Sandford L. Frey (SBN 117058)
**CREIM MACIAS KOENIG & FREY LLP**
633 West Fifth Street, 51st Floor
Los Angeles, California 90071
Telephone: (213) 614-1944
Facsimile: (213) 614-1961
sfrey@cmkllp.com

Chapter 11 Attorneys for Bay Area Financial Corporation, Debtor and Debtor in Possession

**UNITED STATES BANKRUPTCY COURT**

**CENTRAL DISTRICT OF CALIFORNIA**

**[LOS ANGELES DIVISION]**

| | |
|---|---|
| In re<br><br>**BAY AREA FINANCIAL CORPORATION,**<br><br>Debtor and Debtor-in-Possession. | CASE NO.: 2:13-bk-38974-TD<br><br>Chapter 11<br><br>**SUBMISSION OF SOLICITATION PACKAGE FOR FIRST AMENDED PLAN OF REORGANIZATION/LIQUIDATION PROPOSED BY DEBTOR, BAY AREA FINANCIAL CORPORATION**<br><br>**Hearing Approving Disclosure Statement held on:**<br>Date: June 18, 2014<br>Time: 10:00 a.m.<br>Ctrm: 1345<br><br>**Confirmation Hearing to be held on:**<br>Date: August 20, 2014<br>Time: 10:00 a.m.<br>Ctrm: 1345 |

A hearing was held on June 18, 2014, at 10:00 a.m. ("***DS Hearing***") before the Honorable Thomas B. Donovan, United States Bankruptcy Judge, in the above-captioned Courtroom to consider the adequacy of the (1) the adequacy of the *First Amended Disclosure Statement Describing First Amended Plan of Reorganization Proposed by Debtor, Bay Area Financial Corporation* ("Disclosure Statement"); and, (2) the *Motion for Order Authorizing and Approving: (A) the Adequacy of the Disclosure Statement Describing Plan of Reorganization/Liquidation*



CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

*Proposed by Bay Area Financial Corporation; (B) the Form, Scope, and Nature of Solicitation, Balloting, Tabulation, and Notice with Respect Thereto; and (C) Related Confirmation Procedures, Deadlines and Notices* [Docket No. 115] ("*Disclosure Statement Motion*").

A copy of the final version of the Disclosure Statement (including Exhibits thereto) is filed as **Exhibit C** ("***Disclosure Statement***") to the Solicitation Package. A copy of the final version of the *First Amended Plan of Reorganization/Liquidation Proposed by Debtor, Bay Area Financial Corporation* is filed as **Exhibit D** ("***Plan***") to the Solicitation Package.

Based upon that review and consideration, the Court approved the Disclosure Statement and found that:

1. Notice of the hearing for approval of the Disclosure Statement constitutes adequate and appropriate notice under the circumstances and complies with the applicable provisions of the Bankruptcy Code, Federal Rules of Bankruptcy Procedure ("***FRBP***") and Local Bankruptcy Rules of the United States Bankruptcy Court for the Central District of California ("***LBR***"), and no other or further notice for approval of the Disclosure Statement need be given.

2. The Court had jurisdiction to grant the relief requested in accordance with 28 U.S.C. §§ 157 and 1334.

3. This is a core proceeding pursuant to 28 U.S.C. § 157(b).

4. The Disclosure Statement contains "adequate information" within the meaning of, and as prescribed by, Bankruptcy Code§ 1125(a)(1).

5. The solicitation, balloting, tabulation and confirmation procedures, the form of notice attached to the Solicitation Package; and the deadlines and other relief requested by the Debtor in the Disclosure Statement Motion and/or set forth in this Order are fair, reasonable, and appropriate, authorized by the applicable provisions of the Bankruptcy Code, FRBP, and the LBR, and in the best interests of the Debtor's estate.

The Debtor hereby seek approval of the following documents, contemporaneously with the *Order Authorizing and Approving: (1) the Motion for Order Authorizing and Approving First Amended Disclosure Statement Describing First Amended Plan of Reorganization/Liquidation Proposed by Debtor, Bay Area Financial Corporation; (2) the Adequacy of the First Amended Disclosure Statement Describing First Amended Plan of Reorganization/Liquidation Proposed by Debtor; (3) the Form, Scope, and Nature of Solicitation, Balloting, Tabulation, and Notice with Respect Thereto; and (4) Related Confirmation Dates, Procedures, Deadlines and Notices* ("***Order***

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

***Approving Disclosure Statement***"), which shall comprise the "**Solicitation Package**":

- Solicitation Package Cover letter [Exhibit A attached hereto];
- The Committee Support Letter [Exhibit B attached hereto];
- The Disclosure Statement [Exhibit C attached hereto];
- The Plan [Exhibit D attached hereto];
- A CD containing the Disclosure Statement and Plan [Not attached to be included at time of mailing];
- Order Approving Disclosure Statement [Exhibit E attached hereto];
- Notice of the Confirmation Hearing [Exhibit F attached hereto];
- Ballots for (i) Classes 4 and 5; (ii) Class 6; (iii) Class 7; and (iv) Class 8 [collectively Exhibit G attached hereto]; and,
- Release required for the Class 4 Election [Exhibit H attached hereto].

Dated: July 7, 2014

CREIM MACIAS KOENIG & FREY LLP

By: /s/ Sandford L. Frey
Chapter 11 Attorneys for
Bay Area Financial Corporation,
Debtor and Debtor in Possession Reorganization

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

**EXHIBIT "A"**

| | |
|---|---|
| In re<br><br>**BAY AREA FINANCIAL CORPORATION,**<br><br>Debtor and Debtor-In-Possession ("Debtor") | CASE NO.: 2:13-bk-38974-TD<br><br>Chapter 11<br><br>**Confirmation Hearing to be held on:**<br>Date: August 20, 2014<br>Time: 10:00 a.m.<br>Ctrm: 1345 |

## SOLICITATION PACKAGE FOR FIRST AMENDED PLAN OF REORGANIZATION/LIQUIDATION PROPOSED BY DEBTOR

A hearing was held on June 18, 2014, at 10:00 a.m. ("*June 18th Hearing*") before the Honorable Thomas B. Donovan, United States Bankruptcy Judge, in the above-captioned Courtroom to consider: (1) the adequacy of the *First Amended Disclosure Statement Describing First Amended Plan of Reorganization Proposed by Debtor, Bay Area Financial Corporation* [Docket No. 181] ("Disclosure Statement"); and, (2) the *Motion for Order Authorizing and Approving: (A) the Adequacy of the Disclosure Statement Describing Plan of Reorganization/Liquidation Proposed by Bay Area Financial Corporation; (B) the Form, Scope, and Nature of Solicitation, Balloting, Tabulation, and Notice with Respect Thereto; and (C) Related Confirmation Procedures, Deadlines and Notices* [Docket No. 115] ("*Disclosure Statement Motion*"). At the June 18th Hearing, the Court approved the Disclosure Statement.

Enclosed with this Solicitation Package are the following:

1. A letter from the Official Committee of Unsecured Creditors appointed in this case supporting the Debtor's Plan and recommending that Creditors and Commercial Paper Account Holders vote in favor of the Plan.
2. The final approved *First Amended Disclosure Statement Describing First Amended Plan of Reorganization/Liquidation Proposed by Debtor, Bay Area Financial Corporation* and Exhibits thereto.
3. The final approved *First Amended Plan of Reorganization/Liquidation Proposed by Debtor, Bay Area Financial Corporation.*
4. A CD containing (a) the *First Amended Disclosure Statement Describing First Amended Plan of Reorganization/Liquidation Proposed by Debtor, Bay Area Financial Corporation* and Exhibits

thereto; and, (b) the *First Amended Plan of Reorganization/Liquidation Proposed by Debtor, Bay Area Financial Corporation.*

5. Order Approving Disclosure Statement.
6. Confirmation Hearing Notice.
7. Form of Ballots.
8. The Release required for the Class 4 Election.

The deadline by which Ballots to accept or reject the Plan must be received by the Ballot Tabulator (designated in the Disclosure Statement and also set forth in the Order Approving Disclosure Statement) shall be **August 8, 2014 at 5:00 p.m.** (*Pacific Time*) ("Balloting Deadline"). All Ballots must be returned to and actually received by the Ballot Tabulator on or before the Balloting Deadline in order to be counted.

You should review the Disclosure Statement and Order Approving Disclosure Statement thoroughly for all of the voting procedures. If you have Claims in more than one voting Class under the Plan, you must submit a separate Ballot for voting your claims in each such class. If you require additional copies of a Ballot you may either photocopy the original Ballot or obtain an additional Ballot pursuant to the instructions set forth in the Confirmation Hearing Notice and in the Ballots. **If you use one Ballot to vote Claims in more than one Class, such combined Ballot will not be counted, unless the Court orders otherwise.** If you cast more than one eligible Ballot with respect to the same Claim or Interest before the Balloting Deadline, the last Ballot received prior such deadline shall supersede any prior Ballot(s) with respect to such Claim or Interest in the Class in which the Ballot is submitted. Any Ballot that is incomplete or that is not received by the applicable deadline shall not be counted, unless the Court orders otherwise.

Creim Macias Koenig & Frey LLP
By: /s/ Sandford L. Frey
Reorganization Attorneys for Bay Area Financial Corporation,
Debtor and Debtor in Possession

**EXHIBIT "B"**

SHULMAN HODGES & BASTIAN LLP

Please respond to:
Irvine

James C. Bastian, Jr.
Mark Bradshaw
Lynda T. Bui
Franklin J. Contreras, Jr.
Melissa Davis Lowe
Heather B. Dillion
Elyza P. Eshaghi
Kiara W. Gebhart
Ronald S. Hodges
Robert E. Huttenhoff
J. Ronald Ignatuk
John Mark Jennings
Rika M. Kido
Paul S. Ocampo
Ryan O'Dea
Gary A. Pemberton
Michael J. Petersen
Samuel J. Romero
Leonard M. Shulman

Of Counsel to the Firm
A. Lavar Taylor
Donald R. Kurtz
Gregory J. Anderson

June 27, 2014

Unsecured Creditor

Re: In re Bay Area Financial Corporation
Case No.: 2:13-bk-38974-TD

Dear Unsecured Creditor:

As you likely know, this firm represents the Official Committee of Unsecured Creditors ("Committee") of the bankruptcy estate of Bay Area Financial Corporation ("Debtor"). With this letter, you will receive the Debtor's proposed First Amended Plan of Reorganization/Liquidation ("Plan") and Disclosure Statement describing the Plan, along with a ballot for voting to accept or reject the Plan. This letter will summarize some important aspects of the Plan. For the reasons discussed below, the Committee recommends unsecured creditors vote in favor of the Plan.

Summary of Plan

The Debtor's primary business consists mainly of collecting on outstanding promissory notes and selling real property that was obtained by the Debtor through foreclosure. The Committee has been closely involved with the Debtor in reviewing the Debtor's loan portfolio, collection of the notes, and the status of the sale of real properties. The Committee has also been heavily involved in reviewing and commenting on the Debtor's proposed Plan. The Plan included in this package is the product of extensive discussions and negotiations between the Committee and the Debtor. After much consideration, the Committee has determined that the Plan reflects the best opportunity for creditors to maximize their recovery.

The Plan proposes to proceed with an orderly sale of the Debtor's real estate assets and to maximize collections from its loan portfolio. The Liquidated Debtor (meaning the Debtor after Plan confirmation), through the Plan Administrator (named as Sam Biggs of Biggs & Co.) and subject to the powers of the Oversight Committee discussed below, will have duties including but not limited to: deciding when to sell assets; how to proceed on the collection of the Debtor's loan portfolio; what objections to claims to make; and, when and how to commence and resolve litigation. The Plan Administrator can only act after conferring, consulting, and obtaining the consent of the Oversight Committee, or obtaining Bankruptcy Court approval if the Oversight Committee objects or fails to give consent to a particular action proposed to be taken by the Plan Administrator.

Oversight Committee

The Oversight Committee consists of: (1) one of the Committee members, Todd Fiorentino, who holds a note of over $1,200,000 and has over twenty years of experience in residential and commercial real estate investments; (2) a longtime noteholder in the amount of over $280,000, James Prause, who has over thirty years of experience in commercial real estate transactions and management; and (3) the Debtor's corporate counsel, Vincent Lombardo, who has been heavily involved in the collection activities of the Debtor over the last several years. The Oversight Committee will act in a manner similar to a board of directors and will oversee the Plan Administrator in his duties to liquidate assets and pay creditors. The Oversight Committee can act upon majority approval of the three members. Other than reimbursement for reasonable expenses, the Oversight Committee will not be compensated for their services.

Distributions to Unsecured Creditors

As to distributions to unsecured creditors, the Plan offers unsecured creditors who are owed less than or equal to $200,000, or who wish to reduce their claim to the sum of $200,000, the option of being paid under Class 4 or Class 5 discussed below. Creditors owed over the sum of $200,000 will be treated in Class 5 discussed below.

| **Class** | **Payment Amount** | **When Payment Made** | **Restrictions** |
|---|---|---|---|
| Class 4 Early Cash-Out | To be paid a total of 35% of your claim in full and final satisfaction of all amounts owed by the Debtor. | On the Effective Date (estimated to be September or October 2014), which is approximately thirty days after confirmation of the Plan.<br><br>Although we think this is a remote possibility, if the Debtor does not have the ability to pay all Class 4 creditors the entirety of 35% of their claims on the Effective Date, the Debtor will pay Class 4 creditors a pro rata share of 70% of | 1) Must be an unsecured creditor owed less than or equal to the sum of $200,000 or willing to reduce your claim to $200,000.<br><br>2) Must elect into Class 4 by so indicating on your voting ballot form. |

| | | | |
|---|---|---|---|
| | | the funds on hand on the Effective Date and then the remainder plus 5% simple interest as soon as possible. | |
| Class 5 Deferred Payments | The Debtor estimates creditors in this category will receive 54% of their claims. Please see Exhibit "8" to the Disclosure Statement and specifically the column entitled "Treatment Chapter 11" for the Debtor's analysis and estimate of how much creditors in this Class will receive.<br><br>While the Committee is not certain what the ultimate distribution will be, the Committee believes Debtor's projection is reasonable and is hopeful it can be exceeded. | Payments will be made starting 90 days after Class 4 creditors are paid in full.<br><br>Creditors in Class 5 will receive quarterly payments consisting of 70% of the funds on hand to be paid pro rata to all Class 5 creditors.<br><br>Payments will end when all assets have been liquidated, estimated to be two to three years after the Effective Date. | 1) If you are owed more than $200,000, you will automatically receive payments as a Class 5 creditor unless you elect to reduce your claim to $200,000 and elect into Class 4.<br><br>2) If you are owed less than or equal to $200,000, you will receive payments as a Class 5 creditor unless you elect into Class 4. |

Voting

Enclosed with this letter, in addition to the Plan and Disclosure Statement, is a ballot for voting on the Plan. This ballot must be filled out completely and returned so that it is received no later than July 25, 2014 at 5:00 p.m. (PDT) by: (1) mail to Kelli Nielsen, Creim Macias Koenig & Frey LLP, 633 W. Fifth Street, 51st Floor, Los Angeles, CA 90071, (2) facsimile to 213-614-1961, or (3) e-mail to knielsen@cmkllp.com. Remember, if you wish to receive the early payment discount

under Class 4 and are owed less than $200,000, or are willing to reduce your claim to $200,000, you must so indicate on the ballot and return it properly. As discussed herein, the Committee recommends unsecured creditors vote in favor of the Plan.

Should you have any questions, please feel free to contact Jim Bastian or myself at the Irvine office number indicated below or mlowe@shbllp.com. Also, please feel free to visit our BAF creditors' website to review documents and information at:

Website (case sensitive): http://www.shbllp.com/case-information/
Username (case sensitive): BAF
Password (case sensitive): nesve!1

Very truly yours,

**SHULMAN HODGES & BASTIAN LLP**

Melissa Davis Lowe

Enclosures

Z:\A-B\Bay Area Financial\Ltr\Unsecured Creditors_003_Plan and DS_v2.docx

**EXHIBIT "C"**

LAW OFFICES OF
CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR, LOS ANGELES, CA 90071 TEL (213)614-1944 FAX (213)614-1961

In re

**BAY AREA FINANCIAL CORPORATION,**

Debtor and Debtor in Possession.

CASE NO.: 2:13-bk-38974-TD

Chapter 11

**FIRST AMENDED DISCLOSURE STATEMENT DESCRIBING FIRST AMENDED PLAN OF REORGANIZATION/LIQUIDATION PROPOSED BY DEBTOR, BAY AREA FINANCIAL CORPORATION**

**Confirmation Hearing to be held on:**
Date: August 20, 2014
Time: 10:00 a.m.
Ctrm: 1345
255 E. Temple Street
Los Angeles, CA 90012

*Presented By:*

***Creim Macias Koenig & Frey LLP***
*By: Sandford L. Frey*
*Chapter 11 Attorneys for Debtor and Debtor in Possession*

***Biggs & Co., Certified Public Accountants***
*By: Samuel R. Biggs*
*Financial Advisors for Debtor and Debtor in Possession*

*Plan Supported By:*

***Shulman Hodges & Bastian LLP***
*By: James C. Bastian*
*Melissa Davis Lowe*
*General Counsel for the Official Committee of Unsecured Creditors*

Sandford L. Frey (SBN 117058)
**CREIM MACIAS KOENIG & FREY LLP**
633 West Fifth Street, 51st Floor
Los Angeles, CA 90071
Telephone: (213) 614-1944
Facsimile: (213) 614-1961
sfrey@cmkllp.com

Chapter 11 Attorneys for Bay Area Financial Corporation, Debtor and Debtor in Possession

**UNITED STATES BANKRUPTCY COURT**

**CENTRAL DISTRICT OF CALIFORNIA**

**[LOS ANGELES DIVISION]**

In re

**BAY AREA FINANCIAL CORPORATION,**

Debtor and Debtor in Possession.

