or any party acting by, through, or under the Debtors, their Estates, or NewCo, against the Wells Fargo Group, whether liquidated or unliquidated, fixed or contingent, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity, or otherwise, that are based in whole or in part on any act, omission, event or other occurrence taking place on or prior to the Effective Date, relating in any way to the Debtors, NewCo, the Cases, or the Plan, which general release shall further be incorporated into the Confirmation Order; *provided, however*, that nothing herein shall be deemed a waiver or release of any right to enforce the terms of the Plan enforce the Plan and any right or obligation under the Exit Facility.

2.2 *Rules of Interpretation.*

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

(b) Any term used in the Plan that is not defined in the Plan, either in Article II or elsewhere, but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to that term in (and shall be construed in accordance with the rules of construction under) the Bankruptcy Code or the Bankruptcy Rules. Without limiting the foregoing, the rules of construction set forth in § 102 shall apply to the Plan, unless superseded herein.

(c) The definition given to any term or provision in the Plan supersedes and controls any different meaning that may be given to that term or provision in the Disclosure Statement.

(d) Whenever it is appropriate from the context, each term, whether stated in the singular or the plural, includes both the singular and the plural.

(e) Any reference to a document or instrument being in a particular form or on particular terms means that the document or instrument will be substantially in that form or on those terms or as amended by the terms thereof.

(f) Any reference to an existing document means the document as it has been, or may be, amended or supplemented.

(g) Unless otherwise indicated, the phrase "under the Plan" and similar words or phrases refer to the Plan in its entirety rather than to only a portion of the Plan.

(h) Unless otherwise specified, all references to Sections or Exhibits are references to the Plan's Sections or Exhibits.

(i) Section captions and headings are used only as convenient references and do not affect the Plan's meaning.

ARTICLE III
COMPROMISE AND SETTLEMENT OF DISPUTES

3.1 *Inter-Debtor Settlement.*

Effective as of the Effective Date, the Debtors agree that all Claims and disputes between them, including all Intercompany Claims and Intercompany Note Claims, shall be settled pursuant to the following terms:

(a) On the Effective Date, all Intercompany Claims and Administrative Expenses, primarily comprising all Intercompany Note Claims, asserted by any Debtor against any other Debtor shall, solely for purposes of receiving Distributions pursuant to

the Plan, be deemed resolved as a result of the settlement and compromise described in this Article III and, therefore, shall not be entitled to any Distribution and shall not be entitled to vote on the Plan. No Distribution shall be made on account of any Interest in any Debtor regardless of whether such Interests are held by a Person that is not a Debtor.

(b) On the Effective Date, in exchange for the release of all Intercompany Note Claims asserted by R.E. Loans against each of R.E. Future and Capital Salvage, each of R.E. Future and Capital Salvage shall transfer 100% of the Assets of its Estate to R.E. Loans, including all REO Properties, subject to all existing Liens that are senior to R.E. Loans' Lien securing the Intercompany Note Claim, including, without limitation, Liens securing the Prepetition Lender Claims, the DIP Facility Claims, and Secured Tax Claims.

ARTICLE IV
TREATMENT OF UNCLASSIFIED CLAIMS

Pursuant to § 1123(a)(1), certain types of Claims are not placed into Classes that are entitled to vote to accept or reject the Plan. Such Claims are not considered Impaired, nor do they vote on the Plan because they are automatically entitled to specific treatment under the Bankruptcy Code. As such, the Debtors have not placed the following Claims in a Class. The respective treatments for these Claims are provided below.

4.1 *Administrative Expenses.*

(a) General.

Except as provided in Section 4.3 below with respect to the DIP Facility or to the extent that any Person entitled to payment of any Allowed Administrative Expense agrees to a less favorable treatment or unless otherwise ordered by the Bankruptcy Court, each holder of an Allowed Administrative Expense shall receive, in full satisfaction, discharge, exchange and release thereof, Cash in an amount equal to such Allowed Administrative Expense on or as soon as practicable after the later of (i) the Effective Date, and (ii) the fifteenth (15^{th}) Business Day after such Administrative Expense becomes an Allowed Administrative Expense. Notwithstanding the foregoing, Ordinary Course Administrative Expenses shall be paid in full in accordance with the terms and conditions of the particular transactions and any applicable agreements or as otherwise authorized by the Bankruptcy Court.

(b) Administrative Expense Bar Date.

All Administrative Expense Requests must be filed with the Bankruptcy Court no later than the Administrative Expense Bar Date or be forever barred. Within ten (10) business days after the Effective Date, the Debtors shall serve notice of the Effective Date and the Administrative Expense Bar Date on all creditors and parties in interest. Holders of Ordinary Course Administrative Expenses shall not be required to file Administrative Expense Requests for allowance and payment of such Claims. The deadline for filing final applications for allowance and payment of Professional Fee Claims shall be governed by Section 4.1(d) below.

Any objection to the allowance of an Administrative Expense, other than an Ordinary Course Professional Claim or a Professional Fee Claim, must be filed no later than sixty (60) days after the expiration of the Administrative Expense Bar Date (the "**Administrative Expense Objection Deadline**"). The Administrative Expense Objection Deadline may be extended only by an order of the Bankruptcy Court. If no objection to the allowance of an Administrative Expense is filed on or before the Administrative Expense Objection Deadline, such Administrative Expense shall be deemed Allowed as of such date.

(c) U.S. Trustee Fees.

All outstanding fees owed to the Office of the U.S. Trustee pursuant to 28 U.S.C. § 1930 that have not been paid as of the Effective Date shall be paid when due in accordance with applicable law. The Debtors shall continue to file reports to show the calculation of such fees for the Estates until the Cases are closed under § 350.

(d) Professional Fee Claims.

All final applications for allowance and payment of a Professional Fee Claim for services rendered or reimbursement of expenses incurred through and including the Effective Date must be filed with the Bankruptcy Court and served no later than sixty (60) days after the Effective Date or such other date as may be fixed by the Bankruptcy Court. All objections to allowance of Professional Fee Claims through the Effective Date must be timely filed and served in accordance with the deadlines established by the Bankruptcy Court.

Except to the extent that any Person entitled to payment of any Allowed Professional Fee Claim agrees to a less favorable treatment or unless otherwise ordered by the Bankruptcy Court, each holder of an Allowed Professional Fee Claim shall receive, in full satisfaction, discharge, exchange and release thereof, Cash in an amount equal to such Allowed Professional Fee Claim within five (5) Business Days after such Professional Fee Claim becomes an Allowed Professional Fee Claim, unless the Holder agrees to defer a payment of a portion of its Allowed Professional Fee Claim.

If Wells Fargo is the Exit Facility Lender, then pursuant to the terms of the DIP Financing Order and the DIP Facility any Deferred Administrative Professional Fee Claims shall be deferred and subordinated to the indefeasible payment in full in Cash of the DIP Facility Claim and the Exit Facility.

4.2 *Priority Tax Claims.*

The Debtors believe that there are no Priority Tax Claims. Except to the extent that a Holder of an Allowed Priority Tax Claim has been paid by the Debtors before the Effective Date or agrees to a less favorable treatment, each Holder of an Allowed Priority Tax Claim shall receive in full satisfaction, discharge, exchange and release thereof, Cash in an amount equal to such Allowed Priority Tax Claim on the later of (i) the Effective Date and (ii) the fifteenth (15^{th}) Business Day after such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is practicable.

4.3 *DIP Facility Claim.*

Notwithstanding anything else contained in this Plan or the Confirmation Order, or any amendments thereto, and notwithstanding the confirmation of the Plan, the holder of the DIP Financing Facility Claim, which is a secured Administrative Claim, shall be entitled to all of the Liens, protections, benefits, and priorities granted under the DIP Financing Orders. All such Liens, protections, benefits, and priorities shall continue until the DIP Financing Facility Claim is indefeasibly paid in full in Cash from the proceeds of the Exit Credit Facility, which secured Administrative Claim, by reason of the DIP Financing Orders, (a) is allowed and payable in its entirety, (b) includes principal, accrued but unpaid interest, and attorneys' fees, costs, and expenses through the date of the full and indefeasible payment in Cash of the DIP Financing Facility Claim (subject to the terms and conditions in the DIP Financing Orders regarding attorneys' fees and expenses), and (c) is secured by the valid, unavoidable and perfected Liens and security interests granted under, or in connection with the Wells Fargo Loan Documents and authorized by the DIP Financing Orders, which is subject only to Permitted Senior Liens as defined in the DIP Financing Orders. All payments of the DIP Financing Facility Claim through the Effective Date shall be deemed to have been indefeasibly paid in full in Cash upon the closing and funding of the Exit Credit Facility on the Effective Date.

4.4 *Administrative Reserve.*

On the Effective Date, the Administrative Reserve shall be funded in Cash. Distributions shall be made to Holders of Allowed Administrative Expenses, Allowed Priority Tax Claims and Allowed Priority Non-Tax Claims from the Administrative Reserve.

ARTICLE V
TREATMENT OF CLAIMS AND INTERESTS

Pursuant to § 1122 and 1123(a)(1), Claims and Interests listed below classify Claims against and Interests in the Debtors are classified as set forth below for all purposes under the Plan, including voting, Confirmation, and Distribution. Except as expressly stated otherwise in Article V, each Class listed below shall vote as a single separate Class, including with respect to the confirmation requirements under § 1129(b). A Claim or Interest shall be deemed classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and the remaining portion of such Claim or Interest, if any, shall be deemed classified in a different Class to the extent that any remainder of such Claim or Interest qualifies within the description of such different Class. A Claim or Interest is in a particular Class only to the extent that such Claim or Interest is Allowed in that Class and has not been paid or otherwise satisfied prior to the Effective Date.

5.1 *Classes REL 1, REF 1 and CS 1—Prepetition Lender Claim.*

(a) Class 1 consists of all Prepetition Lender Claims against R.E. Loans, R.E. Future and Capital Salvage. Subject to rights of the Debtors and the Committee under the "Objection Provisions" (as defined in the DIP Financing Order), all Prepetition Lender Claims are deemed Allowed in their entirety for all purposes under the Plan.

(b) On the Effective Date, the Allowed Prepetition Lender Claims shall be indefeasibly paid in full in Cash from the proceeds of the Exit Facility.

(c) All payments on account of the Prepetition Lender Claims made prior to the Effective Date shall be deemed to be paid indefeasibly. Any portion of the Prepetition Lender Claim unpaid as of the Effective Date shall be deemed indefeasibly paid in full in Cash on the Effective Date under the Exit Credit Facility. Notwithstanding anything else contained in this Plan or the Confirmation Order, or any amendments thereto, and notwithstanding the confirmation of this Plan, Wells Fargo, as the holder of the Prepetition Lender Claim, shall be entitled to all the Liens, protections, benefits, and priorities granted to it or confirmed by DIP Financing Orders until the Prepetition Lender Claim is deemed indefeasibly paid in full in Cash under the Exit Credit Facility. The Prepetition Lender Claim, by reason of the DIP Financing Orders (i) is allowed and payable in its entirety, (ii) includes unpaid principal and accrued but unpaid interest until the Prepetition Lender Claim is indefeasibly paid in full in Cash, and (iii) is secured by the valid, unavoidable, and perfected Liens and security interests granted under or in connection with, the Prepetition Loan Documents and confirmed by the DIP Financing Orders and this Plan, which Liens are senior to all Liens other than any Permitted Senior Liens, as defined in the DIP Financing Orders.

(d) Class 1 is Impaired. Therefore, Wells Fargo, on account of its Class 1 Claims, is entitled to vote to accept or reject the Plan.

5.2 *Class 2—Other Secured Claims.*

(a) Class 2 consists of all Other Secured Claims against R.E. Loans, R.E. Future and Capital Salvage. The Debtors believe there are no Class 2 Claims. To the extent that there is more than one Holder of a Class 2 Claim, the Claim of each such Holder shall be deemed to be classified in a separate sub-class of Class 2, and each such sub-class of Class 2 shall be deemed to be a separate Class under the Plan.

(b) On or as soon as practicable after the Effective Date, each Holder of an Allowed Class 2 Claim will receive, at the election of NewCo, one of the following treatments in full satisfaction, discharge, exchange and release of its Allowed Class 2 Claim, subject to the rights of any Holder of a senior Lien on such Collateral:

(i) payment in full in Cash of its Allowed Class 2 Claim; or

(ii) the Distribution of the Collateral securing such Allowed Class 2 Claim, in which event such Holder shall be entitled within thirty (30) days of such election to file a Proof of Claim for any deficiency entitled to treatment as an Allowed General Unsecured Claim or be forever barred from thereafter asserting such deficiency against any Debtor, NewCo or the Liquidating Trustee.

(c) Class 2 is Unimpaired. Therefore, Holders of Allowed Class 2 Claims are not entitled to vote to accept or reject the Plan.

5.3 *Class 3—Secured Tax Claims.*

(a) Class 3 consists of all Secured Tax Claims.

(b) Each Holder of an Allowed Class 3 Claim shall (i) retain its Liens securing such Claim, (ii) continue to accrue interest at the applicable statutory rate, and (iii) be paid regular quarterly installments of interest only each quarter after the Effective Date for up to five (5) years after the Petition Date, with 100% of the unpaid principal of such Allowed Claim to be paid in full in Cash on the fifth anniversary of the Petition Date; *provided, however*, each Allowed Class 3 Claim shall be paid in full in Cash from the net sales proceeds of the Collateral securing that Allowed Class 3 Claim, upon the closing of any sale of such Collateral.

(c) Class 3 is Impaired. Therefore, Holders of Allowed Class 3 Claims are entitled to vote to accept or reject the Plan.

5.4 *REL Class 4—Noteholder Secured Claims, if any.*

(a) REL Class 4 consists of all R.E. Loans Noteholder Secured Claims, if any.

(b) If the Claims of Noteholders are not Disallowed or subordinated, Noteholders shall be entitled to both REL Class 4 Claims and REL Class 6 Claims. In full satisfaction of their REL Class 4 Claims their Liens securing the REL Class 4 Claims (junior and subordinate in priority in all respects to the Liens securing Allowed Class 1 Claims and Allowed Class 3 Claims, and the Liens in favor of the Exit Lenders under the Exit Facility Loan Documents), shall be preserved through the grant of the New Second Priority Security Interest. NewCo shall execute and deliver the New Second Lien Note to the Collateral Agent in a face amount equal to the REL Class 4 Collateral Value, which shall replace the individual existing Notes held by the Noteholders. The payments due under the New Second Lien Note shall be paid to the Collateral Agent for the benefit of Holders of Allowed Class 4 Claims, from the first net proceeds available from the liquidation of the assets of NewCo after the full and indefeasible payment in full of the amounts owed to the Exit Lenders under the Exit Credit Facility and payments due to the Holders of any Allowed Class 3 Claims, until the New Second Lien Note has been paid in full. The balance of the New Second Lien Note (including interest at the foregoing rate from and after the Effective Date) unpaid on the fifth anniversary of the Effective Date, if any, shall be all due and payable at that time. The New Second Lien Note shall be secured by the New Second Priority Security Interest. The New Second Lien Security Agreement and the New Intercreditor Agreement shall include a mechanism for the release of Collateral to enable NewCo to sell Collateral, so long as the net proceeds are used to pay Allowed Claims under this Plan, until the New Second Lien Note is paid in full. The Collateral Agent shall distribute the payments made on account of the New Second Lien Note to all Holders of Allowed Class 4 Claims Pro Rata.

(c) REL Class 4 is Impaired. Therefore, the Holders of Claims in REL Class 4 are entitled to vote to accept or reject this Plan.

5.5 *Classes REL 5, REF 4 and CS 4—Priority Non-Tax Claims.*

(a) Classes REL 5, REF 4 and CS 4 consist of any Priority Non-Tax Claims against R.E. Loans, R.E. Future and Capital Salvage, respectively. The Debtors believe that there are no Claims in Classes REL 5, REF 4 and CS 4.

(b) Except to the extent that a Holder of an Allowed Priority Non-Tax Claim agrees to a less favorable treatment, each Allowed Priority Non-Tax Claim will be paid, in full satisfaction, discharge, exchange and release thereof, in Cash in full the amount of the Allowed Priority Non-Tax Claim (which shall not include any interest accrued after the Petition Date) on the later of (i) the Effective Date and (ii) the fifteenth (15^{th}) Business Day after the date that the Claim becomes an Allowed Priority Non-Tax Claim, or as soon thereafter as is practicable.

(c) Classes REL 5, REF 4 and CS 4 are Impaired. Therefore, Holders of Allowed Class 4 Claims, if any, are entitled to vote to accept or reject the Plan.

5.6 *Classes REL 6, REF 5 and CS 5—General Unsecured Claims.*

(a) Classes REL 6, REF 5 and CS 5 consist of all General Unsecured Claims against R.E. Loans, R.E. Future and Capital Salvage, respectively, including without limitation all Noteholders' Unsecured Deficiency Claims. The Debtors believe there are only *de minimis* General Unsecured Claims in Classes REF 5 and CS 5. For the avoidance of doubt, Class REL 6 shall contain the Noteholders Unsecured Deficiency Claims, unless the Noteholders' Claims are subordinated to General Unsecured Claims either before or after the Effective Date.

(b) On the Effective Date, except to the extent that the Holder of any such Claim agrees to a different treatment, each Holder of an Allowed General Unsecured Claim shall receive on account of its Allowed General Unsecured Claim, in full and complete satisfaction, discharge, exchange and release thereof, its *Pro Rata* share of the Beneficial Interests in the Liquidating Trust issued pursuant to Section 8.5 of the Plan, which shall entitle the Holder to receive, from the Liquidating Trust, a *Pro Rata* Distribution of the Liquidating Trust Proceeds. If the Bankruptcy Court determines by Final Order that the Holder of a General Unsecured Claim does not have an Allowed General Unsecured Claim, then such Holder's Beneficial Interest shall terminate and be of no further force and effect.

(c) Classes REL 6, REF 5 and CS 5 are Impaired. Therefore, Holders of Allowed Claims in these Classes are entitled to vote to accept or reject the Plan.

5.7 *Classes REL 7, REF 6 and CS 6—Intercompany Claims.*

(a) Class REL 7, REF 6 and CS 6 include all Intercompany Claims, including all Intercompany Note Claims of R.E. Loans against R.E. Future and Capital Salvage, which claims are enumerated on Exhibit "B" to the Disclosure Statement. Each Intercompany Note Claim shall be deemed a separate subclass of Class REF 6 or Class CS 6, as applicable.

(b) Pursuant to Section 3.2 of the Plan, all Intercompany Claims, including all Intercompany Notes, are deemed satisfied, and holders of Intercompany Claims shall receive no distribution under the Plan on account of such Claims other than the transfer to R.E. Loans of all assets of R.E. Future and Capital Salvage, subject to any Liens that are senior to the Liens securing the Intercompany Notes.

(c) Classes REL 7, REF 6 and CS 6 are Impaired. Therefore, Holders of Allowed Class 6 Claims are entitled to vote to accept or reject the Plan.

5.8 *Classes REL 8, REF 7 and CS 7—Subordinated Claims.*

(a) Classes REL 8, REF 7 and CS 7 consist of all Subordinated Claims against R.E. Loans, R.E. Future and Capital Salvage, respectively. If the Noteholders' Claims are subordinated, they will not have Allowed Claims in either REL Class 4 or REL Class 6 and they will not receive the New Second Lien Note, the New Second Priority Security Interest, the New Intercreditor Agreement, or Beneficial Interests in the Liquidating Trust. Instead, they will receive Allowed REL Class 8 Claims for all purposes under the Plan. Any Claims filed by Noteholders for damages based on allegations of securities fraud or other Claims of the type described in Bankruptcy Code § 510(b), shall be Class REL 8 Claims.

(b) On the Effective Date, except to the extent that the Holder of any such Claim agrees to a different treatment, each Holder of an Allowed Subordinated Claim shall receive on account thereof, in full and complete satisfaction, discharge, exchange and release thereof, its *Pro Rata* share of the Subordinated Trust Interests in the Liquidating Trust issued pursuant to Section 8.5 of the Plan, which shall entitle the Holder to receive, from the Liquidating Trust, a *Pro Rata* Distribution of the Liquidating Trust Proceeds after payment in full of all Allowed General Unsecured Claims (REL 6, REF 5 and CS 5 Claims). If the Bankruptcy Court determines by Final Order that the Holder of a Subordinated Claim does not have an Allowed Subordinated Claim, then such Holder's Beneficial Interest shall terminate and be of no further force and effect. The Debtors anticipate that no distribution will be paid to holders of Allowed Subordinated Claims.

(c) Whether or not holders of Subordinated Claims receive any Distribution under the Plan may depend on whether the Noteholders' Claims are subordinated. If the Noteholders' Claims are not subordinated it is highly unlikely that the holders of subordinated Claims will receive any distribution. Holders of Subordinated Claims are impaired and are entitled to vote to accept or reject the Plan.

5.9 *Class REL 9—Interests.*

(a) Class REL 9 consists of B-4 Partners' Interest in R.E. Loans.

(b) The existing Class REL 9 Interests shall be canceled and B-4 Partners, the sole Holder of any Class REL 9 Interest, shall receive no Distribution under the Plan on account of such Interests.

(c) The Holder of Class REL 9 Interests will receive no Distribution under the Plan and is conclusively deemed to reject the Plan pursuant to § 1126(g). Therefore, the Holder of Class REL 9 Interests is not entitled to vote to accept or reject the Plan.

5.10 *Classes REF 8 and CS 8—Interests.*

(a) Classes REF 8 and CS 8 consists of R.E. Loans' Interests in R.E. Future and Capital Salvage, respectively.

(b) Class REF 8 and CS 8 Interests will be canceled, and R.E. Loans, the sole Holder of any Class REF 8 and CS 8 interests, shall receive no Distribution under the Plan on account of such Interests.

(c) The Holder of Class REF 8 and CS 8 Interests will receive no Distribution under the Plan and is conclusively deemed to reject the Plan pursuant to § 1126(g). Therefore, the Holder of Class REF 8 and CS 8 Interests is not entitled to vote to accept or reject the Plan.