CASE NO.: 2:13-bk-38974-TD

Chapter 11

**FIRST AMENDED DISCLOSURE STATEMENT DESCRIBING FIRST AMENDED PLAN OF REORGANIZATION/LIQUIDATION PROPOSED BY DEBTOR, BAY AREA FINANCIAL CORPORATION**

**Hearing Approving Disclosure Statement held on:**
Date: June 18, 2014
Time: 10:00 a.m.
Ctrm: 1345

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## *PREFACE TO DISCLOSURE STATEMENT SUMMARIZING THE PLAN*

This document is the Disclosure Statement, which describes the Plan filed by the Debtor. The Disclosure Statement also discusses certain information so that you can make an informed decision as to whether or not to vote to accept or reject the Plan as well as the process that the Bankruptcy Court follows in determining whether or not to confirm the Plan. Due to the length of the Disclosure Statement and the complexities of the Plan, this preface summarizes a few material provisions of the Plan regarding management, and the various classes and their treatment under the Plan, including the treatment of the claims of the Commercial Paper Account Holders.

At the insistence of the Creditors Committee appointed in the Case, management will resign as of confirmation of the Plan. Specifically, Kenneth J. Pingree Jr. shall resign as president and chief executive officer; Vincent Lombardo shall resign as secretary; and, Patricia Pingree shall resign as assistant secretary of the Debtor.

In place of former management, management of the liquidation and distribution under the Plan shall be handled by an Oversight Committee and a Plan Administrator. The Oversight Committee shall have the authority to manage the Liquidation Debtor, cause the Liquidation Debtor to take actions and to direct the Plan Administrator (with a few exception) pursuant to and as limited by the Plan. The Oversight Committee shall effectively exercise the powers and duties once exercised by the board of directors of the Debtor, subject to the Plan. The Oversight Committee shall consist of three members. The initial three members appointed to the Oversight Committee under the Plan shall be two Commercial Paper Account Holders, Todd Fiorentino (who is also a member of the Creditors Committee) and James Prause. The third member of the Oversight Committee shall be Vicent Lomardo (or should he decline to accept, one member selected by the Debtor). The initial Plan Administrator shall be Samuel Biggs, who is a principal in the Debtor's accounting firm, Biggs & Co.

Under the Plan, certain types of claims are not placed into voting Classes; and instead they are referred to as "unclassified". Unclassified Claims are not entitled to vote on the Plan because such claims are automatically entitled to specific treatment provided in the Bankruptcy Code. Unclassified Claims include Administrative Claims and Priority Claims. Administrative Claims are claims for costs or expenses of administering the Chapter 11 Case, which include the expenses incurred after the commencement of the Chapter 11 Case, such as for post-petition taxes and professional fees for legal and other services incurred in connection with the Chapter 11 Case. Priority Tax Claims are certain types of pre-petition claims entitled to priority under the Bankruptcy Code, such as for pre-petition taxes, wages and other claims more fully described in the Plan.

Aside from Unclassified Claims, the other claims in the Case are treated in one of eight classes under the Plan. Class 1 consists of secured tax claims, which consists primarily of claims for property taxes on the various real estate parcels owned by the Debtor. Class 2 is a secured claim of Residential Credit Solutions, which holds a senior secured lien against the Ostin Property, which property is now owned by the Debtor. Class 3 is a general Class created for secured claims against any additional real estate that the Debtor acquires through foreclosure prior to confirmation of the Plan. Class 3 is a precautionary class, and there are no known claims in that Class at this time.

The claims asserted by the Commercial Paper Account Holders are treated in one or more of four Classes, i.e. Classes 4, 5, 6 and/or 7. Class 8 is the existing shareholders, who will retainer their Interests pending dissolution of the Debtor subject to the terms of the Plan, but shall receive no distribution under the Plan on account of their shares of stock.

A brief summary of the four Classes created for Commercial Paper Account Holders is summarized below.

Commercial Paper Account Holders whose claims are $200,000 or less (or reduced to $200,000) are given an option under the Plan. Class 4 is the Early Cash-Out Election Class created for any Commercial Paper Account Holder whose unpaid principal balance and accrued and unpaid interest as of the Petition Date is $200,000 or less, and who would rather accept a discounted payoff, rather than accepting deferred payments and waiting for the orderly liquidation to be completed. The election into this Class must be made on the Ballot accepting the Plan by the Ballot Deadline. Qualified Commercial Paper Account Holders electing into this Class will receive upon confirmation of the Plan, thirty-five percent (35%) of the amount of its principal balance and accrued and unpaid interest as of the date of filing of the Chapter 11. The amount of principal and interest is set forth in the Disclosure Statement. For example, assuming a Commercial Paper Account Holder has a claim for $100,000, such creditor will receive $35,000 in full and final satisfaction of its claims.

In the Disclosure Statement, the Debtor includes a projection of the payout to Class 4 based on certain hypotheticals. However, in reality, until the elections are actually received, the Debtor cannot reasonably project with exactitude the number of Commercial Paper Account Holders (with claims equal to or under $200,000) who will actually elect into Class 4. Therefore, although the Debtor believes it will have enough cash on hand to distribute the full 35% on confirmation, the Debtor cannot predict with certainty as to whether or not it will have cash on hand as of confirmation of its Plan sufficient to fund the entire thirty-five percent to all creditors electing treatment in Class 4 due to the number of variables involved.

Accordingly, because of the number of uncertainties at this time respecting the number of elections, the Plan gives the Plan Administrator the option of making two payments (instead of just one) if the cash on hand (after factoring appropriate reserves) as of confirmation are still not sufficient to make the entire 35% payment when the Plan is confirmed and all the election to be cashed out are calculated. In the event that the Plan Administrator is required to make two payments, the deferred portion of the cash payout will accrue simple interest at the rate of 5% per annum to compensate for the delay in the second payment.

In the absence of timely election and compliance with each of the conditions necessary to elect into Class 4, the Commercial Paper Account Holders will automatically be treated in Classes 5, 6 and/or 7, as applicable.

In order for a Commercial Paper Account Holder to opt into Class 4 and receive a discounted cash-out, the portion of the Commercial Paper Account Claim for unpaid principal and accrued and unpaid interest as of the Petition Date must be in an amount that is greater than $0 and less than or equal to $200,000 (or reduced to $200,000); the Holder must voluntarily elect on the Ballot (or other written instrument submitted and satisfactory to the Debtor) to be treated as an Early Cash-Out Election Claim in Class 4; and, the Holder must execute and deliver to the Debtor prior to the Ballot Deadline (i) a Ballot accepting the Plan, and (ii) the Release, whereby the Commercial Paper Account Holder qualifying and electing treatment in Class 4, in exchange for the treatment provided in Class 4, releases, among other things, all other claims and any further right to distribution under the Plan.

In the absence of an election into Class 4, the claims of Commercial Paper Account Claim Holders are automatically treated in Classes 5, 6 and/or 7, as applicable. Class 5 consists of the portion of the claims of the Commercial Paper Account Holders that is for unpaid principal and accrued and unpaid interest through the filing of the Case. Class 6 consists of the portion of the claims of the Commercial Paper Account Holders that is for any penalties, fees costs and any other charges. Class 7 consists of the portion of the claims of the Commercial Paper Account Holders that is for any interest accrued or owing during the Chapter 11 case, after the Petition Date and prior to confirmation.

Although the Debtor anticipates that the distribution to Commercial Paper Account Holders in Class 5 will eventually be greater over time than the 35% being offered to those electing to be cashed-out in Class 4, it is not possible to predict with any degree of certainty the exact amount or percentage of distribution to Class 5 at this time or the amount of time it will take to complete the liquidation, although reasonable efforts have been made by the Debtor to do so, as set forth the exhibits to the Disclosure Statement. Among other

reasons, there are too many uncertainties regarding the value of the remaining real estate assets, collectability of the remaining loans in the Debtor's loan portfolio and general unpredictability of the economy to make a completely accurate prediction at this point. With that general disclaimer in mind, the Disclosure Statement projects that the distribution to Class 5 should be between 45% and 70% over a 2 year period, although it is entirely possible it could be materially more or less.

The Debtor does not anticipate that there will be any distribution on account of claims in Classes 6 or 7 as it is not likely that Class 5 will receive payment in full. Therefore, Classes 6 and 7 are included for merely precautionary purposes only.

Although the prefatory summary of the Plan set forth in this preface has been approved by the Court for dissemination to Creditors along with a the Disclosure Statement, the summary is not intended as a substitute for complete and thorough reading of the Disclosure Statement, Plan and Exhibits. Furthermore, this prefatory summary is not intended to supplement, modify, amend or augment the Disclosure Statement and Plan in any way; thus, in the event of a conflict, ambiguity, mistake or inaccuracy, the terms and provisions of the Disclosure Statement and Plan shall control over this summary.

## *DISCLOSURE STATEMENT DESCRIBING PLAN OF REORGANIZATION/LIQUIDATION PROPOSED BY BAY AREA FINANCIAL CORPORATION*

## I. DEFINITIONS AND RULES OF CONSTRUCTION

### A. DEFINITIONS

In addition to the definitions set forth elsewhere in the Disclosure Statement and in the Plan, the following definitions will apply with respect to the Disclosure Statement:

***Administrative Bar Date*** shall have the meaning set forth in Section IV of the Plan.

***Administrative Claim(s)*** or ***Administrative Expense(s)*** means Claims for costs or expenses of administering the Debtor's Chapter 11 Case which are Allowed under Bankruptcy Code §§ 503 (b) and 507(a) (1).

***Administrative Claims Funding Amount*** shall have the meaning set forth in Section IV of the Plan.

***Administrative Claim Reserve(s)*** means a Plan Reserve in an amount sufficient to satisfy Allowed Administrative Claims against the Debtor.

***Administrative Tax Claim*** means a Claim that a governmental unit asserts or may assert against the Debtor either for taxes or for related interest, fees, costs or penalties for any tax period.

***Allowed*** means, when used in respect of a Claim or an Interest or group of Claims or Interests, the following as applicable:

(a) if no Proof of Claim or Interest has been timely filed, such amount of the Claim or Interest or group of Claims or Interests which has been scheduled by the Debtor as liquidated in amount and not disputed or contingent and as to which no party in interest has filed an objection within the time required under the Plan or otherwise fixed by the Court and which Claim or Interest is not disallowed under Bankruptcy Code § 502 (d) or (e); or

(b) if a Proof of Claim or Interest has been filed by the applicable bar date or is deemed timely filed by the Court, such amount of the Claim or Interest or group Claims or Interests as to which any party in interest has not filed an objection within the time required under the Plan or otherwise fixed by the Court and which Claim or Interest is not disallowed under Bankruptcy Code § 502 (d) or (e); or

(c) such amount of the Claim or Interest or group of Claims or Interests which is allowed by a Final Order of the Court.

***Allowed Administrative Claim*** means an Administrative Claim that is an Allowed Claim.

***Allowed Claim or Allowed Interest*** means a Claim or Interest that is Allowed.

***Allowed Early Cash-Out Election Claim(s)*** means an Early Cash-Out Election Claim that is Allowed, and qualifies for treatment in Class 4.

***Allowed General Unsecured Claim*** means a General Unsecured Claim that is an Allowed Claim.

***Allowed Commercial Paper Account Claim(s)*** means a Commercial Paper Account Claim that is Allowed.

***Allowed Pingree Setoff Claim(s)*** shall have the meaning set forth in Section IV.A.1 of the Plan.

***Assets*** means (i) any and all real or personal property of the Debtor of any nature, including, without limitation, any Cash, real property, licenses, goods, materials, supplies, furniture, fixtures, equipment, works in process, accounts or loans receivable, tax refunds, chattel paper, deposit accounts, reserves, deposits, contractual rights, intellectual property rights, claims, Rights of Action, and any other general intangibles of any nature whatsoever; and (ii) proceeds, products, rents and profits of any and all of the foregoing.

***Assumed Contract Schedule*** shall have the meaning set forth in Section VI of the Plan.

***Available Cash*** means all Cash held by the Plan Administrator on and after the Effective Date available for distribution after payment of or reserve for Administrative Claims (including, without limitation, Professional Fee Claims), Priority Claims, the Disputed Claims Reserve, Plan Operating Expenses, Liquidation Expenses, the Early Cash-Out Election Claim Payment, the Post-Effective Date Plan Expense Reserve and other Plan Reserves. Available Cash shall not include the Cash in any of the Plan Reserve Accounts, pending the release thereof by the Plan Administrator pursuant to the Plan.

***Avoidance Action(s)*** means all avoiding powers, rights to seek subordination and all rights and remedies under Bankruptcy Code §§ 502(d), 506, 510, 542, 544, 545, 547, 548, 549, 550, 551, 552 or 553 or any fraudulent conveyance, fraudulent transfer, or preference laws under applicable state or other law.

***Ballot(s)*** means the ballot to vote to accept or reject the Plan.

***Ballot Deadline*** means the deadline established by the Court for the delivery of executed Ballots to the Debtor.

***Bank Stock Sales Procedures Motion*** means the *Motion of Debtor and Debtor in Possession, for an Order (1) Approving the Immediate Sale of 1,710 Shares of Stock of the Bank of San Francisco; (2) Subsequent Sales of Additional Stock; and (3) Approving Sales Procedures for All Such Sales of Stock*, filed by the Debtor on February 28, 2014 [Docket No. 70].

***Bankruptcy Code*** means the Bankruptcy Code, as codified in Title 11 of the United States Code, 11 U.S.C. Section 101 et seq., including all amendments thereto, to the extent such amendments are applicable to the Case.

***Bay Area*** means Bay Area Financial Corporation, the Debtor and Debtor in Possession.

***Biggs*** means Samuel R. Biggs of Biggs & Co.

***Biggs & Co.*** means Biggs & Co., accountants and financial advisors to the Debtor.

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

***Calle Laguna Property*** means the real property owned by the Debtor, commonly known as 1840 Calle Laguna, Arroyo Grande, California 93420.

***Case*** means the Chapter 11 proceeding commenced by the Debtor by voluntary petition and entitled *In re Bay Area Financial Corporation*, Case No. 2:13-bk-38974-TD, pending in the United States Bankruptcy Court, Central District of California.

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

***Claim*** means (a) right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured, or (b) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.

***Class*** means a class of Claims or Interests described in the Plan.

***Class 5 Deferred Plan Payment(s)*** shall have the meaning set forth in the Treatment of Class 5 under the Plan.

***Class 5 Final Plan Payment*** shall have the meaning set forth in the Treatment of Class 5 under the Plan.

***Classified Priority Claim(s)*** means an Allowed Claim entitled to priority against the Estate under Bankruptcy Code §§ 507(a)(1), 507(a)(4), 507(a)(5) and/or 507(a)(7), excluding any such claims incurred after the Petition Date.

***CMKF*** means Creim Macias Koenig & Frey LLP, Chapter 11 counsel to the Debtor.

***Commercial Lease Assumption Motion*** means the *Motion of Debtor and Debtor in Possession to Assume Nonresidential Lease Agreement*, filed by the Debtor on February 2, 2014 [Docket No. 69}, whereby the Debtor seeks to assume its nonresidential lease as modified by the Fifth Amendment to such lease, between Douglas Emmett Realty Fund 1995 and the Debtor for real property located at 12400 Wilshire Blvd, Suite 350, Los Angeles, California 90025.

***Commercial Paper Account Claim(s)*** means any and all Claims of any kind or nature held by the Commercial Paper Account Holders.

***Commercial Paper Account Holder(s)*** means any Holder of a commercial paper issued by the Debtor in exchange for certain amounts that were paid to the Debtor by such Holder to the extent not paid in full as of the Petition Date.

***Committee*** means the Official Committee of Unsecured Creditors, appointed in the Case.
Committee Counsel means SHB.

***Confirmation*** means the entry of the Confirmation Order.

***Confirmation Date*** means the date upon which the Court enters the Confirmation Order.

***Confirmation Hearing Date*** means the date on which the Court held a hearing on Confirmation of the Plan.

***Confirmation Order*** means the order of the Court confirming the Plan pursuant to Bankruptcy Code § 1129.

***Consummation*** means the occurrence of the Effective Date.

***Contracts*** means all agreements and contracts to which the Debtor is a party.

***Court*** means the United States Bankruptcy Court for the Central District of California, Los Angeles Division, or any other court that exercises jurisdiction over the Case.

***Creditor*** means the Holder of a Claim against the Debtor.

***Cure Obligations*** means all (a) amounts (or such lesser amount as may be agreed upon by the parties under an executory contract or unexpired lease) required to cure any monetary defaults and (b) other obligations required to cure any non-monetary defaults, if any, under any executory contract or unexpired lease that is to be assumed and assigned by the Debtor pursuant to Bankruptcy Code §§ 365 and 1123.

***DACA*** means DACA VI, LLC an entity that purports to be the transferee of a number of Commercial Paper Account Claims.

***Debtor*** means Bay Area Financial Corporation, the Debtor in this Case.

***Debtor's Accountants*** means Biggs & Co.

***Debtor's Counsel*** means CMKF.

***Disallowed Claim*** means a Claim, or any portion thereof, that: (a) is not listed on the Debtor's Schedules, or is listed therein as contingent, unliquidated, disputed, in an unknown amount, or in an amount equal to zero, and whose Holder has failed to timely File a Proof of Claim; or (b) the Court has disallowed pursuant to order of the Court. Disbursing Agent means the Plan Administrator, who is the Person responsible for making all Distributions to Claimants provided under the Plan.

***Disclosure Statement*** means the *First Amended Disclosure Statement Describing First Amended Plan of Reorganization/Liquidation Proposed by Debtor, Bay Area Financial Corporation,* and any and all amendments, modifications and exhibits thereto.