ARTICLE VI
ACCEPTANCE OR REJECTION OF THE PLAN

6.1 *Impaired Classes of Claims Entitled to Vote.*

Except as otherwise provided in an order of the Bankruptcy Court pertaining to solicitation of votes on the Plan, Classes 1 (Prepetition Lender Claims), 2 (Secured Tax Claims), REL 4 (Noteholder Secured Claims), REL 5, REF 4 and CS 4 (Priority Non-Tax Claims), REL 6, REF 5, and CS 5 (General Unsecured Claims), REL 7, REF 6 and CS 6 (Intercompany Claims) and REL 8, REF 7 and CS 7 are Impaired under the Plan. Pursuant to § 1126(c), Holders of Claims in these Classes are entitled to vote to accept or reject the Plan. If and to the extent any other Class identified as being not Impaired is Impaired (whether as a result of the terms of the Plan or any modification or amendment thereto), upon such determination, such Class shall then be entitled to vote to accept or reject the Plan.

6.2 *Class Deemed to Accept the Plan.*

Class 3 (Other Secured Claims) are Unimpaired under the Plan. Pursuant to § 1126(f), Holders of Claims in Class 3 are, therefore, conclusively presumed to have accepted the Plan, and the votes of Holders of such Claims will not be solicited.

6.3 *Classes Deemed to Reject the Plan.*

Classes REL 9, REF 8 and CS 8 (Interests) are Impaired and not entitled to receive any Distribution under the Plan. Pursuant to § 1126(g), therefore, Holders of Claims and Interests are conclusively presumed to have rejected the Plan, and the votes of Holders of Claims in those will not be solicited.

6.4 *Nonconsensual Confirmation.*

To the extent necessary, the Debtors intend to seek confirmation of the Plan pursuant to § 1129(b).

ARTICLE VII
MEANS FOR IMPLEMENTATION OF THE PLAN

7.1 *General Company Matters.*

NewCo shall be created on or before the Effective Date as a California limited liability company. NewCo's operating agreement shall provide for, among other things, (a) the issuance of the New Members Interests to the Liquidating Trust; and (b) a prohibition on the issuance of nonvoting equity securities to the extent, and only to the extent, required by § 1123(a)(6).

7.2 *Effective Date Transfers to Implement Plan.*

On the Effective Date the following transfers will be deemed to be implemented in the following order:

(a) In satisfaction of R.E. Loans' Intercompany Claims against R.E. Future, all Assets of R.E. Future shall be transferred to R.E. Loans, subject to all Liens securing the Prepetition Lender Claims, the DIP Facility Claim, and Secured Tax Claims, but free and clear of all other Liens, Claims and Interests;

(b) In satisfaction of R.E. Loans' Intercompany Claims against Capital Salvage, all Assets of Capital Salvage shall be transferred to R.E. Loans, subject to all Liens securing the Prepetition Lender Claims, the DIP Facility Claim, and Secured Tax Claims, but free and clear of all other Liens, Claims and Interests;

(c) All Assets of R.E. Loans, including without limitation the Assets received pursuant to 7.2(a) and (b), shall be transferred to the Liquidating Trust, subject to all Liens securing the Prepetition Lender Claim, the DIP Facility Claim, and Secured Tax Claims, but free and clear of all other Liens, Claims and Interests;

(d) The Liquidating Trust will transfer the following Assets received by the Liquidating Trust pursuant to 7.2(c) to NewCo, subject to all Liens securing the Prepetition Lender Claims, the DIP Facility Claim, Secured Tax Claims, and the New Second Lien, but free and clear of all other Liens, Claims and Interests: (i) all REO Property, (ii) all Notes Receivable, and (iii) all Notes Receivable Claims. In exchange for these Assets NewCo shall issue the New Members Interest to the Liquidating Trust, free and clear of all Liens, Claims and Interests. The Liquidating Trust shall retain the Trust Assets, including without limitation all Causes of Action, free and clear of all Liens, Claims and Interests.

All of the Assets transferred to NewCo shall be subject to the Liens securing the DIP Facility and the Prepetition Lender Claims until such Claims are indefeasibly paid in full in Cash from the proceeds of the Exit Facility.

Promptly after receiving the transfer under Section 7.2(d), NewCo shall (1) consummate the Exit Facility, including without limitation the granting to the Exit Lenders of a new first priority Lien on all of NewCo's assets, subject only to the Liens securing Allowed Secured Tax Claims (Class 2) and executing and delivering to the Exit Lenders all of the Exit Facility Loan Documents and the New Intercreditor Agreement; and (2) execute and deliver to the Collateral Agent the New Second Lien Note and the New Second Lien Security Agreement, unless the Noteholders' Claims have been subordinated prior to the Effective Date. If the Noteholders' Claims are subordinated after the Effective Date, the New Second Lien Note and the New Second Lien Security Agreement shall be void and of no further force and effect. The New Second Priority Security Interest shall be subordinated to the Liens securing the Exit Facility pursuant to the New Intercreditor Agreement.

As the result of the foregoing transfers and agreements, (1) the Liquidating Trust will acquire and retain the Trust Assets, including without limitation the New Members Interests, free and clear of all Liens, Claims and Interests, (2) NewCo will acquire all Assets of the Debtors that are not Trust Assets, free and clear of all Liens, Claims and Interests, except those granted or preserved under the Plan, and (3) the Debtors will transfer all of their Assets and will not retain ownership of any Assets.

7.3 *Exit Facility.*

(a) On the Effective Date, NewCo shall enter into the Exit Facility with the Exit Facility Lenders. The Debtors currently contemplate that Wells Fargo shall be the Exit Facility Lender. If Wells Fargo is the Exit Facility Lender, Wells Fargo's unliquidated indemnification claims arising under the Prepetition Facility and/or the DIP Facility shall be provided for in a manner set forth in the Exit Facility and Wells Fargo's status as a "holder" of each Note Receivable, within the meaning of Article 3 of the Uniform Commercial Code, shall date from when actual physical possession of each such Note Receivable was originally delivered to Wells Fargo.

(b) If Wells Fargo is not the Exit Facility Lender, then (a) the identity of the Exit Facility Lender and the terms of the Exit Facility shall be filed with the Bankruptcy Court as part of the Plan Supplement, (b) Wells Fargo's Prepetition Lender Claims and DIP Facility Claims will be indefeasibly paid in full in Cash as set forth in Article V of the Plan, and (c) to the extent that Wells Fargo is entitled to an unliquidated indemnification claim arising under the Prepetition Facility and/or the DIP Facility, any such Claim shall be provided for in a manner mutually acceptable to the Debtors, the Exit Facility Lenders and Wells Fargo, or a manner determined by the Bankruptcy Court to comply with the requirements of the Bankruptcy Code.

(c) The Confirmation Order shall specifically approve the Exit Facility (including the transactions contemplated thereby and all actions to be taken and payment of all fees, indemnities, and expenses provided for therein) and grant authorization for NewCo to enter

into and execute the Exit Facility Loan Documents and such other documents as may be required to consummate the Exit Facility. NewCo may use the Exit Facility for any purpose permitted thereunder, including the funding of obligations under the Plan, including the payment of Allowed DIP Facility Claims, Prepetition Lender Claims, Administrative Expenses, Priority Tax Claims and Priority Non-Tax Claims, and the funding of any Reserves established under the Plan.

7.4 *Implementing Actions In General.*

On the Effective Date, the following shall occur in implementation of the Plan:

(a) All transactions, actions, documents and agreements necessary to implement the Plan shall be deemed authorized and approved by the Debtors without any requirement of further action by the Debtors or its members, and shall be effectuated or executed, as applicable have been effected or executed, including the Trust Agreement and the Exit Facility Loan Documents.

(b) The Debtors shall have received all authorizations, consents, rulings, opinions or other documents that are determined by the Debtors to be necessary to implement the Plan.

(c) The Debtors and the Liquidating Trust shall make all Distributions required to be made on the Effective Date to holders of Allowed Claims pursuant to the Plan.

(d) The Reserves shall be funded.

(e) The transfers described in Section 7 shall be implemented.

7.5 *Cancellation of Instruments and Agreements.*

Upon the occurrence of the Effective Date, except as otherwise provided herein, all promissory notes (including, without limitation, the Exchange Notes), shares, certificates, instruments, indentures, membership interests, stock or agreements evidencing, giving rise to or governing any Claim or Interest shall be deemed canceled and annulled without further act or action under any applicable agreement, law, regulation, order or rule; the obligations of the Debtors under such promissory notes, share certificates, instruments, indentures or agreements shall be discharged and the Holders thereof shall have no rights against the Debtors, NewCo, the Liquidating Trustee or the Estates; and such promissory notes, share certificates, instruments, indentures, membership interests, or agreements shall evidence no such rights, except the right to receive the Distributions provided for in this Plan.

ARTICLE VIII
LIQUIDATING TRUST

8.1 *Purpose of Trust.*

The Liquidating Trust is created pursuant to the Plan for the primary purpose of collecting, liquidating and distributing the assets transferred to it with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Liquidating Trust. The Liquidating Trust is intended to be classified as a "Liquidating Trust" for federal income tax purposes within the meaning of Treasury Regulation § 301.7701-4(d). The Liquidating Trustee shall ascribe valuations to the assets assigned or transferred to the Liquidating Trust on the dates of assignment and transfer of such assets to the Liquidating Trust, and such valuations shall be used by the Debtors, NewCo and the Liquidating Trustee for all federal income tax reporting purposes.

The Liquidating Trustee will liquidate all of the Assets of the Liquidating Trust.

NewCo shall liquidate the Assets transferred to NewCo. Upon the disposition of each REO Property by NewCo, all direct costs of sale and real property taxes secured by that REO Property will be paid in full and the balance of any proceeds will be turned over to the Exit Facility Lenders and applied against the Exit Facility until the Exit Facility has been indefeasibly paid in full in Cash. After the Exit Facility has been indefeasibly paid in full in Cash, any net proceeds from future sales (after payments of direct costs of sale and property taxes secured by Liens on the REO Property sold, and establishment of reasonable reserves by NewCo for future payments required under the Plan and future expenses) will be paid to the Collateral Agent to be applied to the New Second Lien Note. If there are no Allowed REL Class 4 Claims (because the Claims of Noteholders are subordinated or disallowed) or after the New Second Lien Note is paid in full with interest from and after the Effective Date, any remaining Cash will be distributed first to the recipients of Beneficial Interests and, if those Holders are paid in full, then to the Holders of Subordinated Trust Interests. Through the foregoing waterfall of distributions, existing priorities will be preserved.

8.2 *Governing Document; Effectiveness.*

(a) Governing Document. The Liquidating Trust shall be governed by the Trust Agreement, which shall be filed with the Bankruptcy Court as part of the Plan Supplement.

(b) Effectiveness. On the Effective Date, the Trust Agreement shall become effective, and, if not previously signed, the Debtors and the Liquidating Trustee shall execute the Trust Agreement. The Liquidating Trust shall remain constituted and in existence from and after the Effective Date, and until all payments and distributions to holders of Allowed Claims have been made under the Plan.