***Disputed Claim*** or ***Disputed Interest*** means a Claim or Interest as to which a Proof of Claim is filed or is deemed filed under FRBP 3003(b)(1) or a Proof of Interest was filed or deemed filed under FRBP 3003(b)(2); and

1. An objection: (a) has been timely filed; and (b) has not been denied by a Final Order or withdrawn; or,

2. The Claim or Interest is listed on the Debtor's Schedules as disputed, contingent or unliquidated.

***Disputed Claim Reserve*** means, for any Disputed Claim, the amount as estimated pursuant to (a) agreement among the Debtor, the Plan Administrator and the Holder of the Disputed Claim; (b) determination made by the Debtor and the Plan Administrator, in their absolute and sole discretion; (c) determination made after the Effective Date by the Oversight Committee and the Plan Administrator, in their absolute and sole discretion; or (d) determination of the Court.

***Distribution*** means any transfer under the Plan of Cash or other property to a Holder of an Allowed Administrative Claim, a Holder of an Allowed Claim (including, without limitation, a Holder of an Allowed Commercial Paper Account Claim), or a Holder of an Interest.

***Early Cash-Out Election Claim*** means any Claim against the Debtor that would otherwise be an Allowed Commercial Paper Account Claim or Allowed General Unsecured Claim, so long as (a) the portion of such Holders' Allowed Commercial Paper Account Claim or Allowed General Unsecured Claim that represents the unpaid principal balance and accrued and unpaid interest as of the Petition Date, that would otherwise qualify for treatment in Class 5, is in an amount that is greater than $0 and less than or equal to $200,000 (or for which the Creditor elects (pursuant to the appropriate election on the Ballot for Class 4 or other written instrument submitted and satisfactory to the Debtor) to reduce such Allowed Claim to $200,000); (b) the Holder of such Allowed Claim elects on the Ballot to be treated in the Early Cash-Out Election Class in Class 4; and (c) waives any and all other Claims, including, those in Classes 5, 6 and 7, and any right to any further Distribution under the Plan; and, (d) *provided, however,* that each such Holder executes and delivers to the Debtor prior to the Ballot Deadline (i) a Ballot accepting the Plan, and (ii) the Release.

***Early Cash-Out Election Class*** shall have the meaning set forth in Section V.D., Class 4 of the Plan.

***Early Cash-Out Election Class Payment*** means the aggregate amount required to pay all Holders of the Early Cash-Out Election Claims, who timely and properly elect treatment in the Class 4, an amount equal to thirty-Five percent (35%) of their Early Cash-Out Election Claim on the Effective Date, pursuant to the provisions of Section V.D., Class 4 of the Plan.

***Effective Date*** means a date set by the Plan Administrator, which date shall be within sixty (60) days after the Confirmation Order becomes a Final Order.

***Effective Date Available Cash*** means cash held by the Debtor on the Effective Date which the Plan Administrator determines in his, hers or its discretion is reasonably available for distribution to Class 4, remaining after payment of, or reserve for, Administrative Claims (including, without limitation, Professional Fee Claims), Priority Claims, any other Effective Date Payments, Claims in Classes 1, 2 and 3, the Disputed Claims Reserve, the Post-Effective Date Plan Expense Reserve, reserves for Plan Operating Expenses and Liquidation Expenses, other Plan Reserves, and any other amount that the Plan Administrator determines in his, hers or its discretion to be prudent, necessary or reasonable to hold back or reserve for.

***Effective Date Notice*** means a notice to be served on creditors by the Liquidation Debtor upon the occurrence of the Effective Date.

***Enjoined Claim*** shall have the meaning set forth in Section VII of the Plan.

***Estate*** means the estate in the Debtor's Case created pursuant to Bankruptcy Code § 541(a).

***Exculpated Parties*** means, collectively, the Debtor, the Committee, CMKF, SHB, Biggs & Co., Biggs, Lombardo, the Pingrees and each of their respective predecessors, successors and assigns, shareholders, affiliates and Insiders (determined as if such Entity were a debtor under the Bankruptcy Code), subsidiaries, principals, employees, agents, officers, directors, trustees, members, partners, professionals, consultants and advisors.

***Exculpation*** shall have the meaning set forth in Section VIII of the Plan.

***Exhibit Filing Date*** means the date that is at least 10 days prior to the date of the Confirmation Hearing.

***Fiorentino*** means Todd Fiorentino.

***Final Order*** means an order or judgment of a court of competent jurisdiction entered on such court's official docket the operation or effect of which (a) has not been reversed, rescinded, stayed, modified, or amended; (b) is in full force and effect; and (c) with respect to which: (i) the time to appeal or to seek review, remand, rehearing, or a *writ of certiorari* has expired and as to which no timely filed appeal or petition for review, rehearing, remand, or *writ of certiorari* is pending, or (ii) any such appeal or petition has been dismissed or resolved by the highest court to which the order or judgment was appealed or from which review, rehearing, remand, or a *writ of certiorari* was sought.

***FRBP*** means the Federal Rules of Bankruptcy Procedure as now in effect or hereafter amended and applicable to the Case.

***General Unsecured Claims*** means a Claim that is not an Administrative Claim, a Priority Claim, an Administrative Tax Claim, a Secured Claim, a Secured Tax Claim, an Early Cash-Out Election Claim or a Commercial Paper Account Claim.

***General Unsecured Creditor*** or ***General Unsecured Claimant*** means the Holder of a General Unsecured Claim.

***Governmental Unit*** means United States; State; Commonwealth; District; Territory; municipality; foreign state; department, agency, or instrumentality of the United States, a State, a Commonwealth, a District, a Territory, a municipality, or a foreign state, or other foreign or domestic government.

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

***Insider*** means all Persons who are "insiders" as that term is defined in Bankruptcy Code § 101 (31).

***Interest*** means any equity security holder of the Debtor as defined in Bankruptcy Code § 101(16).

***IRS*** means the Internal Revenue Service.

***LBR*** means the Local Bankruptcy Rules of the United States Bankruptcy Court for the Central District of California, including all amendments thereto, to the extent such amendments are applicable to the Case.

***Lien*** means any charge against or interest in property to secure payment or performance of a Claim, debt or obligation.

***Liquidation Agreement*** means the liquidation documents to be filed with the Bankruptcy Court on or before the Effective Date.

***Liquidation Analysis*** means the Liquidation Analysis prepared by the Debtor attached to the Disclosure Statement as ***Exhibit 7***.

***Liquidation Debtor*** means the Debtor on and after the Effective Date, after giving effect to the Plan.

***Liquidation Expense(s)*** means any and all fees, costs and/or expenses incurred or required to be paid in connection with the collection, preservation, liquidation, sale, transfer, abandonment or disposition of any and all Assets, including, without limitation, (a) any and all secured claims against any of the Assets; (b) any and all usual and customary fees and expenses respecting the collection, preservation, liquidation, sale, transfer, abandonment or disposition of any of Assets, including, without limitation, escrow fees, title fees, title insurance fees, document preparation fees, legal fees and costs, financial advisory fees and costs, accounting fees and costs, fees for other services and any other fees and costs; (b) any and all broker's commission or other fees in connection with, or related to, the collection, preservation, liquidation sale, transfer, abandonment or disposition of any of Assets; (c) any and all other reasonable and customary costs respecting the collection, preservation, liquidation, sale, transfer, abandonment or disposition of any of Assets. (d) any and all property taxes, transfer taxes, uses taxes or other applicable tax due and owing to the applicable Governmental Unit in connection, or related to, collection, preservation, liquidation, sale, transfer, abandonment or disposition of any of Assets; (c) any and all other tax owed to the applicable Governmental Unit resulting from or in connection with the collection, preservation, liquidation, sale, transfer, abandonment or disposition of any of Assets; and, (d) any and all other charges, fees, costs and/or expenses of any kind or nature which the Plan Administrator and/or Liquidation Debtor determines in their discretion, is necessary or appropriate to be paid in connection, or related to, collection, preservation, liquidation, sale, transfer, abandonment or disposition of any of Assets or in order to conclude the sale and/or close escrow for any of the Assets.

***Liquidation Value*** means the aggregate dollar amount found by the Court (calculated without consideration of Rights of Action), which is equal to the lowest dollar amount necessary to fund payment to a Class in the manner provided under the Plan so that each Holder of an Allowed Claim would receive or retain property with a value as of the Effective Date at least equal to the amount such Holder would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code on the Effective Date.

***Loan Procedures Motion*** means the *First Day Emergency Motion of Debtor and Debtor in Possession for Order (1) Approving Payoff of Promissory Note at Compromised Amount; (2) Establishing Procedures for Compromise and Settlement of Promissory Notes in the Ordinary Course of Business*, filed by the Debtor, which was approved on an interim basis by the Bankruptcy Court by Order entered on December 20, 2013 [Docket No. 27] and on a final basis by Order entered on February 26, 2014 [Docket No.68].

***Lombardo*** means Vincent J. Lombardo of Lombardo & Safford, special counsel to the Debtor.

***McCauley Borrower*** shall have the meaning set forth in Section III.D.4 of the Disclosure Statement.

***McCauley Borrower Properties*** shall have the meaning set forth in Section III.D.4 of the Disclosure Statement.

***Ocean Drive Property*** means the real property owned by the Debtor, commonly known as 4145 Ocean Drive, Oxnard, CA 93035.

***Ostin Property*** means the real property owned by the Debtor, commonly known as 5734 Ostin Drive, Woodland Hills, CA 91367.

***Other Secured Claim*** means any Secured Claims that are not otherwise expressly classified under the Plan.

***Oversight Committee*** means a committee of Persons established pursuant to Section VI.I of the Plan to oversee the Plan Administrator/Liquidation Debtor's performance of their duties and otherwise serve the functions described in the Plan.

***Oversight Committee Conference Requirement*** means the requirement of the Plan Administrator/Liquidation Debtor to advise, confer, consult and obtain the consent of the Oversight Committee on the matter specified in the applicable Plan provision reasonably prior to the subject action of the Plan Administrator/Liquidation Debtor, and if the Oversight Committee objects or fails to consent to the particular action to be taken, the Plan Administrator shall have a reasonable opportunity (no less than three Business Days) to seek authorization from the Bankruptcy Court.

***PBCG*** means the Pension Benefit Guaranty Corporation, the independent government agency initially created by the Employee Retirement Income Security Act of 1974.

***Person*** means any individual or entity.

***Personal Property*** means all property owned by the Debtor now or hereafter which under applicable law is not real property, and includes all tangible and intangible personal property.

***Petition Date*** means December 9, 2013.

***Pingrees*** means collectively Kenneth J. Pingree Jr. and Patricia Pingree.

***Plan*** means the *First Amended Plan of Reorganization/Liquidation Proposed by the Debtor, Bay Area Financial Corporation*, as it may be amended or modified from time to time, and all exhibits thereto.

***Plan Administrator*** means Biggs for purposes of administering the Plan, liquidating the Assets, and representing and appearing in all proceedings (including, without limitation, any proceedings before any federal court, bankruptcy court and/or state court) on and after the Effective Date in accordance with the terms of the Plan.

***Plan Operating Expense(s)*** means any and all fees, costs and/or expenses incurred by the Plan Administrator and/or Liquidation Debtor following the Effective Date (including the fees and costs of the Plan Administrator, attorneys, advisors, other professionals and agents) for, in connection with, or related to, (i) operating expenses incurred by the Liquidation Debtor and/or Plan Administrator, including, without limitation, rent, offices expenses, salaries, parking expenses, taxes, insurance and any and all other expenses incurred after the Effective Date; (ii) prosecuting or otherwise attempting to collect or realize upon the Assets and/or Rights of Action; (iii) liquidating, selling, abandoning or collecting upon any of the Assets or otherwise incurred following the Effective Date in connection with generating Available Cash; (iv) resolving Disputed Claims and effectuating distributions to Creditors under the Plan; (v) prosecuting, litigating and/or otherwise participating in any court proceedings; or (vi) otherwise implementing the Plan, including, but not limited to post-Effective Date taxes (such as for income in the Plan Reserve Accounts) and wind-down expenses (such as records maintenance).

***Plan Participants*** has the meaning set forth in Section VIII of the Plan.

***Plan Proponent*** means the Debtor.

***Plan Reserve Account(s)*** means the segregated accounts to be established by the Plan Administrator to hold each of the various Plan Reserves as the Plan Administrator reasonably deems appropriate, subject to the terms of the Plan.

***Plan Release(s)*** means the general release of the Debtor and the Exculpated Parties set forth in the Plan.

***Plan Reserves*** means all reserves of the Assets to be established by the Plan Administrator on the Effective Date (or as soon as reasonably practicable thereafter), including, but not limited to, the Post-Effective Date Plan Expense Reserve, the

Administrative Claim Reserve, the Indemnification Reserve, and separate reserves for payment of Disputed Administrative Claims and Disputed General Unsecured Claims as of the date of any contemplated distribution. Each Plan Reserve shall be in an amount determined in the discretion of the Plan Administrator, and such amount(s) can be reduced, increased and/or replenished after the Effective Date by the Plan Administrator subject to the terms of the Plan.

***Plan Supplement*** means the compilation of documents and forms of documents, schedules, and exhibits to the Plan, to be Filed before the Confirmation Hearing (to the extent such document is in existence as of the time thereof), as amended, supplemented, or modified from time to time in accordance with the terms hereof, the Bankruptcy Code, and the FRBP.

***POC*** means Proof of Claim filed in the Case.

***POI*** means Proof of Interest filed in the Case.

***Post-Effective Date Litigation*** means all claims reserved under Section VII of the Plan, including, but not limited to: (a) Rights of Action; (b) any rights to object to, settle, compromise, or resolve Claims and (c) any rights of equitable subordination or disallowance.

***Post-Effective Date Plan Expense Reserve*** means a reserve of the Liquidation Debtor's Cash on hand in the initial amount(s) scheduled in the Reserve Notice, established and used by the Plan Administrator in its discretion to pay any and all Plan Operating Expenses including, without limitation, the fees and expenses of the Plan Administrator and its attorneys, advisors and other agents, and other expenses relating to the implementation of the Plan expected to arise after the Effective Date.

***Prause*** means James Prause, trustee for the James Prause Trust.

***Pre-Approved Loan Compromise Procedures*** shall have the meaning set forth in Section III.D.4 of the Disclosure Statement.

***Priority Claim(s)*** means an Allowed Claim entitled to priority against the Estate under Bankruptcy Code §§ 507(a)(1) through 507(a)(8), excluding any such claims incurred after the Petition Date.

***Priority Tax Claim(s)*** means certain unsecured tax claims based on income, employment and other taxes described by Bankruptcy Code § 507(a)(8), excluding any such claims incurred after the Petition Date.

***Priority Tax Claims Funding Amount*** shall have the meaning set forth it Section IV of the Plan.

***Priority Tax Claim Motion*** means the *Motion of Bay Area Financial Corporation the Debtor and Debtor in Possession for an Order from this Court Authorizing the Debtor to Pay Past-Due and Delinquent real Property Taxes*, filed by the Debtor on March 4, 2014 [Docket No. 74].

***Pro Rata*** means with respect to a particular Class of Claims or Interests, the ratio that the amount of a particular Allowed Claim or Allowed Interest in the Class bears to the total amount of Allowed Claims or Allowed Interests in the Class.

***Professionals*** means the professionals (including, without limitation, attorneys, accountants, and other advisors and agents) employed by the Debtor and the Committee.

***Professional Fee Claim*** means a claim under Bankruptcy Code §§ 327, 328, 330, 331, 503, or 1103 for compensation for professional services rendered or expenses incurred for which the Estate is liable for payment.

***PWMC*** means Properties West Management Company, acting property manager for the San Pedro Property in accordance with the PWMC Property Management Agreement.

***PWMC Property Management Agreement*** means that certain property management agreement between the Debtor and PWMC, and any and all amendments and modifications thereto, pursuant to which PWMC acts as property manager for the San Pedro Property.

***RCS*** means Residential Credit Solutions, holder of the senior secured lien against the Ostin Property.

***RCS Loan*** means that certain obligation in favor or RCS secured by a senior deed of trust in favor of RCS in the approximate amount of $371,902.17.

***Real Estate Assets*** means any and all real estate owned or acquired by the Debtor and/or Liquidation Debtor before, on or after the Effective Date.

***Real Estate Assets Estimated Value*** means the projected fair market value as of the Effective Date of the Real Estate Assets, which have not been sold as of the Effective Date, as estimated by the Liquidation Debtor or the Plan Administrator.

***Rejection Damage Claim*** means a Claim for any obligations or damages arising under an unexpired real-property or personal-property lease or executory contract that the Debtor rejects or is deemed rejected pursuant to the terms of the Plan.

***Rejection Schedule*** shall have the meaning set forth in Section VI of the Plan.

***Related Parties*** means with respect to any person or entity, all of such person's or entity's direct or indirect subsidiaries, partnerships, management companies, current or former corporations or trusts, staff, shareholders, legal representatives, attorneys, accountants, financial advisors, insurers, heirs, executors, administrators, partners, guarantors, investors, trustees, parents, successors, assigns, managers, affiliates, employees, members, contractors, consultants, agents, officers and directors, all and each in their respective personal and corporate capacities.

***Release(s)*** means the separate general release of the Debtor, the Pingrees and their Related Parties to be executed and delivered by the Holder of a Claim in order to qualify and be treated as an Early Cash-Out Election Claim in Class 4, and which will become effective only upon full payment of the distribution owed to such Holder of an Early Cash-Out Election Claim in Class 4.

***Remaining Loan Portfolio*** means the Debtor's remaining Loan Portfolio as described generally in the Disclosure Statement, and the proceeds, product and offspring thereof as of the Effective Date.

***REO(s)*** means any and all property owned by the Debtor as of the Petition Date, acquired by the Debtor after the Petition Date or acquired by the Liquidation Debtor after the Effective Date by means of a successful sale at a foreclosure auction.

***Rights of Action*** means any and all claims, demands, rights, actions, causes of action and suits of, held by or which could be asserted on behalf of the Estate, of any kind, nature or character whatsoever, known or unknown, suspected or unsuspected, whether arising prior to, on or after the Petition Date, in contract or in tort, at law or in equity or under any other theory of law, including, but not limited to (1) rights of setoff, counterclaim or recoupment, and claims on contracts or for breaches of duties imposed by law, (2) the right to object to Claims or Interests, (3) claims pursuant to Bankruptcy Code § 362, (4)

such claims and defenses as fraud, mistake, duress, usury, (5) Avoidance Actions and, (6) errors and omissions claims involving officers and directors.