8.3 *Vesting of Assets in the Liquidating Trust.*

On the Effective Date, pursuant to the Plan and §§ 1123, 1141 and 1146(a), the Debtors and their Estates are authorized and directed to transfer, grant, assign, convey, set over, and deliver to the Liquidating Trustee, for the benefit of the Liquidating Trust, all of the respective Debtors' and Estates' right, title and interest in and to all of their assets, including all Causes of Action, free and clear of all Liens, Claims, encumbrances or interests of any kind in such property of any other or Holders of Claims against or Interests in the Debtors, except as otherwise expressly provided for in the Plan or the Exit Facility. To the extent required to implement the transfer of the Trust Assets from the Debtors and Estates to the Liquidating Trust and the Liquidating Trustee as provided for herein, all Persons and governmental entities shall cooperate with the Debtors and the Estates to assist the Debtors and the Estates to implement said transfers.

8.4 *Beneficiaries.*

In accordance with Treasury Regulation Section 301.7701-4(d), the Beneficiaries of the Liquidating Trusts ("**Beneficiaries**") are the holders of Allowed General Unsecured Claims and Allowed Subordinated Claims, respectively. The Holders of Allowed General Unsecured Claims shall receive an allocation of Beneficial Interests and the Holders of Allowed Subordinated Claims shall receive an allocation of Subordinated Trust Interests, as provided for in the Plan and the Trust Agreement. The New Member Interests in NewCo shall be an asset of the Liquidating Trust.

8.5 *Distribution of Trust Proceeds.*

Liquidating Trust Proceeds, including any distributions from NewCo, shall be allocated and disbursed in Cash by the Liquidating Trustee as follows:

(i) first, in an amount sufficient to pay the expenses associated with the disposition of such Trust Assets, including the fees and expenses of the Liquidating Trustee and the fees and expenses of any professionals (including legal and financial advisors) employed by the Liquidating Trustee and associated with the disposition of such Trust Assets;

(ii) second, to the extent any proceeds remain, and after giving effect to any necessary reserve for Disputed Claims, to fund Distributions to holders of Beneficial Interests (*i.e.*, former Holders of Allowed General Unsecured Claims) until paid in full;

(iii) third, to the extent any proceeds remain, and after giving effect to any necessary reserve for Disputed Claims, to fund Distributions to holders of Beneficial Interests (*i.e.*, former Holders of Allowed General Unsecured Claims) in an amount equal to the lesser of (A) 100% of the net remaining proceeds from the disposition of Trust Assets, and (B) an amount sufficient to pay Postpetition Interest on such holders' Allowed General Unsecured Claims; and

(iv) fourth, to the extent any proceeds remain, and after giving effect to any necessary reserve for Disputed Claims, any such surplus will be used to fund Distributions to holders of Subordinated Trust Interests (*i.e.*, former holders of Allowed Subordinated Claims) until paid in full.

8.6 *Liquidating Trustee.*

(a) Appointment; Powers. The Liquidating Trustee shall be appointed by the Confirmation Order as the representative of the respective Estates pursuant to §§ 1123(a)(5), (a)(7) and (b)(3)(B), and as such shall be vested with the authority and power (subject to the Trust Agreement) to (i) administer the Liquidating Trust; (ii) administer, investigate, prosecute, settle and abandon all Causes of Action in the name of, and for the benefit of, the Estates; and (iii) make Distributions provided for in the Plan. The Confirmation Order shall provide the Liquidating Trustee with express authority to convey, transfer and assign any and all of the Trust Assets and to take all actions necessary to effectuate same. After the Effective Date, the affairs of the Liquidating Trust and of all assets held or controlled by the Liquidating Trust shall be managed under the direction of the Liquidating Trustee, as provided by the terms of the Plan and Trust Agreement. The Liquidating Trustee shall also have standing to monitor and seek to enforce the performance of obligations under the Plan and the performance of other provisions of the Plan that have an effect upon the treatment of Claims.

(b) Litigation Rights. As the representative of the Estates, the Liquidating Trustee shall succeed to all of the rights and powers of the Debtors and the Estates with respect to all Causes of Action, and the Liquidating Trustee shall be substituted and shall replace the Debtors, their Estates and the Committee, as applicable, as the party in interest in any such Causes of Action pending as of the Effective Date. All actions taken thereunder in the name of a Debtor shall be taken through the Liquidating Trustee.

(c) Sole Member. Effective on the occurrence of the Effective Date, the Liquidating Trustee shall be the sole member of NewCo. The sole manager of NewCo shall be the Asset Manager approved by the Bankruptcy Court in the Confirmation Order, until and unless either (i) the Exit Facility Lenders and the Liquidating Trustee mutually agree on a successor Asset Manager, or (2) the Exit Facility is indefeasibly paid in full in Cash and terminated, in which case the Liquidating Trustee can select and appoint a successor Asset Manage unilaterally.

(d) Bond. The Liquidating Trustee shall serve without bond and shall receive no other fee for its services other than its fees earned as Liquidating Trustee.

8.7 *Implementation of the Liquidating Trust.*

On the Effective Date, the Debtors, on behalf of the Estates, and the Liquidating Trustee shall be authorized to, and shall, take all such actions as are required to transfer from the Debtors and the Estates all of their Assets, including, without limitation, the Trust Assets to the Liquidating Trust. From and after the Effective Date, the Liquidating Trustee shall be authorized to, and shall take all such actions as are required, to implement the Liquidating Trust and the provisions of the Plan as are contemplated to be implemented by the Liquidating Trustee,

including (1) administering the Trust Assets, including, without limitation, the Causes of Action, and (2) transferring all Assets received from the Debtors' Estates other than the Trust Assets to NewCo in exchange for the membership interest in NewCo. The Liquidating Trustee shall thereafter exercise the rights of the sole member of NewCo.

8.8 *Funding of Post Effective Date Trust Expenses.*

All Post Effective Date Trust Expenses incurred from and after the Effective Date, shall be expenses of the Liquidating Trust, and the Liquidating Trustee shall disburse funds from Liquidating Trust Proceeds for purposes of funding such expenses.

8.9 *Provisions Relating to Federal Income Tax Compliance.*

(a) Unless the REL Class 4 Claims are subordinated or disallowed, NewCo shall issue the Second Lien Note and the Second Lien Security Agreement to the Collateral Agent for the benefit of the Noteholders, in substitution of their existing Exchange Notes, which New Second Lien Note and Second Lien Security Agreement shall be subject to the New Intercreditor Agreement. A transfer to the Liquidating Trust shall be treated for all purposes of the Internal Revenue Code of 1986, as amended (the "**Internal Revenue Code**"), as a transfer to Creditors to the extent Creditors are Beneficiaries of the Liquidating Trust. For example, such treatment shall apply for purposes of Internal Revenue Code sections 61(a)(12), 483, 1001, 1012 and 1274. Any such transfer shall be treated for federal income tax purposes as a deemed transfer to the Beneficiaries followed by a deemed transfer by the Beneficiaries to the Liquidating Trust. The Beneficiaries of the Liquidating Trust shall be treated for federal income tax purposes as the grantors and deemed owners of the Liquidating Trust.

8.10 *Accounts.*

The Liquidating Trustee may establish one or more interest-bearing accounts as it determine may be necessary or appropriate to effectuate the provisions of the Plan. To the extent reasonably possible, the Liquidating Trustee shall attempt to indemnify the funds in accordance with § 345.

8.11 *Indemnification; Mutual Indemnification.*

NewCo shall indemnify and hold the Liquidating Trustee and its professionals harmless from any loss, liability, claim, demand, or cause of action that is asserted against the Liquidating Trustee and that arises directly from payments or distributions under the Plan or actions taken in connection with the implementation of the Plan or the resolution of objections to Claims. Notwithstanding anything in the Plan or the Confirmation Order to the contrary, the Liquidating Trustee shall not be indemnified for intentional or willful misconduct. NewCo shall further indemnify and hold the Liquidating Trustee and the Liquidating Trust and their respective agents, representatives, attorneys, and accountants harmless from any and all claims and causes of action arising with respect to any asset transferred or assigned to the Liquidating Trust prior to the date on which it is transferred or assigned to the Liquidating Trust; and the Liquidating Trustee and the Liquidating Trust shall indemnify and hold NewCo and its agents, representatives, attorneys, and accountants harmless from any and all claims and causes of action

arising with respect to any asset transferred or assigned to the Liquidating Trust after the date on which it is transferred or assigned to the Liquidating Trust.

8.12 *Payment of Fees and Expenses to Liquidating Trustee.*

(a) Compensation of Liquidating Trustee. The Liquidating Trustee shall be entitled to reimbursement of its reasonable and necessary expenses incurred in carrying out its duties under the Plan. The Liquidating Trustee's agreement with respect to the employment and compensation be approved in the Confirmation Order and all such compensation (including fees and reasonable and necessary expenses) shall be paid from the Liquidating Trust Proceeds.

(b) Retention of Professionals. The Liquidating Trustee shall be authorized, without any supervision by or approval of the Bankruptcy Court or the U.S. Trustee, to employ and compensate such persons, including counsel and accountants, as the Liquidating Trustee may deem necessary to enable it to perform its functions under the Plan and the Liquidating Trust. Any such professionals employed by the Liquidating Trustee shall be compensated for their services rendered in connection with the administration of the Liquidating Trust and all Trust Assets and the implementation of the Plan without further motion, application, notice, hearing or other order of the Bankruptcy Court.

8.13 *Resignation, Replacement or Termination of Liquidating Trustee.*

From and after the Confirmation Date, the Liquidating Trustee or his successor shall continue to serve in his capacity as the sole member of NewCo through the earlier of (i) the date NewCo is dissolved in accordance with the Plan, and (ii) the date the Liquidating Trustee resigns or is replaced or terminated. The Liquidating Trustee may be removed, with or without cause, by order of the Bankruptcy Court. In the event that the Liquidating Trustee dies, resigns or otherwise unable to fulfill the duties of Liquidating Trustee, then a successor Liquidating Trustee shall be appointed in accordance with the Trust Agreement.

8.14 *Counterclaims.*

The Liquidating Trust shall not be subject to any counterclaims with respect to any Causes of Action constituting Trust Assets, *provided*, *however*, that Causes of Action constituting Trust Assets will be subject to any set-off rights to the same extent as if the Debtors themselves had pursued the Causes of Action.

8.15 *Termination of Liquidating Trust.*

The Liquidating Trust shall terminate when the Liquidating Trustee has performed all his duties under the Plan and the Trust Agreement.

8.16 *Preservation of Causes of Action; Note Receivable Claims.*

(a) Preservation of Causes of Action; Designation of Estate Representative. On the Effective Date, the Liquidating Trustee as representative of each

Debtors' Estate shall retain and have the exclusive right to commence, pursue, enforce and settle, as appropriate, all Causes of Action (including all Avoidance Actions) that otherwise belong to a Debtor and arose before the Effective Date, including all Causes of Action of a trustee or debtor in possession under the Bankruptcy Code, other than those Causes of Action expressly released or compromised as part of or pursuant to the Plan or by other order of the Bankruptcy Court entered prior to the Effective Date. As of the Effective Date, the Liquidating Trustee shall be authorized to exercise and perform the rights, powers and duties held by the Debtors' Estates with respect to all Causes of Action, including the authority under § 1123(b)(3) to provide for the settlement, adjustment, retention and enforcement of any such Causes of Action, without the consent or approval of any third party, and without any further order of the Bankruptcy Court, except as otherwise provided in this Section.

(b) Preservation of Note Receivable Claims; Designation of Estate Representative. Also on the Effective Date, NewCo as representative of each Debtors' Estate shall have the exclusive right to commence, pursue, enforce and settle, as appropriate, all Note Receivable Claims that otherwise belong to a Debtor and arose before the Effective Date, including all Note Receivable Claims that constitute claims of a trustee or debtor in possession under the Bankruptcy Code, other than those Note Receivable Claims expressly released or compromised as part of or pursuant to the Plan or by other order of the Bankruptcy Court entered prior to the Effective Date. As of the Effective Date, NewCo shall be authorized to exercise and perform the rights, powers and duties held by the Debtors' Estates with respect to all Note Receivable Claims, including the authority under § 1123(b)(3) to provide for the settlement, adjustment, retention and enforcement of any such Note Receivable Claims, without the consent or approval of any third party, and without any further order of the Bankruptcy Court, except as otherwise provided in this Section.

(c) Description of Retained Causes of Action and Note Receivable Claims.

At least ten (10) Business Days prior to the Confirmation Hearing, Debtors shall file a non-exhaustive list of all Causes of Action and Note Receivable Claims; *provided*, *however*, notwithstanding any otherwise applicable principle of law or equity, including any principles of judicial estoppel, res judicata, collateral estoppel, issue preclusion, or any similar doctrine, the failure to list, disclose, describe, identify, analyze or refer to any claim or Cause of Action or any Note Receivable Claim, or potential Cause of Action or Note Receivable Claim, in the Plan, the Disclosure Statement, or any other document filed with the Bankruptcy Court shall in no manner waive, eliminate, modify, release, or alter the Liquidating Trustee's right to commence, prosecute, defend against, settle, and realize upon any Cause of Action, or NewCo's right to pursue any Note Receivable Claim, that the Debtors or the Estates have or may have as of the Effective Date. Subject to the limitations expressly set forth in the Trust Agreement, the Liquidating Trustee may commence, prosecute, defend against, recover on account of, and settle all Causes of Action in its sole discretion in accordance with what is in the best interests, and for the benefit, of the Liquidating Trust, and NewCo may commence, prosecute, defend against, recover on account of, and settle all Note Receivable Claims in its sole discretion in accordance with what is in the best interests, and for the benefit, of NewCo and the Liquidating Trust, as the sole member of NewCo.

Unless a Cause of Action against a Person, Entity or a governmental entity is expressly waived, relinquished, released, compromised, or settled in the Plan or any Final Order, the Debtors expressly reserve such Causes of Action for later adjudication (including Causes of Action of which the Debtors may presently be unaware, or which may arise or exist by reason of additional facts or circumstances unknown to the Debtors at this time, or facts or circumstances which may change or be different from those which the Debtors now believe to exist) 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 shall apply to 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 Causes of Action have been expressly released by virtue of the Plan or other Final Order.

(d) Decision to Pursue. The Liquidating Trustee (subject to the Trust Agreement) and NewCo will make the decision of whether or not to pursue any Cause of Action or Note Receivable Claim, respectively, not otherwise released under the Plan or pursuant to other orders of a court of competent jurisdiction. This decision will be based upon the Liquidating Trustee's or NewCo's review, as applicable, of the merits of each Cause of Action or Note Receivable Claim as well as the costs required to prosecute such claims in light of the limited resources available for the Distribution to Creditors. The Liquidating Trustee (subject to the Trust Agreement) and NewCo may seek to retain counsel on a contingency basis to prosecute some or all of such Causes of Action and Note Receivable Claims, as applicable, may seek to finance any costs relating to the prosecution of such litigation, or may decide not to pursue such claims at all.

(e) Reservation of Rights.

The failure to explicitly list any Cause of Action or Note Receivable Claim is not intended to limit the rights of the Liquidating Trustee or NewCo, as applicable, to pursue any such Cause of Action or Note Receivable Claim not so identified. In this connection, the Liquidating Trustee and NewCo will continue to review payments made by and transactions involving the Debtors prior to the Petition Date to determine whether preference and other actions to avoid such payments and transactions should be brought. Failure to specifically identify potential actions in the Plan shall not be deemed a waiver of any such action by any Debtor, NewCo, the Liquidating Trustee or any other party.

Except to the extent that such Causes of Action have been released under the Plan or as otherwise provided under any orders of the Bankruptcy Court, any Person or governmental entity with respect to which the Debtors have incurred an obligation (whether on account of services, purchase or sale of property, or otherwise), or who has received services from the Debtors or a transfer of money or property of the Debtors, or who has transacted business with the Debtors, or leased equipment or property from the Debtors should assume that such obligation, transfer, or transaction may be reviewed by the Liquidating Trustee, on behalf of the Liquidating Trust, subsequent to the Effective Date and may, if appropriate, be the subject of an action after the Effective Date, whether or not (i) such Person or governmental entity has filed a Proof of Claim against the Debtors; (ii) such Person's or governmental entity's Proof of Claim has been objected to by the Debtors; (iii) such Person's or governmental entity's Claim was

included in the Bankruptcy Schedules; or (iv) such Person's or governmental entity's scheduled Claims have been objected to by the Debtors or have been identified by the Debtors as disputed, contingent, or unliquidated.

ARTICLE IX
TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

9.1 *Executory Contracts and Unexpired Leases to be Rejected.*

Subject to the occurrence of the Effective Date, Effective on the Effective Date, except for any Executory Contract that (i) previously expired or terminated by its own terms, (ii) was previously assumed or rejected by an order of the Bankruptcy Court pursuant to § 365 or (iii) is assumed pursuant to this Plan, all executory contracts and unexpired leases not listed on the *Schedule of Assumed Contracts* shall be rejected by the Debtors and NewCo.

The Confirmation Order shall constitute an order of the Bankruptcy Court approving such rejections, pursuant to § 365, effective as of the Petition Date. Any party to an executory contract or unexpired lease identified for rejection as provided herein may, within the same deadline and in the same manner established for filing objections to Confirmation of the Plan, file any objection thereto. Failure to file any such objection within the time period set forth above shall constitute consent and agreement to the rejection.

9.2 *Bar Date for Rejection Damages.*

Any Claim arising from the rejection of an executory contract or unexpired lease shall be forever barred and shall not be enforceable against the Trust, the Debtors, NewCo or any of their affiliates, successors, estates or properties, unless a Proof of Claim is filed with the Claims Agent at the following address within thirty (30) days after the Effective Date:

R.E. Loans Claims Agent
c/o Alix Partners, LLP
2101 Cedar Springs Rd., Suite 1100
Dallas, TX 75201

Any Claim arising from the rejection of an executory contract or unexpired lease shall be treated as a General Unsecured Claim against the Debtor that is a party to that contract or lease (REL 5, REF 4 or CS 4). Nothing in this Plan extends or modifies the Bar Date, except as specifically provided herein.

9.3 *Assumption and Cure of Executory Contracts.*

The *Schedule of Assumed Contracts* shall identify executory contracts and unexpired leases, if any, to be assumed by the Debtors and assigned to NewCo. The Debtors reserve the right to amend the *Schedule of Assumed Contracts* at any time up to three (3) Business Days before the Confirmation Hearing to delete any executory contract or unexpired lease listed therein or, with the consent of the affected counterparty, to add any executory contract or unexpired lease to the *Schedule of Assumed Contracts*. The Debtors will

provide notice of any amendment to the *Schedule of Assumed Contracts* to the parties to the affected contracts or leases, the Exit Facility Lender and the Committee. The *Schedule of Assumed Contracts* shall include a designation of the Cure Amount, if any, proposed by the Debtors to be paid in connection with the assumption and assignment of each Executory Contract listed therein.

On the Effective Date, each executory contract and unexpired leases that is identified in the *Schedule of Assumed Contracts* shall be deemed assumed and assigned to NewCo in accordance with the provisions and requirements of §§ 365 and 1123, and all defaults, if any, shall be deemed cured by the payment of the Cure Amount, if any, corresponding to such contract or lease.

Except as provided elsewhere in this Plan, any Person objecting to the proposed assumption or assignment of any executory contract or unexpired lease, including on the basis of any objection to (i) the amount of the proposed Cure Amount, if any, to be paid in connection with such assumption and assignment, (ii) ability of the Buyer to provide "adequate assurance of future performance" of such Executory Contract (within the meaning of § 365), or (iii) any other matter pertaining to the assumption or assignment of such Executory Contract, shall file an serve such objection on or before the deadline for the filing of objections to Confirmation of the Plan. To the extent any such objections are filed, the hearing on such objections shall be scheduled for the same date as the Confirmation Hearing. Failure to timely file an objection to the proposed assumption of an executory contract or unexpired lease, including any proposed Cure Amount associated therewith, shall constitute consent to the assumption of such contract or lease, including the Cure Amount, if any, payable in connection therewith, and an acknowledgment that such assumption and assignment satisfies all requirements of §§ 365(b), (c) and (f).

If any Person files an objection to the proposed assumption or assignment of an Executory Contract, the Debtors reserve the right to delete such contract or lease from the *Schedule of Assumed Contracts* and declare such contract or lease to be rejected pursuant to Section 7.1 hereof.

9.4 *Cure of Defaults of Assumed Executory Contracts.*

All Cure Amounts to be paid in connection with the Executory Contracts to be assumed and assigned pursuant to the Plan shall be treated as Administrative Expenses and shall receive the treatment specified in Section 4.1 of the Plan.

9.5 *Effect of Assumption.*

Each executory contract or unexpired lease assumed pursuant to this Article IX (or pursuant to Bankruptcy Court order) shall remain in full force and effect and be fully enforceable by NewCo in accordance with its terms, except as modified by the provisions of the Plan, or any order of the Bankruptcy Court authorizing and providing for its assumption. This Plan shall not affect any Executory Contract that was assumed, rejected or assumed and assigned pursuant to an order of the Bankruptcy Court entered prior to the Confirmation Date.

9.6 *Contracts Entered Into on or After the Petition Date.*

On the Effective Date, all contracts, leases, and other agreements entered into by any Debtor on or after the Petition Date, which agreements have not been terminated in accordance with their terms on or before the Confirmation Date shall revest in, and remain in full force and effect as against, NewCo and the other parties to such contracts, leases and other agreements unless otherwise rejected pursuant to the terms of the Plan.

ARTICLE X
DISTRIBUTIONS

10.1 *Distribution Under the Plan.*

(a) Source of Distributions.

The sources of all Distributions and payments under the Plan are and will be Cash, including Cash in any Reserves, and Liquidating Trust Proceeds.

(b) Manner of Cash Payments.

Cash Distributions made pursuant to the Plan shall be in United States funds, by check drawn on a domestic bank, or by wire transfer from a domestic bank.

(c) No *De Minimis* Distributions.

Notwithstanding anything to the contrary in the Plan, no Distribution of less than $25.00 will be made to any Holder of an Allowed Claim or Beneficial Interest on account thereof. No consideration will be provided in lieu of the *de minimis* Distributions that are not made under this Section.