***Schedules*** means, collectively, the schedules of assets and liabilities, schedules of Executory Contracts and Unexpired Leases, and statement of financial affairs filed by the Debtor pursuant to Bankruptcy Code § 521, as the same may have been amended, modified, or supplemented from time to time.

***Secured Claim*** means a Claim, including a Secured Tax Claim, which is secured by a lien on the Debtor's property, including any REO. A claim is a Secured Claim only to the extent of the value of the claimholder's interest in the collateral or to the extent of the amount subject to setoff, whichever is applicable, and as determined under Bankruptcy Code §506(a).

***Secured Tax Claim*** mean a governmental unit's Secured Claim for unpaid taxes arising before the Petition Date.
SHB means Shulman Hodges & Bastian LLP, Chapter 11 counsel for the Committee.

***Suite 350 Lease*** means Bay Area Financial corporate headquarters, located at 12400 Wilshire Blvd, Suite 350, Los Angeles, California 90025, pursuant that certain lease agreement between the Debtor, as lessee, and Douglas Emmett Realty Fund 1995, as lessor, and that certain Fifth Amendment to lease effective October 11, 2013, extending the lease term for an additional one year period, which was assumed by the Estate pursuant to the Commercial Lease Assumption Motion.

***Unclassified Priority Claim(s)*** means an Allowed Claim entitled to priority against the Estate under Bankruptcy Code §§ 507(a)(2), 507(a)(3) and/or 507(a)(8), excluding any such claims incurred after the Petition Date.

***UST*** means the Office of the United States Trustee for the Central District of California.

***UST Fees*** means fees or charges assessed against the Estate pursuant to 28 U.S.C. § 1930.

***Voting Deadline*** means the deadline established by the Debtor for receipt of Ballots voting to accept or reject the Plan and Plan Releases.

***West 8th Property*** means the real property owned by the Debtor, commonly known as 623-627 West 8th Street, Units 1-6, San Pedro, CA 90731.

**B. RULES OF CONSTRUCTION.**

The rules of construction in Bankruptcy Code §102 apply to the Disclosure Statement to the extent not inconsistent herewith.

The rules of construction in Bankruptcy Code §102 apply to the Plan to the extent not inconsistent herewith.

FRBP 9006(a) applies when computing any time period under the Plan.

A term that is used in the Plan and that is not defined in the Plan has the meaning attributed to that term, if any, in the Bankruptcy Code or the FRBP.

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.

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

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. No material change to the form or terms may be made after the Confirmation Date without the consent of any party materially negatively affected.

Any reference to an existing document means the document as it may be, amended or supplemented.

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.

Unless otherwise specified, all references to Sections are references to the Plan's sections.

Unless otherwise specified, all references to Exhibits are references to the Exhibits to the Plan.

The words "herein," "hereto," "hereunder," and other words of similar import refer to the Plan in its entirety rather than to only a particular portion hereof.

## II. INTRODUCTION

The Debtor commenced its Case by filing in the Bankruptcy Court a voluntary petition for relief under Chapter 11 of the Bankruptcy Code on the Petition Date.

**THIS DOCUMENT IS THE DISCLOSURE STATEMENT DESCRIBING THE PLAN FILED BY THE DEBTOR.**

On January 8, 2014, the UST filed its *Notice of Appointment and Appointment of Committee of Creditors Holding Unsecured Claims* [Docket No. 35] appointing the Committee as the Official Committee of Unsecured Creditors in the Case pursuant to Bankruptcy Code § 1102(a).

The Debtor believes that the Plan provides, under the circumstances, the best possible recoveries to creditors; that acceptance of the Plan is in the best interests of all parties in interest; and that any alternatives would result in unnecessary delay, uncertainty and expense to the Estate. The Debtor, therefore, recommends that all eligible creditors entitled to vote on the Plan cast their Ballot to accept the Plan.

### A. PURPOSE OF THIS DOCUMENT

This document is the Disclosure Statement filed by the Debtor. The Disclosure Statement describes the Plan filed by the Debtor. The Disclosure Statement also discusses certain information relating to the Plan and the process that the Bankruptcy Court follows in determining whether or not to confirm the Plan. The Plan sets forth the manner in which the Claims against and Interests in the Debtor will be treated following the Debtor's emergence from Chapter 11. The Disclosure Statement further describes certain aspects of the Debtor's current and future business operations, and other related matters.

Chapter 11 allows a debtor, and under some circumstances creditors and others parties in interest, to propose a plan of reorganization. The plan may provide for a debtor to reorganize by continuing to operate, to liquidate by selling assets of the estate, or a combination of both. Here, the Debtor is proposing a plan that provides for an orderly liquidation of the Assets in a manner that will maximize distributions to creditors.

The Plan of the Debtor in this Case is included in the same envelope as the Disclosure Statement. By and through the Plan, the Debtor will resolve all Claims against the Estate. Plan Distributions shall be funded primarily from the Debtor's post-

confirmation liquidation of its Assets, discussed in more detail later in this Disclosure Statement.

**READ THE DISCLOSURE STATEMENT AND PLAN CAREFULLY, AS THEY CONTAIN INFORMATION RESPECTING, AMONG OTHER THINGS:**

**(1) THE TERMS OF THE PLAN;**
**(2) PARTIES ENTITLED TO VOTE ON, AND/OR OBJECT TO, THE PLAN;**
**(3) THE TREATMENT OF CLAIMS (i.e., what Creditors will receive if the Plan is confirmed),**
**(4) HOW TREATMENT UNDER THE PLAN COMPARES TO LIQUIDATION;**
**(5) THE HISTORY OF THE DEBTOR AND SIGNIFICANT EVENTS DURING THE BANKRUPTCY;**
**(6) REQUIREMENTS FOR CONFIRMATION OF THE PLAN;**
**(7) THE EFFECT OF CONFIRMATION; AND**
**(8) WHETHER THE PLAN IS FEASIBLE.**

**FOR A COMPLETE UNDERSTANDING OF THE PLAN, READ THE DISCLOSURE STATEMENT, THE PLAN, AND THE EXHIBITS IN THEIR ENTIRETY.**

The Disclosure Statement does not explain all aspects of creditors' rights and claims. Parties in interest are urged to consider consulting their own lawyer to obtain more specific advice on how the Plan will affect the rights and claims of interested parties as well as the best course of action.

Among other things, the Disclosure Statement sets forth the assumptions underlying the Plan, describes the process that the Bankruptcy Court will follow when determining whether to confirm the Plan, and describes how the Plan will be implemented if it is confirmed by the Bankruptcy Court.

The provisions of the Plan govern in the event there are any inconsistencies between the language of the Disclosure Statement and the provisions of the Plan. Please see, Section I, B (Rules of Construction) for additional "Rules of Construction."

The Bankruptcy Code requires that a Disclosure Statement contain "adequate information" concerning the Plan. The Bankruptcy Court has approved this document as an adequate Disclosure Statement, containing enough information to enable parties

affected by the Plan to make an informed judgment about the Plan. Any party in interest can now solicit votes in favor of, or against, the Plan based on the information contained in the Disclosure Statement.

**THE BANKRUPTCY COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THE DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN ARE NOT YET BINDING ON ANYONE. HOWEVER, IF THE BANKRUPTCY COURT LATER CONFIRMS THE PLAN, AND THE EFFECTIVE DATE OCCURS, THEN THE PLAN WILL BE BINDING ON THE DEBTOR AND ON ALL CREDITORS AND OTHER PARTIES IN INTEREST IN THE CASE.**

## B. Deadlines For Voting And Objecting; Date Of Plan Confirmation Hearing; Ballot Tabulation Procedures

### 1. *Time and Place of the Confirmation Hearing*

The hearing at which the Bankruptcy Court will determine whether or not to confirm the Plan filed by the Debtor will take place on the date set forth in the Disclosure Statement Order, in **Courtroom "1345"**, located at the **Edward R. Roybal Federal Building and Courthouse, 255 E. Temple Street, Los Angeles, California 90012** before the **Honorable Thomas B. Donovan**, United States Bankruptcy Judge.

### 2. *Deadline for Voting For or Against the Plan*

If a the Holder of an Allowed Claim is entitled to vote, it is in such Claimant's best interest to timely vote on the enclosed Ballot and return the Ballot in the enclosed envelope to:

**Kelli Nielsen,**
**Creim Macias Koenig & Frey LLP;**
**633 W. Fifth Street, 51st Floor;**
**Los Angeles, California 90071;**
**Facsimile - (213) 614-1961;**
**Email address - knielsen@cmkllp.com.**

**ALL BALLOTS MUST BE RECEIVED BY THE DATE AND TIME SET FORTH IN THE DISCLOSURE STATEMENT ORDER IN ORDER TO BE COUNTED.**

3. *Parties Entitled to Vote or Object*

a. Parties entitled to Object to Confirmation of the Plan

Any party in interest may object to the confirmation of the Plan, but as explained below, not everyone is entitled to vote to accept or reject the Plan.

b. Parties entitled to Vote to Accept/Reject the Plan

The Holder of an Allowed Claim has a right to vote for or against the Plan if such Claimant has a Claim which is both (1) Allowed or estimated for voting purposes and (2) classified in an impaired Class.

(i) General description of an Allowed Claim/Interest

As noted above, a Holder of Claim must have an Allowed Claim to have the right to vote. The definitions of "Allowed" and "Allowed Claim" are set forth in Section I, A (Definitions) located at the beginning of this document, which provisions supersede the general description below in the event of a conflict or ambiguity.

Without limiting the generality of the foregoing definition, a proof of claim will generally be deemed Allowed, unless a party in interest files an objection to the Claim. When an objection to a Claim is filed, the creditor holding the Claim cannot vote unless the Bankruptcy Court, after notice and hearing, either overrules the objection or Allows the Claim for voting purposes.

A creditor may have an Allowed Claim even if a proof of claim or interest was not timely filed. Generally, a Claim is deemed Allowed if (1) it is scheduled on the Debtor's schedules and such claim is not scheduled as disputed, contingent, or unliquidated, and (2) no party in interest has objected to the Claim.

(ii) General description of an Impaired Claim

As noted above, an Allowed Claim only has the right to vote if it is in a Class that is impaired under the Plan. A Class is generally considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that Class. For example, a Class comprised of General Unsecured Claims is impaired if the Plan fails to pay the members of that Class 100% of their Allowed Claims.

In this Case, the Debtor believes that Classes **4, 5, 6, 7 and 8** are **impaired** under the Plan and that Holders of Claims in each of these Classes in the Plan are, therefore, entitled to vote to accept or reject the Plan. Classes **1, 2** and **3** are not impaired under the Plan and are, therefore, not entitled to vote. Parties who dispute the Debtor's characterization of their Claim as being impaired or unimpaired may file an objection to the Plan contending that the Debtor has incorrectly characterized the Class.

c. Parties Not Entitled to Vote

Set forth below are the **Ballot Tabulation Procedures** which govern voting on the Plan, which provisions supersede the general description below in the event of a conflict or ambiguity.

Generally, the following types of Claims are not entitled to vote: (1) Claims that are subject to a pending objection and that have not been estimated for voting purposes; (2) Claim that are Scheduled as disputed, contingent and/or unliquidated and for which no proof of claim has been timely filed; (3) Claim that have been disallowed or estimated at zero for voting or distribution; (4) Claims in unimpaired Classes; (5) Priority Claims; and (6) Claims in Classes that do not receive or retain any value under the Plan.

**NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE DISCLOSURE STATEMENT OR PLAN, NO DISTRIBUTION WILL BE MADE AND NO RIGHTS WILL BE RETAINED ON ACCOUNT OF ANY CLAIM OR INTEREST THAT IS NOT AN ALLOWED CLAIM OR INTEREST.**

Claims in categories (1), (2) and (3) are not entitled to vote because such Claims are not Allowed or deemed Allowed. Claims in unimpaired Classes are not entitled to vote because such Classes are deemed to have accepted the Plan. Priority Claims are not entitled to vote because such claims are not placed in Classes and they are required to receive certain treatment specified by the Bankruptcy Code. Claims in Classes that do not receive or retain any value under the Plan do not vote because such Classes are deemed to have rejected the Plan.

**EVEN IF THE HOLDER OF A CLAIM IS OF THE TYPE DESCRIBED ABOVE AND NOT ENTITLED TO VOTE ON THE PLAN, SUCH CLAIMANT MAY NEVERTHELESS STILL HAVE A RIGHT TO OBJECT TO THE CONFIRMATION OF THE PLAN.**

d. Parties entitled to Vote in More Than One Class

The Holder of a Claim that has been Allowed in part as a Secured Claim and in part as a General Unsecured Claim is entitled to accept or reject the Plan in both capacities by casting one Ballot in the Class containing the Secured Claim and another Ballot in the Class containing the General Unsecured Claim, subject to the **Ballot Tabulation Procedures** below.

e. Votes Necessary to Confirm the Plan

If impaired Classes exist, the Bankruptcy Court cannot confirm the Plan unless (1) at least one impaired Class has accepted the Plan without counting the votes of any insiders within that Class, and (2) all impaired Classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cramdown" on non-accepting Classes, as discussed below.

f. Votes Necessary for a Class to Accept the Plan

A Class of Claims is considered to have accepted the Plan when more than one-half (½) in number and at least two-thirds (2/3) in dollar amount of the Allowed Claims which actually voted and are entitled to vote, have voted in favor of the Plan. A Class of Interests is considered to have accepted the Plan when at least two-thirds (2/3) in amount of the Interest-Holders of such Class which actually voted, voted to accept the Plan.

g. Treatment of Non-Accepting Classes

As noted above, even if all impaired Classes do not accept the Plan, the Bankruptcy Court may nonetheless confirm the Plan if the non-accepting Classes are treated in the manner required by the Bankruptcy Code. The process by which non-accepting Classes are forced to be bound by the terms of the Plan is commonly referred to as *cramdown*. The Bankruptcy Code allows the Plan to be "crammed down" on non-accepting Classes of Claims or Interests if it meets all consensual requirements except the voting requirements of Bankruptcy Code § 1129(a)(8), and if the Plan does not *discriminate unfairly* and is *fair* and *equitable* toward each impaired Class that has not voted to accept the Plan as referred to in Bankruptcy Code § 1129(b) and applicable case law.

*4. Ballot Tabulation Procedures*

The following procedures will apply with respect to balloting and the tabulation of Ballots with respect to the Plan:

A. The amount of a Claim or Interest for purposes of Ballot tabulation will be:

i. For a Claim or Interest identified in the Schedules as not contingent, not unliquidated, and not disputed, and that has not been disallowed, waived, or withdrawn by order of the Bankruptcy Court, stipulation, or otherwise, prior to the Balloting Deadline (as defined in the Disclosure Statement Order), and for which no proof of claim has been timely filed, the Claim or Interest amount, as identified in the Schedules ("**Scheduled Amount**");

ii. For a timely proof of claim or proof of interest that is filed in a specified liquidated amount and that is not the subject of an objection filed before the Balloting Deadline, or that has not been disallowed, waived, or withdrawn by order of the Bankruptcy Court, stipulation, or otherwise prior to the Balloting Deadline, the specified liquidated amount in such proof of claim or proof of interest ("**POC Amount**");

iii. For a Claim or Interest that is the subject of an objection in whole or in part before the Confirmation Hearing, only the undisputed amount, if any, of such Claim or Interest, unless such Claim or Interest is temporarily Allowed under FRBP 3018(a) ("**Disputed/Estimated Amount**");

iv. For a Claim that is offered an option under the Plan to have its Claim Allowed for voting purposes upon the timely election of certain options, and which claimant is in compliance with the procedures set forth in the Plan for such election, the stipulated amount specified in the Plan ("**Stipulated Amount**");

B. If an entity submits a Ballot for a Claim or Interest (i) for which there is no timely proof of claim or proof of interest filed and, for which there is no

corresponding Scheduled Amount, or (ii) which is the subject of an unresolved objection filed prior to the Confirmation Hearing, such Ballot will not be counted, unless ordered by the Bankruptcy Court;

C. Creditors that have Claims in more than one voting Class under the Plan must submit a separate Ballot for voting their Claims in each such Class; any creditor that requires additional copies of a Ballot may either photocopy the original Ballot or obtain an additional Ballot pursuant to the instructions set forth in the Confirmation Hearing Notice and the proposed Ballot. **If a creditor uses the same Ballot to vote Claims in more than one class, such combined Ballot will NOT be counted unless the Court order's otherwise**;

D. If an entity casts more than one eligible Ballot with respect to the same Claim or Interest before the Balloting Deadline, the last Ballot received prior such deadline shall supersede any prior Ballot(s) by such entity with respect to such Claim or Interest in the Class in which the Ballot is submitted; and,

E. Any Ballot that is incomplete or that is not received by the applicable deadline shall NOT be counted.

*5. Deadline for Objecting to Confirmation of the Plan*

Objections to Confirmation of the Plan must be filed with the Bankruptcy Court and served upon **Sandford L. Frey, Esq., Creim Macias Koenig & Frey LLP; 633 W. Fifth Street, 51st Floor; Los Angeles, California 90071; Facsimile - (213) 614-1961; Email address: sfrey@cmkllp.com by the date and time set forth in the Disclosure Statement Order.**

Any objection must be in writing; specify the name and address of the party objecting; set forth the amount of the objecting party's Claim(s) and any other grounds giving the objector standing to object; set forth grounds for the objection; and be accompanied by the objecting party's evidentiary support for its objection, including declarations made under penalty of perjury and other admissible documentary evidence.

*6. Identity of Person to Contact for More Information Regarding the Plan*

Any interested party desiring further information about the Plan should contact Sandford L. Frey, Esq., or Marta Wade of Creim Macias Koenig & Frey LLP; 633 W. Fifth

Street, 51st Floor, Los Angeles, California 90071; Telephone - (213) 614-1944; Facsimile - (213) 614-1961; Email address: sfrey@cmkllp.com or mwade@cmkllp.com.