(d) No Distributions With Respect to Disputed Claims and Interests.

Notwithstanding any other Plan provision, Distributions will be made on account of a Disputed Claim only after, and only to the extent that, the Disputed Claim either becomes or is deemed to be an Allowed Claim for purposes of Distributions.

(e) Undeliverable or Unclaimed Distributions.

Distributions to Persons or entities holding Allowed Claims will initially be made by mail as follows:

(i) Distributions will be sent to the address, if any, set forth on a filed Proof of Claim as amended by any written notice of address change that is received by Liquidating Trustee no later than ten (10) Business Days prior to the date of any Distribution; or

(ii) If no such address is available, Distributions will be sent to the address set forth on the Bankruptcy Schedules.

If no address is available either on a Proof of Claim or on the Bankruptcy Schedules, the Distribution will be deemed to be undeliverable. If a Distribution is returned to the Liquidating Trustee or is deemed to be an undeliverable Distribution, the Liquidating Trustee will make no further Distribution to the Person or entity holding the Claim on which the Distribution is being made unless and until the Liquidating Trustee is timely notified in writing of that Person's or entity's current address. Subject to the following paragraph, until any such Distribution becomes deliverable, the Liquidating Trustee may create a separate Reserve for undeliverable Distributions for the benefit of the Persons or entities entitled to such Distributions. These Persons and entities will not be entitled to any interest on account of any delay in the payment of any undeliverable Distributions.

Any Person or entity that is otherwise entitled to an undeliverable Distribution and that does not, within one (1) year after a Distribution is returned as undeliverable, provide the Liquidating Trustee with a written notice asserting its right to receive that undeliverable Distribution and setting forth a current, deliverable address, will be deemed to waive any claim to or interest in that undeliverable Distribution and will be forever barred from receiving that undeliverable Distribution or asserting any Claim against the Debtors, the Estates, NewCo or the Liquidating Trust. Any undeliverable Distribution that is not claimed under this Section will be added back to the Liquidating Trust Proceeds and disbursed in accordance with the Trust Agreement and the Plan. The Liquidating Trustee shall not be required to attempt to locate any Person or entity holding an Allowed Claim and whose Distribution is undeliverable.

(f) Record Date.

The record date for purposes of Distributions under the Plan shall be the date the Bankruptcy Court enters its order approving the Disclosure Statement. The Liquidating Trustee will rely on the register of Proofs of Claim filed in the Cases except to the extent a notice of transfer of Claim or Interest has been filed with the Bankruptcy Court prior to the record date pursuant to Bankruptcy Rule 3001. On and after the Effective Date, no notice of transfer of any Claim or Interest based on or arising from any Claim or Interest shall be effective without the Liquidating Trustee's prior written consent. Beneficial Interests and Subordinated Trust Interests cannot be transferred, except to the limited extent set forth in the Trust Agreement.

(g) Fractional Cents.

When any payment of a fraction of a cent would otherwise be called for, the actual payment shall reflect a rounding of such fraction to the nearest whole cent (rounding down in the case of less than $0.005 and rounding up in the case of $0.005 or more).

(h) Release of Reserved Funds.

Any Cash remaining in any Reserve, after all applicable Distributions or other payments have been made from said Reserve, shall be released therefrom and shall be distributed by the Liquidating Trustee in accordance with the Plan.

10.2 *Reserved Amounts; Estimations.*

(a) Administrative Reserve.

On the Effective Date, the Administrative Reserve shall be funded with sufficient monies to pay for all Allowed and Disputed Administrative Expenses, Priority Tax Claims and Priority Non-Tax Claims. Any Cash remaining in the Administrative Reserve after all applicable Distributions or other payments have been made from said Reserve shall be released therefrom and turned over to the Liquidating Trust for distribution in accordance with the Plan.

(b) Disputed Claims Reserve.

Prior to making any Distribution to recipients of Beneficial Interests or Subordinated Trust Interests, the Liquidating Trustee shall reserve for the account of each holder of a Disputed General Unsecured Claim or Subordinated Claim in the Disputed Claim Reserve the property which would otherwise be distributable to such holder on such date in accordance with the Plan were such Disputed Claim an Allowed Claim on such date.

Property reserved under this Section 10.2(b) shall be set aside and, to the extent practicable, held by the Liquidating Trustee in an interest bearing account to be established and maintained by the Liquidating Trustee pending resolution of such Disputed Claims; *provided, however*, that Cash shall be invested in a manner consistent with the requirements of § 345 or otherwise ordered by the Bankruptcy Court. All interest accruing on funds held in the Disputed Claim Reserve Account shall be added to funds available for Distribution pursuant to the terms of the Plan and the Trust Agreement.

To the extent a Disputed Claim becomes an Allowed Claim, the property reserved for the holder thereof shall be distributed by the Liquidating Trustee to such holder as soon as practicable after such Claim becomes an Allowed Claim. To the extent an objection to a Disputed Claim is upheld or a Claim is withdrawn or reduced, the reserves held on account of such Disputed or withdrawn Claim shall be distributed pursuant to the Plan and the Trust Agreement. When all Disputed Claims have been resolved and corresponding Distributions made thereon, any amounts remaining in the Disputed Claim Reserve shall be distributed to holders of Allowed Claims pursuant to the Plan.

(c) Estimations.

The Liquidating Trustee may request estimation or liquidation of any Disputed Claim that is contingent or unliquidated pursuant to § 502(c). For purposes of carrying out the provisions of this Section 10.2(c) and the Distributions of Cash to holders of Allowed Claims, upon a request for estimation by the Liquidating Trustee, the Bankruptcy Court will determine what amount of Cash is sufficient to reserve on account of any Disputed Claim not otherwise treated in the Plan pursuant to § 502 or other applicable law, in which event the amount so determined will be reserved on account of such Disputed Claim for purposes of the Plan, or, in lieu thereof, the Bankruptcy Court will determine the maximum amount for such Disputed Claim, which amount will be the maximum amount in which such Claim may ultimately be Allowed, if such Claim is Allowed in whole or in part. If no such estimation is requested with

respect to a liquidated Disputed Claim, the Liquidating Trustee will reserve Cash in the Disputed Claim Reserve based on the face amount of such Claim until the Claim is Allowed by an order of the Bankruptcy Court, at which time the reserve amount pending a Final Order may be the amount so Allowed.

10.3 *Setoff and Recoupment.*

Notwithstanding anything to the contrary in this Plan, the Debtors, NewCo and the Liquidating Trustee may set off, recoup, or withhold against the Distributions to be made on account of any Allowed Claim any claims that a Debtor or its Estate may have against the Person or entity holding such Allowed Claim. The Debtors, NewCo and the Liquidating Trustee will not waive or release any Claim against any such Persons or entity by failing to effect such a setoff or recoupment, by allowing any Claim against a Debtor or its Estate, or by making a Distribution on account of an Allowed Claim.

10.4 *Objections to Claims.*

(a) General. An objection to the allowance of a Claim (other than an Administrative Expense Claim) or Interest shall be in writing and may be Filed by the Liquidating Trustee, at any time on or before the Claims Objection Deadline. The "**Claims Objection Deadline**" is the later of (a) the 120th day following the Effective Date unless such period is extended by order of the Bankruptcy Court, (b) thirty (30) days after the Filing of the proof of such Claim or Interest or (c) such other date set by order of the Bankruptcy Court. The Liquidating Trustee shall serve a copy of each such Objection upon the holder of the Claim to which it pertains and upon NewCo and the Liquidating Trustee will prosecute each Objection to a Claim until determined by a Final Order unless the Liquidating Trustee (i) compromises and settles an Objection to such Claim by written stipulation subject to Bankruptcy Court approval, if necessary, or (ii) withdraws an Objection to a Claim. Notwithstanding anything else contained in the Plan, any right to object to the Prepetition Lender Claims shall be subject to the limitations set forth in the Objection Provisions of the DIP Financing Facility and DIP Financing Order.

(b) No Distributions Pending Allowance. No payment or Distribution will be made with respect to any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled, withdrawn, determined by a Final Order, and the Disputed Claim has become an Allowed Claim. Any Proof of Claim filed with all of the dollar amounts listed as contingent, unknown or otherwise containing unliquidated amounts shall be deemed to be a Disputed Claim and shall be treated as such for Distribution purposes in accordance with the terms of this paragraph.

10.5 *Claims and Amendments Filed After the Confirmation Date.*

Except as otherwise provided in this Plan, after the Confirmation Date, a Claim may not be filed or amended without the authorization of the Bankruptcy Court and, even with such Bankruptcy Court authorization, may be amended by the holder of such Claim solely to decrease, but not to increase, the face amount of such Claim. Except as otherwise provided in this Plan, any new or amended Claim Filed after the Confirmation Date shall be deemed Disallowed in full and expunged without any action by NewCo or the Liquidating Trustee.

ARTICLE XI
EFFECT OF CONFIRMATION

11.1 *Vesting of Assets.*

Upon the Effective Date, pursuant to §§ 1141(b) and (c), all property of the Debtors' Estates that shall be transferred to the Liquidating Trust, free and clear of all Claims, Liens, encumbrances, charges, and other interests, except as provided herein, in the Exit Facility Agreement, the Trust Agreement or in the Confirmation Order. From and after the Effective Date, NewCo may operate its business and may use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules and in all respects as if there were no pending cases under any chapter or provision of the Bankruptcy Code, subject to the terms and conditions of the Plan.

11.2 *Binding Effect.*

Subject to the occurrence of the Effective Date, on and after the Confirmation Date, the provisions of the Plan shall bind the Debtors, the Committee, the Prepetition Lender, the DIP Lender, the Exit Facility Lender and all current and former holders of a Claim against, or Interest in, the Debtors and such holders' respective successors and assigns, whether or not the Claim or Interest of such holder is Impaired under the Plan, whether or not such holder accepted the Plan, and whether or not such holder is entitled to any distribution under the Plan.

11.3 *Discharge of Claims and Termination of Interests.*

Except as otherwise provided herein or in the Confirmation Order, the rights afforded in the Plan and the payments and distributions to be made hereunder shall discharge all existing debts and Claims and terminate all Interests of any kind, nature, or description whatsoever against or in the Debtors or any of their assets or properties to the fullest extent permitted by § 1141. Except as provided in the Plan, upon the occurrence of the Effective Date, all existing Claims against and Interests in the Debtors, shall be, and shall be deemed to be, discharged and terminated, and all holders of Claims and Interests shall be precluded and enjoined from asserting against NewCo, the Liquidating Trustee, the Liquidating Trusts, or their successors or assigns, or any of their assets or properties, any other or further Claim or Interest based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date, whether or not such holder has filed a Proof of Claim or proof of Interest and whether or not the respective facts or legal bases were known or existed prior to the Effective Date.

11.4 *Release and Discharge of Debtors.*

Upon the occurrence of the Effective Date and in consideration of the distributions to be made hereunder, except as otherwise expressly provided herein, each holder (as well as any trustees and agents on behalf of each holder) of a Claim or Interest and any affiliate of such holder shall be deemed to have forever waived, released, and discharged the Debtors, to the fullest extent permitted by § 1141, of and from any and all Claims, Interests, rights, and liabilities that arose prior to the Effective Date. Upon the Effective Date, all such

persons shall be forever precluded and enjoined, pursuant to § 524, from prosecuting or asserting any such discharged Claim against or terminated Interest in the Debtors.