## C. DISCLAIMER

The financial data relied upon in formulating the Plan is based on the information provided by the Debtor; the Debtor's books and records; the Schedules of Assets filed by the Debtor; and the opinion of the Debtor. The Debtor has represented that everything stated in the Disclosure Statement is true to the best of the Debtor's knowledge. The Debtor urges you to vote to accept the Plan.

The Bankruptcy Court has not yet determined whether the Plan is confirmable, and makes no recommendation as to whether Claimants entitled to vote should support or oppose the Plan.

The Debtor's professionals have prepared the Plan and Disclosure Statement at the direction of, and with the review, input, and assistance of, the Debtor. The Debtor's professionals have not independently verified the information contained herein or used to formulate the Plan or prepare the Plan and/or Disclosure Statement.

The statements and information that concern the Debtor that are set forth in this document constitute the only statements and information that the Bankruptcy Court has approved for the purpose of soliciting votes to accept or reject the Plan. Therefore, no statements or information inconsistent with anything contained in the Disclosure Statement are authorized unless otherwise ordered by the Bankruptcy Court.

**You may not rely on the Plan and Disclosure Statement for any purpose other than to determine whether to vote to accept or reject the Plan. Nothing contained in the Plan or Disclosure Statement constitutes an admission of any fact or liability by any party or may be deemed to constitute evidence of the tax or other legal effects that the reorganization set forth in the Plan may have on entities holding Claims or Interests.**

Unless another time is expressly specified in the Disclosure Statement, all statements contained in this document are made as of the date set forth on the last page of the Disclosure Statement. Under no circumstances will the delivery of the Disclosure Statement or the exchange of any rights made in connection with the Plan create an implication or representation that there has been no subsequent change in information included in this document. The Debtor assumes no duty to update or supplement any of

the information contained in this document, and it presently does not intend to undertake any such update or supplement.

**Any and all statements or projections contained in the Disclosure Statement regarding the amount or timeliness of Distributions to be made under the Plan to Creditors are only estimates based upon information reasonably available as of the date set forth on the last page of the Disclosure Statement, and are not a guaranty as the amount or timeliness of the projected Distributions.**

**The statements and information contained in the Plan and Disclosure Statement do not constitute financial or legal advice. Parties in interest are strongly urged to consult with their own advisors, including respecting any questions about the impact of the Plan on any Claims or Interests.**

## D. BAR DATE

A Bar Date for filing Proofs of Claim in the Case was set for **March 31, 2014** pursuant to motion filed by the Debtor [Docket No. 54]. Notice of the Bar Date was sent on February 13, 2014. [Docket No. 59].

**THE BAR DATE IN THE CASE WAS MARCH 31, 2014**

Pursuant to the Plan, the Administrative Claim Bar Date shall be fixed as a date set forth in the Confirmation Order. See further discussion below in Section IV.

## E. EXHIBIT LIST

The Exhibits listed in the following table are intended to be a part of the Disclosure Statement and Plan. These Exhibits are deemed to be incorporated into the Disclosure Statement and Plan when filed.

| EXHIBIT NO. | DESCRIPTION |
|---|---|
| 1 | *Notice from the Committee of Potential Errors and Omissions Claims* |
| 2 | *Balance Sheets as of June 30, 2012 & 2013, and February 28, 2014* |
| 3 | *Profit & Loss, June 30, 2012 through June 30, 2016* |
| 4 | *Cash Flow Projections, June 30, 2012 through June 30, 2016* |

| | |
|---|---|
| 5 | ***Profit & Loss Statement for the Year Ending June 30, 2014 and Forecas Profit & Loss for the Year Ending June 30, 2015*** |
| 6 | ***Cash Flow Projections for the Year Ending June 30, 2014 and Cash Fl Projections for the Year Ending June 30, 2015*** |
| 7 | ***Liquidation Analysis*** |

## III. BACKGROUND

### A. DESCRIPTION AND HISTORY OF THE DEBTOR

The Debtor is a California corporation. The Debtor began business in 1960 as a consumer finance company. The company made and collected loans through six offices in Southern California. In the late 1970's, the Debtor concentrated its lending on secured real estate loans. A loan origination office was opened in San Francisco to service Northern California. The primary source of new loan customers was typically referrals from commercial banks.

At the height of the real estate downturn in 2008, the Debtor ceased making loans and closed the San Francisco office. Thereafter, the Debtor continued to manage its portfolio of loans. Prior to October 2008, it was the Debtor's policy to pay Commercial Paper Account Holders who made demands on the Debtor for payment under their notes.

At the time of the real estate downturn, an extraordinary number of Commercial Paper Account Holders made demand on the Debtor for payment under their demand notes. Although the Debtor made best efforts to satisfy these demands, the demands unfortunately exceeded the Debtor's available liquidity, placing and enormous financial strain on the Debtor's cash resources. At the height of the recession, demands escalated substantially due to the panic. During this period, many of the Commercial Paper Account Holders having larger claims also started making demands for payment. The Debtor was confronted with enormous demands for payment and did not have the liquidity to meet such demands.

In October 2008, the Debtor was compelled to institute a 13 month notice policy due to the heavy demands. In February 2009 and June 2009, the Debtor distributed a payment of approximately 20% of principal to any Commercial Paper Account Holders who had made demand. In addition, the Debtor continued to pay interest to Commercial Paper Account Holders through June 30, 2013. Thereafter, the Debtor declared a moratorium on interest payments, while it considered its financial options.

After thorough analysis of the Debtor's financial situation (including its asset/debt structure) and weighing the various alternatives, the Debtor concluded that it is in the best interest of creditors for it to start the process of an orderly liquidation of all loans and all real estate owned by it. Thereafter, the Debtor commenced and continues the process of an orderly liquidation of its remaining loans and real estate owned and acquired for the benefit of creditors.

For several months prior to the Petition date, the Debtor was engaged in efforts to negotiate consensual out of court workout plan with Commercial Paper Account Holders and several attorneys representing them. To that end, the Debtor had already formulated and circulated an initial draft of a proposed liquidation plan. In order to conserve expenses, the Debtor had hoped to avoid a chapter 11 filing entirely, or to at least defer such filing long enough to get comments to the structure of the plan so that the Debtor was reasonably confident before filing that the majority of Commercial Paper Account Holders would support the plan after filing. However, several factors necessitated the decision to file for chapter 11 as discussed below.

The Debtor's primary assets consist of Loans made to Borrowers, REOs (owned as a result of foreclosure), one investment real estate property and 20,000 shares of stock in the Bank of San Francisco. As of the date of the Disclosure Statement, the Debtor currently has three REO's and one investment property.

The Debtor has no secured creditors, except that inasmuch as REOs may be encumbered by senior secured creditors. As of the Petition Date, one of the REOs, the Ostin Property, is secured by a senior deed of trust in favor of RCS securing the RCS Loan in the approximate amount of $371,902.17. Prior to the Petition Date, the Debtor brought current the RCS Loan and delinquent real estate taxes, and the Debtor continues to service the debt.

In addition, there are priority tax claims in the aggregate amount of approximately $141,000 in connection with the one of the other REO's and the investment property, although the Debtor is seeking authority of the Bankruptcy Court to bring current real estate taxes prior to confirmation of the Plan pursuant to motion discussed below.

Apart from those few claims mentioned above and ongoing operating expenses and costs to be incurred in connection with administration and liquidation, the primary claims are unsecured and held by the Debtor's Commercial Paper Account Holders. There are approximately 175 distinct Commercial Paper Account Claims. There are approximately 150 Commercial Paper Account Claims equal to and under $200,000. The aggregate amount of the Commercial Paper Account Claims is approximately $20,537,264

(inclusive of interest through the Petition Date. The aggregate amount of the Commercial Paper Account Claims equal to and under $200,000 is approximately $7,978,487.

*1.* *Debtor's Management/Interest Holder*

a. Interest Holder

The Debtor's sole shareholder is Kenneth J. Pingree Jr.

b. Management of the Debtor Before and After the Bankruptcy

(i) Pre-Petition and Pre-Effective Date Management

Prior to the Petition Date and during the Chapter 11 Case, the Debtor's day to day operations were managed by Kenneth J. Pingree Jr., who is the President and Chief Executive Officer. Mr. Pingree has been associated with the Debtor since 1960. He was formally acting Vice President for approximately thirty years, and became president and a director in 1996. Immediately prior to filing Chapter 11, Mr. Pingree's salary was $4,166.67 paid semi-monthly. Mr. Pingree's last salary increase was approximately 2003. However, Mr. Pingree agreed to periodic decreases in his compensation since 2009. In addition, Mr. Pingree's compensation has been accrued and deferred since April 30, 2013. After the Petition Date, a *Notice of Setting/Increasing Insider Compensation* was filed on behalf of Kenneth J. Pingree Jr. requesting accrual of insider compensation in the amount of $4,166.67, but deferring payment until further Court Order.

Patricia Pingree is the spouse of Kenneth J. Pingree Jr. Prior to the Petition Date and during the Chapter 11 Case, Ms. Pingree was the assistant secretary of the Debtor. Ms. Pingree was an employee of the Debtor from 1980 through 1985. Thereafter, Ms. Pingree returned to the Debtor in 1995. In 2004, Ms. Pingree became and a director and assistant secretary, and remained in that capacity through the Petition Date. Ms. Pingree is also the office manager and the supervisor of the Commercial Paper Department. She is involved in the day to day management, general office management and involved with issues concerning and inquiries from, the Commercial Paper Account Holders. Immediately prior to filing Chapter 11, Ms. Pingree's salary was $3,125.00 paid semi-monthly. Ms. Pingree's last salary increase was approximately 2004. However, Ms. Pingree's salary has periodically decreased since 2009. In addition, Ms. Pingree's compensation has been accrued and deferred since April 30, 2013. After the Petition Date, a *Notice of Setting/Increasing Insider Compensation* was filed on behalf of Patricia Pingree requesting accrual of insider compensation in the amount of $3,125, but deferring payment until further Court Order.

With respect to the *Notices of Setting/Increasing Insider Compensation* filed on behalf of the Pingrees, the Committee requested an order memorializing that, among other things, the Committee reserved the right to object to such compensation at a later date. The Debtor and the Pingrees agree to the Committee's request for a reservation of rights. Pursuant to that agreement, the Debtor and the Committee agreed upon a proposed form of order. However, Commercial Paper Account Holders, Larry and Linda Sacks, served an objection to the requested compensation. As a result, the Committee and Objecting Parties, Larry and Linda Sacks, unilaterally negotiated modifications to the proposed form of order, which was then presented to the Debtor for approval. Unfortunately, the Debtor did not believe that the unilateral changes were in the best interest of the Estate and creditors. Among other modifications, the unilateral changes proposed by Objecting Parties, Larry and Linda Sacks, to the previous form of order for compensation agreed to by the Debtor and the Committee, provided that the Estate and the Pingrees agree in the order that any deferred compensation awarded is limited to a setoff and yet was still subject to the Sacks' objection, rather than deferring the issue to Plan confirmation. It had always been the Pingrees' intention to accrue the compensation for purposes of a setoff against any claims asserted against them, and the Pingrees communicated that they were prepared to memorialize the limitation in the order. With the prospective objection right in the hands of the Committee, the Debtor was prepared to sign-off on an order memorializing that the accrued compensation is limited to setoff (despite the intrinsic one-sidedness of the proposed order), because the Debtor had the assurance that the Committee and the Committee Counsel would act reasonably and in the best interest of the Estate and its Creditors. The Debtor was concerned that this was not necessarily the case with Objecting Parties, Larry and Linda Sacks, who owed a duty to no other constituency in the Case than themselves (particularly inasmuch as Larry Sacks had declined the opportunity to seek to serve on the Committee for the benefit of all creditors of the Estate). Therefore, the Debtor's apprehension about the Sacks' proposed changes to the order was that the new form of proposed order provided Objecting Parties, Larry and Linda Sacks, with little, if any, disincentive to the filing of an objection in the future; thereby potentially embroiling the Estate in a costly contested proceeding for the purpose of eliminating a relatively minimal setoff right of the Pingrees in connection with any future damage award against them (particularly when it is entirely possible that no lawsuit may ever be filed against them by the Estate). Inasmuch as the Debtor's primary motivation was to maintain continuity of management during the Chapter 11 case, the modified Plan was on the verge of being filed within the initial exclusivity period and taking into account the amount of progress that the Debtor and the Committee had made toward a consensual plan, the Debtor was concerned that the Case would last long enough to result in setoff right high enough to justify the expenditure of fees it would take to deal with a prospective Sacks' objection, particularly when nothing in the proposed form of order prevented any such objection from

being filed immediately after the order was entered (i.e. the day after the Estate and Pingrees had voluntarily limited their rights by virtue of the order). The Debtor proposed a number of alternative to rectify the concern, such as a provision providing for an award of attorney's fees to the Estate in the event that any objection was filed by Objecting Parties, Larry and Linda Sacks, which was overruled or failed to result in a material reduction of the requested setoff claim or, alternatively, providing that any prospective objection right was limited to the Committee. However, before the issues could be resolved, the Debtor and the Committee learned that Objecting Parties, Larry and Linda Sacks, transferred their claim to an entity know to DACA [*See*, Docket Nos. 95, 96 and 101].

In any event, as originally contemplated, the Pingrees are agreeing as part of the Plan, to forego payment under the Plan on account of their pre and post-petition accrued and unpaid salary, and that such claims shall only be preserved and asserted by way of setoff against any damages sought in any litigation initiated against them by the Debtor, the Estate, the Liquidation Debtor, the Committee and/or any Creditor.

Prior to the Petition Date and during the Chapter 11 Case, Lombardo served as secretary to the Debtor. Lombardo was also the Debtor's general business lawyer.

In addition to Kenneth J. Pingree Jr. and Patricia Pingree, the Debtor had two other employees, Kimberly Wizer and Elsa Raigoza.

(ii) Liquidation Debtor's Post Effective Date Management.

On the Effective Date, Kenneth J. Pingree Jr. shall resign as president and chief executive officer of the Liquidation Debtor; Lombardo shall resign as secretary; and, Patricia Pingree shall resign as assistant secretary of the Debtor.

The Plan Administrator shall assume the powers and duties previously exercised by the president, subject to the powers and duties of the Oversight Committee as set forth in the Plan.

On and after the Effective Date, as more fully discussed later in the Disclosure Statement, the Oversight Committee shall exercise the powers and duties of the board of directors of the Liquidation Debtor, subject to, as limited by, and to extent not inconsistent with, the terms of the Plan. On and after the Effective Date, the Plan Administrator shall serve exercise the powers and duties of the president of the Liquidation Debtor, subject to, as limited by, and to extent not inconsistent with, the terms of the Plan.

(iii) Schedule of Payments made to Commercial Paper Account within one year of Petition Date.

Set forth below is a list consisting of the payments made to Commercial Paper Account Holders within one year of the Petition Date.

| REF | Payoff Demand Date | Ck Date | Ck# | Investor Name | Amount | Balance at 12/9/13 |
|---|---|---|---|---|---|---|
| 1 | 11/8/2011 | 12/10/2012 | 83681 | Betty Cockerill | $ 10,000 | $ 86,992 |
| 2 | 12/14/2012* | 12/14/2012 | 83682 | Dean Rouiller Trustee | 5,000 | 54,276 |
| 3 | 12/3/2012** | 1/3/2013 | 83746 | Pingree Family Trust (2nd Cousin to Ken Pingree) | 5,000 | 285,761 |
| 4 | 12/13/2012** | 1/14/2013 | 83747 | Pingree Family Trust (2nd Cousin to Ken Pingree) | 5,000 | 285,761 |
| 5 | 1/3/2012 | 2/1/2013 | 83809 | Internal Revenue Service fbo Blaise D'Angelo | 5,873 | - |
| 6 | 1/10/2012 | 2/13/2013 | 83811 | George Ryu | 37,012 | - |
| 7 | 1/12/2012 | 2/13/2013 | 83813 | Hiroshi Nakatani | 80,000 | 79,656 |
| 8 | 2/27/2013* | 2/27/2013 | 83814 | The Blackburn Foundation | 7,500 | 16,958 |
| 9 | 2/17/2013** | 3/19/2013 | 83876 | Pingree Family Trust (2nd Cousin to Ken Pingree) | 5,000 | 285,761 |
| 10 | 7/21/2011 | 3/25/2013 | 83877 | Jason Dietz | 171,218 | - |
| 11 | 8/22/2011 | 3/25/2013 | 83879 | Sonja Biele | 116,467 | - |
| 12 | 2/27/2012 | 3/28/2013 | 83881 | Verna Voght | 9,500 | 27,723 |
| 13 | 3/6/2012 | 4/5/2013 | 83942 | Paul Horvitz – SEP | 17,083 | - |

| REF | Payoff Demand Date | Ck Date | Ck# | Investor Name | Amount | Balance at 12/9/13 |
|---|---|---|---|---|---|---|
| 14 | 3/21/2012 | 4/26/2013 | 83944 | Carol Taugher | 187,105 | - |
| 15 | 3/29/2012 | 5/1/2013 | 84005 | Robert R. Fontana | 15,000 | 54,040 |
| 16 | 7/7/2010 | 6/14/2013 | 84067 | Barbara Bidwell Hillman | 100,000 | 485,964 |
| 17 | 5/28/2013** | 6/28/2013 | 84068 | Pingree Family Trust (2nd Cousin to Ken Pingree) | 5,000.00 | 285,761 |
| | | | | **TOTAL** | **$ 781,758** | |

**Demand note with no provision for deferred payment*

***Pursuant to agreement of 4/20/2011*

## B. APPOINTMENT OF THE COMMITTEE

On January 8, 2014, the UST filed its Notice of Appointment and Appointment of Committee of Creditors Holding Unsecured Claims [Docket No. 35] appointing the Committee as the Official Committee of Unsecured Creditors pursuant to Bankruptcy Code § 1102(a). The members of the Committee are as follows:

Juliana Westervelt
James Malkmus, Trustee for the William H. Malkmus Revocable Trust
Todd Fiorentino, Trustee for the Valerie Cantwell Life Insurance Trust dated 2/3/2011
Arthur Beavens and Grace Beavens, Trustees for the Beavens Living Trust dated 8/21/1991
Mary Kravitsky, Trustee for the Kravitsky Family Trust

The Committee selected James Bastian and Melissa Davis Lowe of SHB to serve as its attorneys. The Order employing SHB to serve as Committee Counsel was entered on February 19, 2014 [Docket No. 62].