11.5 *Exculpation and Releases.*

(a) No Protected Party shall have or incur any liability for, and each Protected Party is hereby released from, any and all Claims, liabilities, causes of action, rights, damages, costs and obligations held by any party against any Protected Party, whether known or unknown, matured or contingent, liquidated or unliquidated, existing, arising or accruing, whether or not yet due in any manner, relating to any act taken or omitted to be taken in connection with, related to, or arising out of the Cases, the formulation, preparation, dissemination, implementation, confirmation, approval, or administration of the Plan or any compromises or settlements contained herein, the Disclosure Statement related thereto, the property to be distributed under the Plan, or any contract, instrument, release or other agreement or document provided for or contemplated in connection with the consummation of the transactions set forth in the Plan, shall be deemed fully waived, barred, released and discharged in all respects; *provided, however*, that nothing here shall release or exculpate any Protected Party to the extent that such claims arise from the gross negligence, willful misconduct or fraud of such Protected Party, in each case subject to determination of such by Final Order of a court of competent jurisdiction. This exculpation does not release any other Claims, liabilities, causes of action, rights, damages, costs or obligations held by any of the Debtors against any party, with the exception of the release of the Wells Fargo Group pursuant to the Wells Fargo Release and the Plan effective as of the Effective Date, if not sooner, as provided by the orders of the Court, and no such release is being granted by any of the Debtors under this Plan, though the Debtors reserve the right to seek authority to release or settle claims prior to the Effective Date if the Debtors believe that doing so is in the best interests of Creditors and the Estates.

(b) Without limiting the generality of the foregoing, no Protected Party shall have or incur any liability to any Person or governmental entity for its role, if any, in soliciting acceptance or rejection of the Plan, and shall be entitled to and granted all the protections and benefits of § 1125(e).

(c) Each party to which this section applies shall be deemed to have granted the releases set forth in this section notwithstanding that it may hereafter discover facts in addition to, or different from, those which it now knows or believes to be true, and without regard to the subsequent discovery or existence of such different or additional facts, and such party expressly waives any and all rights that it may have under any statute or common law principle, which would limit the effect of such releases to those claims or causes of action actually known or suspected to exist.

(d) Notwithstanding anything set forth above or elsewhere in the Plan, nothing in the Plan shall operate to discharge, release, preclude, exculpate or enjoin any Entity from or against its obligations under the Plan, the Trust Agreement or the Exit Facility Loan Documents.

11.6 *Wells Fargo Release.*

The Wells Fargo Release shall be effective from and after the Effective Date unless (1) Wells Fargo is not the Exit Lender, (2) the Plan is amended to delete this provision, and (3) the treatment of the Class 1 Claims is modified to provide for protection of Wells Fargo's indemnification claims arising from the prosecution of Causes of Action against Wells Fargo. Nothing in the Plan shall modify the limitations on the commencement of Causes of Action against Wells Fargo contained in the DIP Financing Order or the DIP Facility or limit or expand the rights of any party under the Objection Provisions thereof. Nothing contained herein shall waive or release any right to enforce the terms of the Plan or any rights or obligations under the Exit Facility.

11.7 *Exemption from Stamp, Transfer and Other Taxes.*

Pursuant to § 1146(c), the issuance, transfer, or exchange of assets under the Plan by the Debtors, the creation of any mortgage, deed of trust, or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or instrument of transfer under, in furtherance of, or in connection with the Plan, shall not be subject to any stamp, real estate transfer, mortgage recording, or other similar tax.

11.8 *Plan Injunction.*

The Plan is the sole means for resolving, paying or otherwise dealing with Claims against and Interests in the Debtors and their Estates. Except as provided in the Plan, as of the Effective Date, all non-Debtor entities are permanently enjoined from commencing or continuing in any manner, any Cause of Action, whether directly, derivatively, on account of or respecting any Cause of Action of the Debtors the Liquidating Trust or NewCo, which the Liquidating Trust or NewCo, as the case may be, retain sole and exclusive authority to pursue in accordance with the terms of the Plan, or which have been released pursuant to the Plan.

Further, except as expressly provided herein (including under the terms of the Exit Facility), at all times on and after the Effective Date, all Persons or governmental entities who have held, hold or may hold Claims against or Interests in the Debtors arising prior to the Effective Date are permanently enjoined (other than actions brought to enforce any rights or obligations under the Plan and any adversary proceedings pending in the Cases as of the Effective Date) from:

(a) commencing or continuing in any manner, directly or indirectly, any action or other proceeding of any kind against the Liquidating Trust, the Liquidating Trustee or NewCo or any property of any such party with respect to any such Claim against or Interest in a Debtor;

(b) the enforcement, attachment, collection or recovery by any manner or means, directly or indirectly, of any judgment, award, decree or order against the Liquidating Trust, the Liquidating Trustee or NewCo or any property of any such party with respect to any such Claim against or Interest in a Debtor;

(c) creating, perfecting or enforcing, directly or indirectly, any lien or encumbrance of any kind against the Liquidating Trust, the Liquidating Trustee or NewCo or any property of any such party with respect to any such Claim against or Interest in a Debtor;

(d) effecting, directly or indirectly, any setoff or recoupment of any kind against any obligation due to the Liquidating Trust, the Liquidating Trustee or NewCo or any property of any such party with respect to any such Claim against or Interest in a Debtor, unless approved by the Bankruptcy Court; and

(e) any act, in any manner, in any place whatsoever, that does not conform to or comply with the provisions of this Plan with respect to such Claim against or Interest in a Debtor.

Nothing contained in this Section 11.8 of the Plan shall prohibit the holder of a Claim or Interest with respect to which a Proof of Claim was timely filed from litigating its right to seek to have such Claim or Interest declared an Allowed Claim or Interest and paid in accordance with the Distribution provisions of this Plan, or enjoin or prohibit the interpretation or enforcement by the Holder of such Claim or Interest of any of the obligations of the Debtors, NewCo, the Exit Facility Lender or the Liquidating Trustee under this Plan.

11.9 *Conclusion of the Cases and Dissolution of Committee.*

Except with respect to any appeal of an order in the Cases, and any matters related to any proposed modification of the Plan, on the Effective Date, the Committee shall be dissolved and the members, employees, agents, advisors, affiliates and representatives (including, without limitation, attorneys, financial advisors, and other Professionals) of each thereof shall thereupon be released from and discharged of and from all further authority, duties, responsibilities and obligations related to, arising from and in connection with or related to the Cases and shall be indemnified (including for reasonable attorneys' fees and costs) by the Liquidating Trust and NewCo for any and all acts performed, or omissions, in connection with or related to the Chapter 11 Case, except for acts or omissions as shall constitute fraud, willful misconduct or gross negligence of their duties.

ARTICLE XII
CONDITIONS PRECEDENT

12.1 *Conditions to Occurrence of the Effective Date.*

This Plan shall not become effective, and the Effective Date shall not occur, unless and until each of the following conditions shall have been satisfied in full:

(a) The Confirmation Order shall be in form and substance acceptable to the Debtors, the Committee, the Prepetition Lender, the DIP Lender (to the extent required under the DIP Financing Order), and the Exit Facility Lender.

(b) The Confirmation Order shall have been entered by the Bankruptcy Court and shall not be subject to any stay of effectiveness; the Confirmation Date

shall have occurred and no request for revocation of the Confirmation Order under § 1144 shall have been made, or, if made, shall remain pending;

(c) All documents, instruments and agreements, in form and substance reasonably satisfactory to the Debtors, provided for under or necessary to implement the Plan and the Exit Facility have been executed and delivered by the parties thereto, unless such execution or delivery has been waived by the party or parties benefited thereby.

(d) The Debtors have determined in their reasonable discretion that sufficient Cash and/or Reserves exist to satisfy all Administrative Expenses, Professional Fee Claims, and Priority Tax Claims, which are Allowed Claims.

(e) The Debtors shall have approved each of the Plan Documents, including the Exit Facility Loan Documents and the Trust Agreement.

(f) Each of the Plan Documents, including the Trust Agreement and the Exit Facility Loan Documents, shall have been executed in accordance with its terms, and the Liquidating Trust shall have been funded in accordance with the terms of the Plan and the Trust Agreement.

(g) Funding of the Exit Facility shall have occurred or shall occur contemporaneously with the occurrence of the Effective Date.

(h) The total of all Allowed Claims in Class 3 and REL Class 5, REF Class 4 and CS Class 4 is not more than $500,000.

12.2 *Waiver of Conditions to Occurrence of the Effective Date.*

The Debtors, in consultation with the Committee and Wells Fargo, may in their reasonable discretion, waive any of the conditions set forth above; *provided, however*, that the Exit Facility Lender shall not be required to fund the Exit Facility unless it agrees to that waiver. Additionally, the Debtors' rights under the "mootness doctrine" shall be unaffected by any provision hereof. The failure to satisfy any condition may be asserted by the Debtors regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any act, action, failure to act, or inaction by the Debtors). If the Debtors fail to assert the non-satisfaction of any such conditions, such failure shall not be deemed a waiver of any other rights hereunder.

ARTICLE XIII
ADMINISTRATIVE PROVISIONS

13.1 *Entry of a Final Decree.*

Promptly following substantial consummation of the Plan, NewCo or the Liquidating Trustee will file a motion with the Bankruptcy Court to obtain entry of a final decree closing the Cases.

13.2 *Post-Effective Date Quarterly Fees.*

After the Effective Date and until the Cases are closed, the Liquidating Trust shall timely pay all U.S. Trustee Fees.

13.3 *Post-Effective Date Status Reports.*

The Liquidating Trustee shall file status reports regarding the status of implementation of the Plan and the review, prosecution and resolution of Causes of Action, respectively, every 120 days following the entry of the Confirmation Order through entry of a final decree closing the Cases, or as otherwise ordered by the Bankruptcy Court.

13.4 *Withholding and Reporting Requirements.*

In connection with the consummation of the Plan, the Liquidating Trustee shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority and all Distributions hereunder shall be subject to any such withholding and reporting requirements. The Liquidating Trustee may reasonably request tax reporting information from Persons or entities entitled to receive Distributions under the Plan and may withhold the payment of such Distributions pending the receipt of such tax reporting information.

13.5 *Evidence of Claims.*

As of the Effective Date, notes and any other evidence of Claims will represent only the right to receive the Distributions contemplated under the Plan.

13.6 *Injunctions or Stays.*

Unless otherwise provided, all injunctions or stays arising under or entered during the Cases under § 105 or § 362, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date. From and after the Effective Date, the injunctions and stays arising from the Plan shall govern.

13.7 *No Admissions.*

Except as specifically provided in the Plan, nothing contained in the Plan shall be deemed or construed in any way as an admission by the Debtors or their Estates with respect to any matter set forth in the Plan, including the amount or allowability of any Claim, or the value of any property of the Estates.