## C. EVENTS LEADING TO CHAPTER 11 FILING

A brief summary of the circumstances that led to the filing of the Debtor's Case is set forth below. The Debtor filed its voluntary petition under Chapter 11 of the Bankruptcy Code on the Petition Date -- December 9, 2013.

The Debtor initially attempted to avoid filing chapter 11 out of concern for the potential costs associated with chapter 11, which it was concerned might significantly reduce the distribution to Commercial Paper Account Holders. However, the Debtor eventually concluded that filing Chapter 11 may inevitably be less costly than the burden placed on the Debtor from having to respond to, and negotiate with, so many Commercial Paper Account Holders on an individual basis, particularly after weighing a number of other impediments to the out-of-court process and disclosure of information.

Specifically, an overwhelming majority of the Commercial Paper Account Holders understandably sought additional information respecting the assets and liabilities as well as an answer to the important question of the anticipated distribution. Although the Debtor appreciated the desire and necessity of providing more detailed financial information in order for Commercial Paper Account Holders to properly evaluate what to expect from the liquidation, the Debtor ultimately concluded that dissemination of confidential financial information about the Debtor in response to the overwhelming inquiries was not feasible, practical or prudent without some degree of control over the process. Similarly, it was not practical or economically feasible to respond to inquiries made by so many Commercial Paper Account Holders, individually.

After weighing the best and most efficient means to disseminate the backup information, balancing the Commercial Paper Account Holders' need for such information against the necessity of complying with disclosure laws, avoiding unintentionally misleading or inconsistent information being distributed, and maintaining the need for some level of confidentiality, it was decided the chapter 11 was the best and most efficient means of accomplishing and managing the dissemination of information.

There were several additional reasons for the decision to file a chapter 11. First, as stated, there is the concern respecting disclosure of financial information without the procedural protection afforded by the Bankruptcy Code. Second, there is the issue of soliciting votes for a plan and binding non-consenting Commercial Paper Account Holders. Third, there is the practical issue of ensuring equal treatment of Commercial Paper Account Holders.

The timing of the filing was unfortunately expedited by an event outside the Debtor's control. The Debtor is aware of only one lawsuit filed against it prior to the Petition Date, entitled Candace Pingree vs. Bay Area Financial Corporation, which was pending in the Los Angeles County Superior Court. The Debtor unequivocally communicated its position that it was unwilling to permit any Commercial Paper Account Holder (particularly one related to the principals) to receive priority treatment to the

detriment of other Commercial Paper Account Holders who cooperatively participated in the out-of-court restructuring efforts, because to permit that to occur would impair the integrity of the entire out-of-court restructuring process. Despite the Debtor's clearly expressed position, the plaintiff in the pending Pingree vs. Bay Area Financial Corporation action noticed a hearing for December 10, 2013 seeking a writ of attachment. In order to ensure equality of distribution among the Commercial Paper Account Holders, and for the other reasons articulated above, the Debtor elected to file for Chapter 11 protection.

## D. SIGNIFICANT EVENTS DURING THE BANKRUPTCY

The Debtor filed its Case on December 9, 2014. Thereafter, the Debtor timely filed its Schedules on December 23, 2014 [Docket No. 29].

### *1. Employment of Professionals*

The Debtor employed CMKF, as reorganization counsel for the Debtor, pursuant to application filed January 8, 2014 [Docket No. 36], although the employment order did not get entered until March 2014 due to a noticing issue requiring additional notice. The Debtor also employed Biggs & Co as its accountants and financial advisors pursuant to application filed on December 13, 2013 [Docket No. 17] and order entered January 9, 2014 [Docket No. 37].

The Debtor employed Keller Williams Estate Properties, Calabasas as brokers to market and sell the Ostin Property, pursuant to application filed January 21, 2014 [Docket No. 42], as amended pursuant to application filed January 28, 2014 [Docket No. 48].

The Debtor employed PWMC to act as property manager for the San Pedro Property in accordance with the PWMC Property Management Agreement, pursuant to application filed January 29, 2014 [Docket No. 49].

SHB was employed as Committee Counsel in the Case pursuant application filed on January 23, 2014 [Docket No. 45] and order entered February 19, 2014 [Docket No. 62].

The Debtor also retained special counsel to handle certain business and loan issues. On April 7, 2014, the Debtor filed an application to employ Lombardo & Safford LLP as special counsel [Docket No. 109], which application was later amended [Docket Nos. 137], and a supplemental notice of the amended application was filed on June 6, 2014 [Docket No. 177]. The time period for objection pursuant to the notice has not yet passed as of the date of the Disclosure Statement, and no order has yet been entered.

On April 7, 2014, the Debtor filed an application to employ Hendricks Berkadia as real estate brokers to market the West 8th Street Property [Docket No. 110]. The time period for objection had not yet passed as of the date of the Disclosure Statement, and no order has yet been entered.

2. *341(a) Hearing*

The Debtor appeared at its Initial Debtor Interview ("**IDI**") scheduled by the UST on January 7, 2014. The Debtor appeared at the statutory meeting of creditors held pursuant to Bankruptcy Code § 341(a) ("**341(a) Hearing**") on January 14, 2014.

3. *Cash Collateral Motions*

There are no cash collateral issues in the Case.

4. *First Day Motions*

Loan Procedures Motion. After the Petition Date, the Debtor filed its Loan Procedures Motion, which was approved on an interim basis by the Bankruptcy Court by Order entered on December 20, 2013 [Docket No. 27] and on a final basis by Order entered on February 26, 2014 [Docket No.68]. The Loan Procedures Motion sought, among other things, approval of a compromise of an existing loan between Michael C. McCauley ("**McCauley Borrower**") and the Debtor, and approval of procedures to permit the Debtor to compromise other loans without further Court approval.

With respect to the loan with the McCauley Borrower, the Debtor entered into an agreement with the McCauley Borrower in January 2008, in the ordinary course of the Debtor's business, to loan up to $650,000 to the McCauley Borrower, secured by a second deed of trust on real property owned by the McCauley Borrower, commonly known as 117 W. Channel Rd, Santa Monica, California and a third deed of trust on real property owned by the McCauley Borrower commonly known as 107 W. Channel Rd, Santa Monica, California (collectively referred to as the "**McCauley Borrower Properties**"). The McCauley Borrower note originally had a term of six months, with a variable interest rate. Over the course of the succeeding three years, the McCauley Borrower entered into extension agreements with the Debtor extending the term of the note in one year increments. However, in August 2011, the McCauley Borrower refused to execute another extension agreement, but continued to make principal and interest reduction payments. At that time, and up through the filing of the Loan Procedures Motion, the McCauley Borrower had an outstanding balance of unpaid interest.

Thereafter, the Debtor learned that the McCauley Borrower had accrued delinquent real property taxes against the McCauley Borrower Properties in the approximate amount of $275,000. On or about October 31, 2013, the McCauley Borrower advised the Debtor that he had entered into an agreement to sell the collateral but that the sale proceeds would not be sufficient to pay off both the principal and interest due to the Debtor.

Accordingly, the Debtor agreed, subject to the approval of the Bankruptcy Court, to accept a reduction of approximately $28,554.51 in accrued and unpaid interest on the McCauley Borrower's note, which would result in a net payment to the Estate of approximately $678,659.51, plus per diem interest of $147.38 for each day the loan remained unpaid after December 16, 2013.

Although the compromise discussed above arguably did not require Bankruptcy Court approval as being in the ordinary course of the Debtor's business, the Debtor nevertheless sought that approval by filing the Loan Procedures Motion, so that creditors would have adequate notice of the intended compromise. As stated above, the Bankruptcy Court approved the compromise of the McCauley note. Although closing of escrow for the sale of the McCauley Borrower Properties was delayed, the sale eventually closed in January 2014, and the Estate received $685,586.37 on or about January 28, 2014.

In an effort to minimize additional fees and costs to the Estate, the Loan Procedures Motion also sought a Bankruptcy Court order adopting the procedures to be implemented with respect to the compromise or settlement of loans without further order of the Bankruptcy Court so as to promote and facilitate a resolution of troubled loans, and streamline the process for compromising any troubled loans in an expeditious manner.

In connection with the approval of the Loan Procedures Motion, the Debtor also has the authority to compromise and settle those loans that meet the criteria set forth below, in its sole discretion, without further notice to creditors (except to the Committee) and without further approval from the Bankruptcy Court, as follows:

- For those loans where the borrower is seeking a reduction in the outstanding payoff amount, a reduction of the loan amount by no more than 20% including principal and interest.

- For those loans that are to remain in place, and the borrower cannot make the payments required under the terms of the loan agreement, a reduction in the interest rate of not more than 4%.

- For the those loans that are due and the term has expired, the right to enter into a forbearance agreement pursuant to which the Debtor agrees not to commence foreclosure proceedings against the borrower for a period not to exceed 18 months, so long as the borrower agrees to continue to make the interest and principal payments required under the terms of the loan.

(collectively referred to as the "Pre-Approved Loan Compromise Procedures")

With respect to the foregoing procedures, the Debtor and the Committee agreed that the Debtor would provide the Committee with ten (10) days notice to its intent to implement With respect to any compromise or settlement of loans outside of the terms set forth above, the Debtor may still seek Bankruptcy Court approval under FRBP 9019(a).

Utility Motion. After the Petition Date, the Debtor also filed its *First Day Emergency Motion by Debtor for Order Prohibiting Utility Providers from Altering, Refusing or Discontinuing Service, (B) Deeming Utility Companies Adequately Assured of Future Performance, and (C) Establishing Procedures for Determining Adequate Assurance of Payment*, which was approved by the Bankruptcy Court by Order entered on January 7, 2014 [Docket No. 34] after hearing held on December 11, 2013.

5. *Plan Deadline/Exclusivity*

Pursuant to Bankruptcy Code §1121, the 120 day exclusive period in which only the Debtor may file a plan of reorganization was scheduled to expire on April 9, 2014, and, the 180 exclusive period in which only the Debtor may solicit acceptance of a plan was scheduled to expire on June 9, 2014. The Debtor timely filed its Plan and Disclosure Statement prior to the April 9 deadline. On May 6, 2014, the Debtor filed a motion requesting, for purposes of maintaining the exclusive right to file its plan, an extension of the exclusive period in which only the Debtor may solicit acceptance of a plan through August 11, 2014 [Docket No. 141]. The Order granting the requested extension of the exclusive period in which only the Debtor may solicit acceptance of a plan through August 11, 2014 was entered on June 6, 2014 [Docket No. 176].

6. *Commercial Lease Assumption Motion*

On February 2, 2014, the Debtor filed the Commercial Lease Assumption Motion, whereby the Debtor seeks to assume its nonresidential lease as modified by the Fifth Amendment to such lease, between Douglas Emmett Realty Fund 1995 and the

Debtor for real property located at 12400 Wilshire Blvd, Suite 350, Los Angeles, California 90025.

On September 21, 2000, the Debtor entered into the original lease for space at its current location, but on the second floor of the building, with Douglas Emmett Realty Fund 1995. Thereafter, on July 14, 2010, the Debtor entered into the Second Amendment to the Lease, pursuant to which the Debtor moved to its current location on the third floor, Suite 350. Thereafter, the Lease was extended by subsequent amendments. Pursuant to the Fourth Amendment, the Lease expired in or about October 2013.

Prior to the Petition Date, on October 11, 2013, the Debtor entered into a Fifth Amendment to the Lease extending the Lease for one additional year. Before doing so, the Debtor considered moving and weighed a number of factors, such as moving and related expenses. For example, the Debtor's took into consideration the age of its telephone and computer systems, and the probability either or both would not survive the move, requiring replacement. Accordingly, the Debtor considered the cost of new telephones and computers and the cost of installation if it were to relocate. Similarly, the Debtor considered the costs of moving, and boxing loan files. The Debtor also factored in the cost for storage of loan files and documents required for it to relocate to a smaller facility. The Debtor also took into consideration the deposits that would likely be required by a new landlord. The Debtor compared the legal fees required for reviewing and negotiating the terms of the new lease documentation as opposed to an amendment to the existing lease.

In reaching its decision to extend its Lease for its existing space, the Debtor weighed a number of factors. The Debtor was able to obtain the agreement of its Landlord, Douglas Emmett Realty Fund 1995, for a short term extension, due to its many years of occupancy. The rent for Suite 350 is $4,505.84 per month under the terms of the Fifth Amendment, which is the same rate as called for under the Fourth Amendment to the Lease. In other words, the Landlord did not raise the rent for the additional year or impose any additional charges. The Debtor believes that the rent provided for under the Lease is fair and reasonable and within the market rate for the area, the building and space. In addition, the Debtor general business counsel, Lombardo & Safford, subleases space in the current location, paying approximately 1/3 of the rent obligation.
Pursuant to Bankruptcy Code § 365(d)(4), the Debtor has 120 days from the Petition Date to assume or reject the Lease for Suite 350, which period expires on April 8, 2014. As of the date of the Disclosure Statement, the Debtor is current on its monetary obligations under the Lease. After considering the factors discussed above, among others, and the rejection damage claim which Douglas Emmett Realty Fund 1995 would be entitled were the Lease rejected, the Debtor elected, in the exercise of its business judgment, to assume the Lease through the filing its Commercial Lease Assumption Motion. As of the date of

the Disclosure Statement, the statutory notice period for entry of an order had not yet expired.

*7. Priority Tax Claim Motion*

On March 4, 2014 [Docket No. 74], the Debtor filed its Priority Tax Claim Motion seeking authorization to pay pre-petition real property taxes (excluding interest, penalties and/or other costs) due on various parcels of real estate owned by the Debtor. After reasonable consolation with the Committee, the Debtor determined, in the exercise of its business judgment that paying the pre-petition property taxes prior to Confirmation of the Plan was in the best interest of the Estate and creditors. At the time of the filing of the Priority Tax Claim Motion, the Debtor had sufficient funds on hand to pay the real estate taxes. The payment of real estate taxes prior to Confirmation of the Plan was intended to avoid further deterioration in the value of the Estate's interest in the real estate properties owned by the Debtor resulting from the ongoing accrual of interest, penalties and other charges at the expenses of the Estate.

Specifically, the Priority Tax Claim Motion seeks authorization to pay the following amounts:

| | |
|---|---|
| *West 8th Property* | $33,450.83 |
| *Ostin Avenue Property* | $7,222.78 |
| *Calle Laguna Property* | $52,888.60 |
| *Ocean Drive Property* | $72,403.54 |
| Total | $165,965.75 |

The Priority Tax Claim Motion was initially set for hearing on April 2, 2014 and has not yet been heard as of the date of this Disclosure Statement.

*8. Bank Stock Sales Procedures Motion*

As of the Petition Date, the Debtor was holding 20,000 shares of stock of Bank of San Francisco, which the Debtor estimated to have a value of approximately $200,000 in Schedule B of its Schedules filed in this Case. The Bank of San Francisco is a state-chartered bank, with its corporate office located at 575 Market Street, Suite 900, San Francisco, California. Shares of the Bank of San Francisco stock are not traded on any national or regional stock exchanges or over-the counter. Sales of the Bank of San Francisco's shares of stock are generally sold through private transactions between the Bank's registered shareholders and prospective purchasers. The Debtor is informed and

believes that once a price for the Bank of San Francisco's shares of stock has been negotiated and a final price has been agreed to by the parties, the private sales transaction is coordinated by the Bank of San Francisco's transfer agent, RTCO (Registrar and Transfer Company), 10 Commerce Drive, Cranford, NJ 07016. RTCO does not charge any commission to the Bank of San Francisco's registered shareholder for the transfer of the Bank's stock.

On February 28, 2014 [Docket No. 70], the Debtor filed its Bank Stock Sales Procedures Motion. By its Bank Stock Sales Procedures Motion, the Debtor requested authorization to sell 1,710 shares of the Bank of San Francisco's stock to a proposed purchaser pursuant to private sale, and to establish procedures for the Debtor to sell the remaining 18,290 shares of Bank stock, upon notice to the Committee, without the necessity and expense of filing separate motions for each such sale. The Debtor requested approval of sales procedures to avoid burdening the Estate with the unnecessary and wasteful professional fee expenses resulting from having to file separate motions for each proposed sale of the Bank of San Francisco stock. The Debtor proposed the following procedures be established for future sales of the Bank of San Francisco's stock.

- The Debtor may sell, by one or more private sales, all or a portion of the remaining 18,290 shares of the Bank of San Francisco's stock without further Court order, at a price of not less than $10 per share, after providing the Committee with five (5) days written notice of the proposed sale, with opportunity to object;

- The Debtor may sell, by one or more private sales, all or a portion of the remaining 18,290 shares of the Bank of San Francisco's stock without further order of the Court, at a price below $10 per share, upon written consent of the Committee;

- No overbid procedures for the subsequent private sales of Bank of San Francisco's stock will be required pursuant to LBR Rule 6004-1(c)(2)(B);

- Any and all subsequent private sales of the Bank of San Francisco's stock pursuant to the pre-authorized procedure is on an all cash basis with no conditions, terms, or contingencies;

- Any and all subsequent private sales of the Bank of San Francisco's stock pursuant to the pre-authorized procedure is "as is" and without "warranties;"

- Any and all subsequent private sales of the Bank of San Francisco's stock pursuant to the pre-authorized procedure will be free and clear of all claims, liens, interests and encumbrances;

- Any and all subsequent purchaser(s) of the remaining 18,290 shares of the Bank of San Francisco's stock will be entitled to the protection afforded by Bankruptcy Code § 363(m) with respect to any subsequent sale and transfer of any of the remaining 18,290 shares of the Bank of San Francisco's stock, upon the filing of a declaration by the Debtor and/or such purchaser establishing that such purchaser is not an "insider" within the definition of Bankruptcy Code § 101(31), and that the price for the subsequent shares of the Bank of San Francisco's stock was negotiated at arm's length;

- The Bank of San Francisco's transfer agent RTCO will be authorized to provide the stock transfer services for the Debtor and any and all of the other subsequent transactions for the remaining 18,290 shares of the Bank of San Francisco's stock.

The Committee has opposed the Bank Stock Sales Procedures Motion primarily on the basis that the Committee requires additional information respecting the Bank of San Francisco's short term business plan and how that plan may impact the value of the shares. For example, the Committee would like to know whether the Bank of San Francisco intends to merge with another bank or plans any public offering. The Debtor is using best efforts to obtain the information requested by the Committee and hopes to resolve the objection prior to the hearing on the Bank Stock Sales Procedures Motion. As of the date of the Disclosure Statement, the Bank Stock Sales Procedures Motion has not yet been ruled upon by the Bankruptcy Court.

## E. DESCRIPTION OF THE DEBTOR'S ASSET

The Debtor's assets consist primarily of cash, 4 parcels of real estate, three of which are REOs, Loans and the Bank of San Francisco's stock. The projected values below are based on gross values as of February 28, 2014.

### *1. Cash*

As of February 28, 2014, the Debtor has approximately $2,044,722.64 on deposit in its Debtor in Possession accounts (which includes the proceeds of the McCauley Borrower loan).

2. *Real Estate*

Currently, the Debtor has four parcels of real estate, three of which are REOs. Based on the best information currently available as of the date of the Disclosure Statement, the projected aggregate gross sales price for the real estate assets owned by the Debtor (without deduction for costs of sale, commissions and the RCS Loan) is approximately $5,394,000.

a. Ostin Property

The Ostin Property is residential real estate, located on the Westside of Valley Circle Boulevard in Woodland Hills, California. The house was built in or around 1963. The structure on the Ostin Property is approximately 3,250 permitted square feet. There is an additional 400 square feet which does not appear permitted. The house located on the Ostin Property has 5 bedrooms and 3 bathrooms. There is a two car garage and additional carport parking. The Ostin Property has a pool in working condition.

The Ostin Property is encumbered by a first deed of trust in favor of RCS, securing the RCS Loan, which has an unpaid principal balance of approximately $371,902.17. The property taxes are current.

The Ostin Property currently generates no income and is vacant. The expenses (excluding utilities) consists of, among other expenses, the monthly debt service to RCS in the approximate amount of $3,728.96, insurance of $236.83 per month and pool service of approximately $90 per month.

The Debtor scheduled its interest in the Ostin Property in Schedule A as having a value of approximately $875,000. The Debtor initially estimated the value based on a 2005 appraisal for $1,050,000, and the current market value in the area. The area in the San Fernando where the Ostin Property is located is a desirable area, with comparables in the areas selling for as much as $800,000 to $900,000. Unfortunately, the Ostin Property has considerable deferred maintenance. In addition, the former owners who the Debtor evicted after foreclosure have removed a number of kitchen and bathroom appliances.

The Ostin Property is currently listed for sale with Keller Williams Estate Properties, Calabasas. The Debtor has recently received and accepted an offer for approximately $670,000, which is in the due diligence period as of the date of the Disclosure Statement. Assuming escrow closes and no higher and better bid is received for the property, the net proceeds to the estate resulting from such sale is estimated to be approximately $243,970.05. This projection was arrived at by deducting the following

amounts from the purchase price: the outstanding balance due to the senior lienholder, RCS (Class 2), the Secured Tax Claim of approximately $7,227.78 and projected costs of sale, including brokers' commissions, in the approximate amount of $46,900 (based on an estimated 7%).

b. Ocean Drive Property

The Ocean Drive Property is residential real estate, located on the sand side of Ocean Drive known as Hollywood Beach in Oxnard, California. Hollywood Beach is an extremely desirable beach area in Ventura County for the ocean views and sand conditions. The house was built in or around 1953. The structure on the Ocean Drive Property is approximately 1,377 square feet on an approximately 2,625 square foot lot. The house has 3 bedrooms and 1 ½ bathrooms.

The Ocean Drive Property has no Secured Claim against it, except the Secured Tax Claim for unpaid property tax in the approximate amount of $90,760.16 of which approximately $72,403.54 consists of past due delinquent taxes.
The Debtor currently receives $2,600 per month in rental income. The property tax expense allocated on a monthly basis is approximately $1,072.68 per month, and insurance expense allocated per month is approximately $75.71 monthly.

The Debtor scheduled its interest in the Ocean Drive Property in Schedule A as having a value of approximately $1,895,000, which appears fairly consistent with the recent estimate of Beachfront Realtors, which estimates the fair market value to be approximately $1,824,525, based on a price of approximately $1,325 per square foot.

c. West 8th Property

The West 8th Property is a six unit building located in San Pedro, California. The structure was built in 1987. However, the interior units were remodeled in 2008 with the intention to convert the units to condominiums. The total square footage of the structure is approximately 5,787.

Five of the units are approximately 887 square feet, consisting of two bedrooms and 1 ¾ bathrooms. One of the units is approximately 1,350 square feet, consisting of 3 bedrooms and 3 bathrooms. Each unit has a private access to the garage.

The West 8th Property has no Secured Claim against it, except the Secured Tax Claim for unpaid property tax in the approximate amount of $39,249.97 of which $33,450.83 consists of past due delinquent taxes.

The Debtor currently receives $8,400 per month in rental income. The West 8th Property is not under rent control. The property tax expense allocated on a monthly basis is approximately $943 per month, and insurance expense allocated per month is approximately $75.71 monthly.

The Debtor scheduled its interest in the West 8th Property in Schedule A as having a value of approximately $1,185,000, which is based on an appraisal dated December 9, 2013, prepared by Cornerstone Realty Analysts, Inc., based on a price of approximately $204.77 per square foot.

d. Calle Laguna Property

The Calle Laguna Property is located in the rural area of Arroyo Grande, and the lot exceeds two acres and is zoned for horses and farming. The Debtor completed the structure in 2008 after its borrower abandoned the property and stripped the fixtures and appliances. The structure on the Calle Laguna Property is approximately 5,078 square feet on an approximately 110,206 square foot lot (2.53 acres). The house has 5 bedrooms and 4 bathrooms.

The Calle Laguna Property has no Secured Claim against it, except the Secured Tax Claim for unpaid property tax in the approximate amount of $68,382.13 of which approximately $52,888.60 consists of past due delinquent taxes.

The Debtor currently receives $2,250 per month in rental income. The property tax expense allocated on a monthly basis is approximately $1,064 per month, and insurance expense allocated per month is approximately $209 monthly.

The Debtor scheduled its interest in the Calle Laguna Property in Schedule A as having a value of approximately $1,675,000, which appears to be a fairly conservative estimate of value. The Calle Laguna Property had an appraised value in 2006 of approximately$2,800,000. The best estimate of value as of the date of the Disclosure Statement is approximately $1,715,449, based on a price of approximately $337.82 per square foot.

*3. Principal Due the Debtor on Remaining Loans*

Currently, the Debtor has 18 remaining Loans (after payment of the McCauley Loan discussed in Section III.D.4 of the Disclosure Statement). The aggregate principal balance of the remaining Loans (excluding accrued and unpaid interest and prospective interest) is approximately $6,566,610. The aggregate interest due is $831,621 for a total

due the Debtor of $7,396,231. ***Exhibit 7*** includes amounts that the Debtor reasonably anticipates collecting based on best information currently available as of the date of the Disclosure Statement.

Set forth below is a general description and general information about some of the exiting loans and collateral for such loans. However, information about the identity of the borrowers and specific financial information about them has been intentionally omitted so as to maintain confidentiality. Therefore, the loans are described only by number.

a. Loan Numbers 1 and 2.

Loan Numbers 1 and 2 are secured by real property, which consists of a 7 unit apartment building located at 1140 Chestnut, San Francisco, California ("**Chestnut Property**"). The estimated value of the Chestnut Property is approximately $4,600,000. The approximate senior lien balance is $1,500,000.[1] In addition to the senior loan balance, the Chestnut Property is secured by the Debtor's second deed of trust with the principal loan balance on the Debtor's Note of $1,547,072 and past due interest as of February 28, 2014 in the amount of $230,147 for a total amount due of $1,777,219 under the Debtor's Note secured by the second deed of trust. The interest rate of the Debtor's Note under the second deed of trust is 8.25%, and the loan matured on May 7, 2009.

The Chestnut Property is further secured by the Debtor's third deed of trust with the principal loan balance on the Debtor's Note of $703,015 and past due interest as of February 28, 2014 in the amount of $75,337 for a total balance of under the Debtor's Note of $778.352. As with the Debtor's loan secured by a second deed of trust, the interest rate is also 8.25%, and the loan secured by the Debtor's third deed of trust also matured on May 7, 2009.

b. Loan Numbers 3, 4 & 5.

Loan Numbers 3, 4 and 5 are unsecured loans. The security for these loans was sold prior to the Petition Date. The Debtor is still investing the circumstances respecting the background.

[1] With respect to the Loan Receivables, all of the senior lien balances are approximations and may consist of more than one loan.

c. Loan Number 6.

Loan number 6 is secured by real property, which consists of a single family residence located at 2904 Broad St. Newport Beach, California ("**Broad Street Property**"). The estimated value of the Broad Street Property is approximately $1,800,000. The senior lien balance is $1,250,000. In addition to the senior loan balance, there is a second deed of trust and note on the Broad Street Property, and the amount of the note is unknown. The Broad Street is also secured by the Debtor's third deed of trust with the principal loan balance of $34,849 and past due interest as of February 28, 2014 in the amount of $10,962 for a total balance of $45,811 on the Debtor's Note. The interest rate is 8.25%, and the loan matured on June 29, 2010.

d. Loan Number 7.

Loan number 7 is secured by real property, which consists of a single family residence located at 220 Santa Rosa Avenue, Sausalito, California ("**Santa Rosa Avenue Property**"). The estimated value of the Santa Rosa Avenue Property is approximately $1,550,000. The senior lien balance is $1,060,000. In addition to the senior loan balance, the Santa Rosa Avenue Property is secured by the Debtor's second deed of trust with the principal loan balance of $92.486 and past due interest as of February 28, 2014 in the amount of $23,841 for a total balance of $116,327 on the Debtor's Note. The interest rate is 8.25%, and the loan matured on January 25, 2011.

e. Loan Number 8.

Loan number 8 was paid off after the Petition Date. See, discussion in Section III.D.4 of the Disclosure Statement and the further discussion respecting the Loan Procedures Motion.

f. Loan Number 9.

Loan number 9 is secured by real property, which consists of a single family residence located at 117 Mystic Place, Alamo, California ("**Mystic Place Property**"). The estimated value of the Mystic Place Property is approximately $2,275,000. The approximate senior lien balance is $1,458,991, which consists of first, second and third deed of trusts. In addition to the senior loan balance, the Mystic Place Property is secured by the Debtor's fourth deed of trust with the principal loan balance of $62,554 on the Debtor's Note and past due interest as of February 28, 2014 in the amount of $2,520 for a total amount due under the Debtor's Note of $65,074. The interest rate of the Debtor's

Note secured by the fourth deed of trust is 10%, and the loan matured on December 31, 2013.

g. Loan Numbers 10 and 11.

Loan Numbers 10 and 11 are secured by real property, which consists of a single family residence located at 1615 Lawrence Road, Danville, California ("**Lawrence Road Property**"). The estimated value of the Lawrence Road Property is approximately $2,750,000. The senior lien balance is $2,160,000. There is non-Debtor third deed of trust on the Lawrence Road Property with a loan balance of $750,000. The Lawrence Road Property is secured by the Debtor's second and fourth deed of trust with the principal loan balances of $159,748 (second deed of trust) and $46,087 (fourth deed of trust) on the Debtor's Notes for a total of $205,835. There is no past due interest. The interest rate of the Debtor's Notes secured by the second and fourth deed of trust is 5%, and the loans will mature on November 29, 2014.

h. Loan Number 12.

Loan number 12 is secured by real property, which consists of a commercial building with an auto shop located at 1213-15 Fell Street, San Francisco, California ("**Fell Street Property**"). The estimated value of the Fell Street Property is $4,100,000. The senior lien balance is $2,090,000. In addition to the senior loan balance, the Fell Street Property is secured by the Debtor's second deed of trust with the principal loan balance of $165,618 on the Debtor's Note with no past due interest. The interest rate of the Debtor's Note secured by the second deed of trust is 8.25%, and the loan matured on September 15, 2012. Even though the Debtor's Note matured, the borrower is current on its payments of principal and interest.

i. Loan Number 13.

Loan #13 is secured by real property, which consists of a cabin located in El Dorado County, Echo Lake, California ("**Echo Lake Property**"). The estimated value of the Echo Lake Property is $1,900,000. The senior lien balance is $500,000. In addition to the senior loan balance, the Echo Lake Property is secured by the Debtor's second deed of trust with the principal loan balance of $836,816 and past due interest as of February 28, 2014 in the amount of $41,160 for a total amount due under the Debtor's Note of $877,976. The interest rate of the Debtor's Note secured by the second deed of trust is 8.25%, and the loan matured on January 3, 2014.

j. Loan Number 14.

Loan number 14 is secured by real property, which consists of a single family residence located at 22447 Charlene Way, Castro Valley, California ("**Charlene Way Property**"). The estimated value of the Charlene Way Property is $350,000. The senior lien balance is $565,000. In addition to the senior loan balance, there is a second deed of trust and the amount of the note is unknown. The Charlene Way Property is secured by the Debtor's third deed of trust with the principal loan balance of $189,108 and past due interest as of February 28, 2014 in the amount of $73,690 for a total amount due under the Debtor's Note of $262,798. The interest rate of the Debtor's Note secured by the third deed of trust is 8.25%, and the loan will mature on May 15, 2014.

k. Loan Number 15.

Loan number 15 is secured by real property, which consists of a single family residence (rental property) located at 1851 26th Avenue, San Francisco, California ("**26th Avenue Property**"). The estimated value of the 26th Avenue Property is $900,000. The senior lien balance is $620,000. In addition to the senior loan balance, the 26th Avenue Property is secured by Debtor's second deed of trust with the principal loan balance of $43,132. There is no past due interest. The interest rate of the Debtor's Note secured by the second deed of trust is 8.25%, and the loan will mature on June 14, 2014.

l. Loan Number 16.

Loan number 16 is secured by real property, which consists of a duplex (primary residence and rental) located at 1357-59 Vienna Way, Venice, California ("**Vienna Way Property**"). The estimated value of the Vienna Way Property is $1,500,000. The senior lien balance is $1,171,000. In addition to the senior loan balance, the Vienna Way Property is secured by a second deed of trust and the principal balance is unknown. The Debtor's third deed of trust has a principal loan balance of 235,795. There is no past due interest. The interest rate of the Debtor's Note secured by the third deed of trust is 4.50 %, and the loan will mature on January 1, 2015.

m. Loan Numbers 17 and 18.

Loan numbers 17 and 18 are secured by real property, which consists of a beachfront single family residence located at 162 Seadrift, Stinson Beach, California ("**Seadrift Property**"). The estimated value of the Seadrift Property is $4,500,000. The senior lien balance is $1,945,000. In addition to the senior loan balance, the Seadrift Property is secured by the Debtor's second deed of trust with the principal loan balance on

the Debtor's Note of $839,000 and past due interest as of February 28, 2014 in the amount of $122,816 for a total amount due of $961,186 under the Debtor's Note secured by the second deed of trust. The interest rate of the Debtor's Note under the second deed of trust is 6.75%, and the loan will mature on July 1, 2015.

The Seadrift Property is also secured by the Debtor's third deed of trust with the principal loan balance on the Debtor's Note of $530,869 and past due interest as of February 28, 2014 in the amount of $73,243 for a total amount due of $604,112 under the Debtor's Note secured by the third deed of trust. The interest rate of the Debtor's Note under the third deed of trust is 6.75%, and the loan will mature on July 1, 2015.

*4. Accrued and Unpaid Interest Due the Debtor on Remaining Loans*

The forgoing forecast for the 17 remaining Loans does not include accrued and unpaid interests due to the Debtor in connection with the 17 remaining Loans. The aggregate projected amount of accrued and unpaid interests currently due the Debtor in connection with the 17 remaining Loans (excluding prospective interest) is approximately $817,300.

*5. Bank of San Francisco Stock*

As of the Petition Date, the Debtor was holding 20,000 shares of stock of Bank of San Francisco, which the Debtor estimated to have a value of approximately $200,000 in Schedule B of its Schedules filed in this Case.

The Bank of San Francisco is a state-chartered bank, with its corporate office located at 575 Market Street, Suite 900, San Francisco, California. Shares of the Bank of San Francisco stock are not traded on any national or regional stock exchanges or over-the counter. Sales of the Bank of San Francisco's shares of stock are generally sold through private transactions between the Bank's registered shareholders and prospective purchasers. The Debtor is informed and believes that once a price for the Bank of San Francisco's shares of stock has been negotiated and a final price has been agreed to by the parties, the private sales transaction is coordinated by the Bank of San Francisco's transfer agent, RTCO (Registrar and Transfer Company), 10 Commerce Drive, Cranford, NJ 07016. RTCO does not charge any commission to the Bank of San Francisco's registered shareholder for the transfer of the Bank's stock.

The Debtor has received one offer to purchase 1,710 shares of the Bank of San Francisco's stock by a proposed purchaser pursuant to private sale for $12.95 per share for a total purchase price of $22,144.50. Assuming a price of $12.95 per share were applied

to all 20,000 shares held by the Debtor, it would place the value of the Bank of San Francisco's shares of stock at approximately $259,000.