Notwithstanding anything to the contrary in the Plan, if the Plan is not confirmed or the Effective Date does not occur, the Plan will be null and void, and nothing contained in the Plan will: (a) be deemed to be an admission by the Debtors with respect to any matter discussed in the Plan, including liability on any Claim or the propriety of any Claim's classification; (b) constitute a waiver, acknowledgement, or release of any Claims, Interests, or any claims held

by the Debtors; or (c) prejudice in any manner the rights of the Debtors or the Estates in any further proceedings.

13.8 *Revocation of the Plan.*

Subject to the terms of the Exit Facility or the DIP Facility, as applicable, the Debtors reserve the right to revoke and withdraw the Plan at any time prior to the Confirmation Date. If the Debtors revoke or withdraw the Plan, then the Plan shall be null and void and, in such event, nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against the Debtors, the Committee or any other Person or to prejudice in any manner the rights of the Debtors, the Committee or any Person in any further proceedings involving the Debtors, or be deemed an admission by the Debtors and/or the Committee.

13.9 *Substantial Consummation.*

On the Effective Date, for purposes of § 1127(b) and other applicable sections of the Bankruptcy Code, the Plan shall be deemed to be substantially consummated as such term is defined in § 1101.

13.10 *Severability of Plan Provisions.*

If, before the Confirmation Date, the Bankruptcy Court holds that any Plan term or provision is invalid, void, or unenforceable, the Bankruptcy Court may alter or interpret that term or provision so that it is valid and enforceable to the maximum extent possible consistent with the original purpose of that term or provision. That term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the Plan's remaining terms and provisions will remain in full force and effect and will in no way be affected, impaired, or invalidated. The Confirmation Order will constitute a judicial determination providing that each Plan term and provision, as it may have been altered or interpreted in accordance with this Section, is valid and enforceable under its terms.

13.11 *Governing Law.*

Except as to the Exit Facility, the rights and obligations arising under the Plan and any agreements, contracts, documents, or instruments executed in connection with the Plan will be governed by, and construed and enforced in accordance with, California law without giving effect to California law's conflict of law principles, unless a rule of law or procedure is supplied by (i) federal law (including the Bankruptcy Code and the Bankruptcy Rules), or (ii) an express choice-of-law provision in any document provided for, or executed under or in connection with, the Plan.

13.12 *Plan Supplement.*

The Plan Supplement and the documents contained therein shall be filed with the Bankruptcy Court no later than ten (10) days before the deadline for voting to accept or reject the Plan, provided that the documents included therein may thereafter be amended and supplemented prior to execution, so long as no such amendment or supplement materially affects the rights of

holders of Claims or Interests, and provided further that amendment of the *Schedule of Assumed Contracts* shall be governed by Section 9.3 of the Plan. The Plan Supplement and the documents contained therein are incorporated into and made a part of the Plan as if set forth in full herein.

13.13 *Conflict.*

In the event and to the extent any provision of this Plan is inconsistent with any provision of the Disclosure Statement, the provisions of this Plan shall control and take precedence. The terms of the Confirmation Order shall govern in the event of any inconsistency with the Plan or the summary of the Plan set forth in the Disclosure Statement.

13.14 *Notices.*

Any notices required under this Plan or any notices or requests by parties in interest under or in connection with this Plan shall be in writing and served either by (i) certified mail, return receipt requested, postage prepaid, (ii) hand delivery, or (iii) reputable overnight delivery service, all charges prepaid, and shall be deemed to have been given when received by the following parties:

(a) To the Debtors:

James A. Weissenborn
Managing Partner
Mackinac Partners, as manager
180 High Oak Road, Suite 100
Bloomfield, MI 48304
Telephone: 248-258-6900

With a copy to:

Jeffrey C. Krause, Esq.
Stutman, Treister & Glatt, Professional Corporation
1901 Avenue of the Stars
12th Floor
Los Angeles, CA 90067-6013
Telephone: 310-228-5740
Facsimile: 310-228-5788

(b) To the Prepetition Lender and the DIP Lender:

Wells Fargo Capital Finance, LLC
14241 Dallas Parkway, Suite 1300
Dallas, TX 75254
Attn: Loan Portfolio Manager-LE, Loans, LLC
Facsimile: 866-209-7031
Email Address: Tami.Barrows@wellsfargo.com

With a copy to :

David Weitman, Esq.
Gary Null, Esq.
K&L Gates, LLP
1717 Main Street
Suite 2800
Dallas, TX 75201
Telephone: 214-939-5427
Facsimile: 214-939-5849

(c) To the Noteholders' Committee:

Akin Gump Strauss Hauer & Feld LLP
Attn: Charles R. Gibbs, Esq.
Attn: Michael P. Cooley, Esq.
1700 Pacific Avenue, Suite 4100
Dallas, TX 75201
Telephone: 214-969-2800
Facsimile: 214-969-4343

13.15 *Retention of Jurisdiction.*

The Bankruptcy Court will retain and have exclusive jurisdiction over any matter arising under the Bankruptcy Code, arising in or related to the Cases or the Plan, or that relates to the following:

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

(b) entry of 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;

(c) determination of any and all motions, adversary proceedings, applications, and contested or litigated matters that may be pending on the Effective Date or that, pursuant to the Plan, may be instituted by NewCo or the Liquidating Trustee after the Effective Date;

(d) ensuring that Distributions to Holders of Allowed Claims are accomplished as provided in the Plan;

(e) hearing and determining any objections to Administrative

Expenses or Proofs of Claim, both before and after the Confirmation Date, including any objections to the classification of any Claim and to allow, disallow, determine, liquidate, classify, estimate, or establish the priority of secured or unsecured status of any Claim, in whole or in part;

(f) entry and implementation of such orders as may be appropriate in the event that the Confirmation Order is, for any reason, stayed, revoked, modified, reversed, or vacated;

(g) issuance of such orders in aid of execution of the Plan, to the extent authorized by § 1142;

(h) consideration of any modifications of the Plan, to cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including the Confirmation Order;

(i) hearing and determining all applications for awards of compensation for services rendered and reimbursement of expenses incurred prior to the Effective Date;

(j) hearing and determining disputes arising in connection with, or relating to, the Plan or the interpretation, implementation, or enforcement of the Plan, or the extent of any Person's obligations incurred in connection with or released or exculpated under the Plan;

(k) the recovery of all assets of NewCo and property of the Debtors' Estates, including the Liquidating Trust Assets, wherever located;

(l) the administration and orderly liquidation of Note Receivable Claims, including foreclosure proceedings or other Causes of Action relating to the Note Receivable Claims or the collateral securing them;

(m) issuance of injunctions or other orders as may be necessary or appropriate to restrain interference by any Person or governmental entity with consummation or enforcement of the Plan;

(n) determination of any other matters that may arise in connection with, or are related 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 or the Disclosure Statement, including the Trust Agreements;

(o) hearing and determining matters concerning state, local, and federal taxes in accordance with §§ 346, 505, and 1146;

(p) hearing any other matter or for any purpose specified in the Confirmation Order that is not inconsistent with the Bankruptcy Code;

(q) entry of a final decree closing the Cases;

(r) hearing and determining, to the fullest extent authorized by applicable law, any issue or dispute directly or indirectly arising from or related to the Liquidating Trust, the Trust Assets, the Trust Agreement, or the Liquidating Trustee;

(s) hearing and determining any other matter deemed relevant to the consummation of the Plan and the administration of the Cases; and

(t) interpreting and enforcing orders entered by the Bankruptcy Court; provided that if the Bankruptcy Court abstains from exercising jurisdiction, or is without jurisdiction, over any matter, this Section will not affect, control, prohibit, or limit the exercise of jurisdiction by any other court that has jurisdiction over that matter.

13.16 *Successors and Assigns.*

The rights, benefits, and obligations of any Person referred to in the Plan will be binding on, and will inure to the benefit of, any heir, executor, administrator, personal representative, successor, or assign of that Person.

13.17 *Nonconsensual Confirmation.*

In the event that the Classes entitled to vote to accept or reject the Plan fail to accept the Plan in accordance with § 1129(a)(8), the Debtors reserve the right to modify the Plan in accordance with § 1127(a). In accordance with § 1127, the Debtors reserve the right to alter, amend, modify, revoke or withdraw the Plan or any Plan exhibit or schedule, including amending or modifying it to satisfy the requirements of the Bankruptcy Code (subject to the terms of the Exit Facility or the DIP Facility, as applicable).

13.18 *Saturday, Sunday, or Legal Holiday.*

If any payment or act under the Plan should be made or performed on a day that is not a Business Day, then the payment or act may be completed on the next succeeding day that is a Business Day, in which event the payment or act will be deemed to have been completed on the required day.

13.19 *No Waiver.*

Neither the failure to list a Claim in the Schedules filed by the Debtors, the failure of any Person to object to any Claim for purposes of voting, the failure of any Person to object to a Claim or Administrative Expense prior to Confirmation or the Effective Date, the failure of any Person to assert a Cause of Action or any Note Receivable Claim prior to Confirmation or the Effective Date, the absence of a Proof of Claim having been Filed with respect to a Claim, nor any action or inaction of any Person with respect to a Claim, Administrative Expense, or Cause of Action other than a legally effective express waiver or release shall be deemed a waiver or release of the right of the Debtors or their successors or representatives, before or after solicitation of votes on the Plan or before or after Confirmation or the Effective Date to

(a) object to or examine such Claim or Administrative Expense, in whole or in part or (b) retain and either assign or exclusively assert, pursue, prosecute, utilize, otherwise act or otherwise enforce any Cause of Action.

13.20 *Plan Modification.*

Subject to the restrictions set forth in § 1127, the Debtors reserve the right to alter, amend, or modify the Plan before it is substantially consummated (subject to the terms of the Exit Facility or the DIP Facility, as applicable). Prior to the Effective Date, the Debtors may make appropriate technical adjustments and modifications to the Plan without further order or approval of the Bankruptcy Court, provided that such technical adjustments and modifications do not adversely affect in a material way the treatment of Holders of Claims or Interests.

13.21 *Post-Effective Date Notice.*

From and after the Effective Date, any Person or governmental entity who desires notice of any pleading or document filed in the Cases, or of any hearing in the Bankruptcy Court, or of any matter as to which the Bankruptcy Code requires notice to be provided, shall file a request for post-confirmation notice and shall serve the request on counsel for the Debtors, counsel for the Committee and the Liquidating Trustee. The U.S. Trustee, Wells Fargo, the Exit Facility Lender, NewCo, and the Liquidating Trustee shall be deemed to have requested post-confirmation notice.

ARTICLE XIV
RECOMMENDATIONS AND CONCLUSION

The Debtors believe that confirmation and implementation of the Plan are preferable to any other alternative because, in their view, the Plan will provide Holders of Allowed Claims and Allowed Interests with the maximum recovery. Accordingly, the Debtors urge Creditors to vote to accept the Plan.

Dated: February 1, 2012

R.E. LOANS, LLC
R.E. FUTURE, LLC
CAPITAL SALVAGE, a California corporation

By: Tamara Weissenborn

Name: James Weissenborn
Title: Chief Restructuring Officer

DATED: February 1, 2012

Respectfully submitted by:

/s/ Holland N. O'Neil

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