*6. Ostin Insurance Claim*

The Debtor has submitted a claim to the insurance carrier in connection with the damage to the Ostin Property. Thus far, the insurance carrier has only offered approximately $15,000. The Debtor expressly reserves and preserves the right to pursue any and all claims against Farmers Insurance.

*7. Rights of Action/Errors and Omissions Claims*

The Debtor also has an interest in Rights of Action. However, the Debtor does not believe that these have significant value.

Rights of Action would include any errors and omissions claims involving officers and directors. Although the Debtor does not believe any such claims exist, the Debtor and the Committee continue to investigate those claims with are expressly reserved and preserved in the Disclosure Statement.

In connection with the errors and omissions claims, the Debtor maintains insurance coverage through Lloyd's of London. On January 30, 2014 and February 14, 2014, the Committee notified the Debtor of claims asserted against the Debtor and/or its officers and directors, which it contends are covered by insurance. ***Exhibit 1*** attached the Disclosure Statement is the notice sent on behalf of the Committee, consisting of a letter dated February 14, 2014 and an email correspondence dated January 30, 2014 describing the nature of the claim for errors and omissions.

## IV. SUMMARY OF THE PLAN OF REORGANIZATION

### A. General Statement About Classification Under The Plan

The Plan classifies Claims and Interests in various Classes according to their right to priority. The Plan states whether each Class of Claims or Interests is impaired or unimpaired. The Plan provides the treatment that each Class will receive. A Claim is classified in a particular Class only to the extent that the Claim falls within the Class description.

## B. UNCLASSIFIED CLAIMS

Certain types of Claims are not placed into voting Classes; and instead they are referred to as "unclassified". Unclassified Claims are not considered impaired and are not entitled to vote on the Plan because such Claims are automatically entitled to specific treatment provided in the Bankruptcy Code. As such, the Debtor has not placed the following Claims into a Class.

### *1. Administrative Expenses*

Administrative Expenses are Claims for costs or expenses of administering the Debtor's Chapter 11 Case which are Allowed under Bankruptcy Code §§503(b) and 507(a)(1), including, without limitation, (i) the actual, necessary costs and expenses incurred after the commencement of the Debtor's Chapter 11 Case, including unpaid property tax and other tax Claims, and (ii) Professional Fee Claims, consisting of compensation for legal and other services and reimbursement of expenses awarded pursuant to Bankruptcy Code §§ 330(a), 331 or 1103.

The extent and amount of Administrative Claims listed below are a projection of amounts reasonably expected to be unpaid as of the Effective Date, and will be supplemented based upon fee applications filed by the professionals, and actual Tax Claims, if any. The chart below lists all of the Debtor's projected unpaid balances for the Bankruptcy Code §§ 503(b) and 507(a)(1) Administrative Claims and their treatment under the Plan:

| ***CLAIMANT*** | ***ESTIMATED UNPAID BLANCE OF FEES OWED FROM THE PETIITON DATE THROUGH MARCH 31, 2014 (AFER APPLICATION OF RETAINERS)*** | ***ESTIMATE OF ADDITIONAL FEES FROM APRIL 1, 2014 THROUGH THE EFFECTIVE DATE[2],*** | ***TOTAL FEES PROJECTED THROUGH CONFIRMATION,*** | ***TREATMENT*** |
|---|---|---|---|---|
| **CMKF** | $210,000 | $100,000 | $310,000 | On the later of the Effective Date or the |

[2] For purposes of the estimates of Administrative Claims provided in this Section, the Plan assumes a hypothetical Effective Date of September 30, 2014.

| ***CLAIMANT*** | ***ESTIMATED UNPAID BLANCE OF FEES OWED FROM THE PETIITON DATE THROUGH MARCH 31, 2014 (AFER APPLICATION OF RETAINERS)*** | ***ESTIMATE OF ADDITIONAL FEES FROM APRIL 1, 2014 THROUGH THE EFFECTIVE DATE[2],*** | ***TOTAL FEES PROJECTED THROUGH CONFIRMATION,*** | ***TREATMENT*** |
|---|---|---|---|---|
| **(Debtor's Counsel)**<br><br>**Professional fees** | | | | date Allowed by the Bankruptcy Court, the Allowed Claim shall be paid in full in Cash as required under Bankruptcy Code §1129(a)(9)(A). |
| **SHB**<br><br>**(Committee Counsel)**<br><br>**Professional fees** | $46,000 | $100,000 | $146,000 | On the later of the Effective Date or the date Allowed by the Bankruptcy Court, the Allowed Claim shall be paid in full in Cash as required under Bankruptcy Code §1129(a)(9)(A). |
| **Lombardo**<br><br>**(Debtor's Special Counsel)**<br><br>**Professional fees** | | $9,000 | | |
| **Biggs & Co.**<br><br>**(Debtor's Accountants and Financial Advisors)** | $55,000 | $100,000 | $155,000 | On the later of the Effective Date or the date Allowed by the Bankruptcy Court, the Allowed Claim shall be paid in full in Cash as required under Bankruptcy Code §1129(a)(9)(A). |

| ***CLAIMANT*** | ***ESTIMATED UNPAID BLANCE OF FEES OWED FROM THE PETIITON DATE THROUGH MARCH 31, 2014 (AFER APPLICATION OF RETAINERS)*** | ***ESTIMATE OF ADDITIONAL FEES FROM APRIL 1, 2014 THROUGH THE EFFECTIVE DATE[2],*** | ***TOTAL FEES PROJECTED THROUGH CONFIRMATION,*** | ***TREATMENT*** |
|---|---|---|---|---|
| **Professional fees** | | | | |
| **Professional fee Expenses** | $25,000 | $25,000 | $50,000 | On the later of the Effective Date or the date Allowed by the Bankruptcy Court, the Allowed Claim shall be paid in full in Cash as required under Bankruptcy Code §1129(a)(9)(A). |
| **Committee Expenses** | | $5,000 | $5,000 | On the later of the Effective Date or the date Allowed by the Bankruptcy Court, the Allowed Claim shall be paid in full in Cash as required under Bankruptcy Code §1129(a)(9)(A). |
| **Clerk's Office Fees** | $0 | $0 | $0 | Any fees remaining unpaid as of the Effective Date shall be paid in full on the later of the Effective Date or as soon as practical after the Debtor is notified of any balance due. |
| **Office of the U.S. Trustee Fees** | $0 | $0 | $0 | Any fees remaining unpaid as of the Effective Date shall be paid in full on the later of the Effective Date or as soon as practical after the Debtor is |

| ***CLAIMANT*** | ***ESTIMATED UNPAID BLANCE OF FEES OWED FROM THE PETIITON DATE THROUGH MARCH 31, 2014 (AFER APPLICATION OF RETAINERS)*** | ***ESTIMATE OF ADDITIONAL FEES FROM APRIL 1, 2014 THROUGH THE EFFECTIVE DATE[2],*** | ***TOTAL FEES PROJECTED THROUGH CONFIRMATION,*** | ***TREATMENT*** |
|---|---|---|---|---|
| | | | | notified of any balance due.. |
| **Kenneth J. Pingree Jr.**<br><br>**(Insider Compensation Claim)** | $29,166.69<br><br>[Estimated for the period January I through April 1, 2014] | $33,333.36<br><br>[Estimated from the period April 15, 2014 through the Effective Date of the Plan (assuming a hypothetical Effective Date of August 1, 2014)] | $62,500.05<br><br>[Total Estimated Administrative Insider Compensation Claim] | On the Effective Date, the right to payment from the Estate on account of the Allowed Claims of Kenneth J. Pingree Jr. for Insider Compensation shall be waived; and, in exchange for such waiver, Kenneth J. Pingree Jr. shall receive and be entitled to an ***Allowed Pingree Setoff Claim*** in an amount that is equal to his Claims for Insider Compensation for the period commencing on the Petition Date through the Effective Date, calculated at the rate of $4,166.67 semi-monthly, which Allowed Pingree Setoff Claim may only be asserted by him against any damage claim against him resulting from, in connection with, or related to, any Right of Action or other litigation initiated against him by, or on behalf of, the Debtor, the Estate, the Liquidation Debtor, the Committee and/or any |

| ***CLAIMANT*** | ***ESTIMATED UNPAID BLANCE OF FEES OWED FROM THE PETIITON DATE THROUGH MARCH 31, 2014 (AFER APPLICATION OF RETAINERS)*** | ***ESTIMATE OF ADDITIONAL FEES FROM APRIL 1, 2014 THROUGH THE EFFECTIVE DATE[2],*** | ***TOTAL FEES PROJECTED THROUGH CONFIRMATION,*** | ***TREATMENT*** |
|---|---|---|---|---|
| | | | | Creditor in the Case, and in no event shall result in any monetary payment to Kenneth J. Pingree Jr. in this case. |
| **Patricia Pingree**<br><br>**(Insider Compensation Claim)** | $21,877.94<br><br>[Estimated for the period January 1 through April 1, 2014] | $25,003.36<br><br>[Estimated from the period April 15, 2014 through the Effective Date of the Plan (assuming a hypothetical Effective Date of August 1, 2014)] | $46,881.30<br><br>[Total Estimated Administrative Insider Compensation Claim] | On the Effective Date, the right to payment from the Estate on account of the Allowed Claims of Patricia Pingree for Insider Compensation shall be waived; and, in exchange for such waiver, Patricia Pingree shall receive and be entitled to an Allowed Pingree Setoff Claim in an amount that is equal to her Claims for Insider Compensation for the period commencing on the Petition Date through the Effective Date, , calculated at the rate of $3,125.00 semi-monthly, which Allowed Setoff Claim may only be asserted by her against any damage claim against her resulting from, in connection with, or related to, any Right of Action or other litigation initiated against her by, or on behalf of, the Debtor, the Estate, the Liquidation Debtor, the |

| ***CLAIMANT*** | ***ESTIMATED UNPAID BLANCE OF FEES OWED FROM THE PETIITON DATE THROUGH MARCH 31, 2014 (AFER APPLICATION OF RETAINERS)*** | ***ESTIMATE OF ADDITIONAL FEES FROM APRIL 1, 2014 THROUGH THE EFFECTIVE DATE[2],*** | ***TOTAL FEES PROJECTED THROUGH CONFIRMATION,*** | ***TREATMENT*** |
|---|---|---|---|---|
| | | | | Committee and/or any Creditor in the Case, and in no event shall result in any monetary payment to Patricia Pingree in this case. |
| **TOTAL PROJECTED ADMINISTRATIVE EXPENSES** | | | **$675,000**<br><br>(excluding the Allowed Pingree Setoff Claims of the Pingrees) | |

The aggregate amount of Cash required to pay in full all of the foregoing Administrative Claims (excluding the Allowed Pingree Setoff Claims) is referred to hereinafter collectively as the "**Administrative Claims Funding Amount**". The aggregate amount of Cash required to pay in full the Administrative Claims Funding Amount is approximately $675,000, which will be paid from Cash on hand. The projection of fees and expenses set forth above are estimates of fees and expenses projected to be incurred from the Petition Date through a hypothetical Effective Date of September 30, 2014, and are based upon the best information available at the time of the preparation of the Disclosure Statement. Although reasonable efforts have been made to estimate such fees and expenses as accurately as reasonably possible under the circumstances, the actual fees and expenses may vary from the projected amount, and actual results may end up to be less or more than the amounts projected.

a. Bankruptcy Court Approval of Fees Required

The Bankruptcy Court must rule on all fees listed in the above chart before the fees will be Allowed. All requests for professional compensation for professionals employed pursuant to Bankruptcy Code § 327 must be requested by applications for final allowance of compensation and reimbursement of expenses. Only the amount of

fees approved by the Bankruptcy Court will be Allowed and required to be paid under the Plan. Any objection to Administrative Claims for professional compensation for professionals employed pursuant to Bankruptcy Code § 327 shall be filed on or before the date specified in the application for final compensation and reimbursement of expenses.

Professional fees and expenses incurred after the Effective Date will not require Bankruptcy Court approval, and may be billed and paid at any time during the course of liquidation.

b. Allowance of Other Administrative Claims

Pursuant to the Plan, the Administrative Claims Bar Date is a date set forth in the Confirmation Order. All Administrative Claims (excluding professional compensation for professionals employed pursuant to Bankruptcy Code § 327) must have been asserted by the filing of a POC (i) designated as a request for payment of Administrative Expenses, (ii) asserting that such claim is allowable pursuant to Bankruptcy Code § 503(b), (iii) stating the amount of such claim, (iv) stating the basis of such claim, and (v) attaching documentation in support of such claim.

Any objection to any Administrative Claim (excluding those to professional compensation for professionals employed pursuant to Bankruptcy Code § 327) must be filed within one-hundred and twenty (120) days from the date such Administrative Claim is filed.

HOLDERS OF ADMINISTRATIVE CLAIMS (INCLUDING, WITHOUT LIMITATION, PROFESSIONALS) REQUESTING COMPENSATION OR REIMBURSEMENT OF EXPENSES THAT DO NOT FILE SUCH REQUESTS BY THE ADMINISTRATIVE CLAIMS BAR DATE SHALL BE FOREVER BARRED FROM ASSERTING SUCH CLAIMS AGAINST THE DEBTOR, THE DEBTOR'S ESTATE, LIQUIDATION DEBTOR OR PROPERTY OF LIQUIDATION DEBTOR OR ASSETS OR PROCEEDS HELD BY THE PLAN ADMINISTRATOR.

2. *Unclassified Priority Claims*

Priority Claims are certain types of Claims entitled to priority under the Bankruptcy Code. Certain types of Priority Claims are unclassified. Unclassified Priority Claims are not entitled to vote because such claims are not placed in Classes and they are required to receive certain treatment specified by the Bankruptcy Code.

Unclassified Priority Claims include Priority Tax Claims. Priority Tax Claims are certain unsecured claims of governmental entities for taxes, based on income, employment and other taxes described by Bankruptcy Code § 507(a)(8). The Bankruptcy Code requires that each Holder of such a Section 507(a)(8) Priority Tax Claim receive the present value of such Claim in deferred Cash payments, over a period not exceeding five (5) years from the Petition Date.

The following chart lists all of the Debtor's Unclassified Priority Claims and their treatment under the Plan.

| ***DESCRIPTION*** | ***AMOUNT OWED (Estimated)*** | ***TREATMENT*** |
|---|---|---|
| **CITY OF LOS ANGELES OFFICE OF FINANCE**<br>*Type of Claim:*<br>**Priority Tax Claim**<br>[Disputed Claim] | [Total Claim Asserted by such Claimant is $7,202.48, including interest and penalties pursuant to POC No. 37]<br>Priority Claim asserted by such Claimant is **$5,247.23** per POC No. 37<br>Debtor's estimate of the amount owed to such Claimant is **$0**<br>Penalties, if any, shall be treated in Class 7 | Unless otherwise agreed by the Liquidation Debtor and Plan Administrator and the claimant, the Holder of the Allowed Unclassified Priority Claims shall receive the full amount of its Allowed Claim in Cash on the Effective Date or as soon as practical thereafter. |
| **IRS**<br>*Type of Claim:*<br>**Priority Payroll Tax Claim for 4th quarter 2013 pursuant to IRS estimate.**<br>[Disputed Claim] | Priority Claim asserted by such Claimant is **$8,802.91** pursuant to POC No. 2-1<br>Debtor's estimate of the amount owed to such Claimant is **$0**<br>Penalties, if any, shall be treated in Class 7 | Unless otherwise agreed by the Liquidation Debtor and Plan Administrator and the claimant, the Holder of the Allowed Unclassified Priority Claims shall receive the full amount of its Allowed Claim in Cash on the Effective Date or as soon as practical thereafter. |

The IRS has filed a claim (POC No. 2-1) in the amount of $8,802.91 for Priority Payroll Tax for the fourth quarter of 2013, which appears to be a precautionary proof of claim. The Debtor believes it is current with payroll tax and that no amount will be owed. Biggs & Co. is working with the IRS to withdraw the claim. Nevertheless, the Plan provides for treatment of such IRS Claim as a precautionary measure. Similarly, the City of Los Angeles Office of Finance has filed a claim (POC No. 37) in the amount of $7,202.48 of which $5,247.23 is the Priority Claim and the balance consists of

interest and penalties. The Debtor disputes the Claim of the City of Los Angeles Office of Finance, and believes that there is no tax due and owing. Biggs & Co. is working with the City of Los Angeles Office of Finance to voluntarily withdraw the claim. Nevertheless, the Plan also provides for treatment of such claim as a precautionary measure.

## C. CLASSIFIED CLAIMS AND INTERESTS

### *1. Classes of Secured Claims*

The following charts identify the Plan's treatment of the Classes containing all of the Debtor's Secured Claims:

| ***CLASS NO.*** | ***DESCRIPTION*** | ***TREATMENT*** |
|---|---|---|
| **CLASS 1** | Class 1 consists of Allowed Secured Tax Claims. Each such Allowed Secured Claim shall be deemed and treated as a separate sub-class of Class 1 (e.g. Class 1A, 1B, 1C etc.). Class 1 is unimpaired under the Plan. | |
| **1A** | ***Secured Claim of:***<br>**LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR**<br><br>*Collateral description* = OSTIN PROPERTY AND WEST 8TH PROPERTY<br><br>Filed Claim Amount= $48,005.97 per POC No. 7<br><br>Debtor's Estimate of the Amount of the Claim = $40.673.61<br><br>Debtor's Estimate of the Fair Market Value of Collateral = $1,556,902<br><br>General Unsecured Claim = $0 | If not paid in full prior to the Effective Date pursuant to the Priority Tax Claim Motion, the Allowed Secured Tax Claim will be paid in respect of such Allowed Secured Tax Claim one of the following:<br><br>**Alternative 1**. The full amount thereof, without post-petition interest or penalty, (less any and all amounts paid after the Petition Date and prior to the Effective Date) in Cash, as soon as practicable after the later of (i) the Effective Date or (ii) ten (10) Business Days after the date on which such Secured Tax Claim becomes an Allowed Secured Tax Claim, or<br><br>**Alternative 2**. A lesser amount as agreed to by the Holder of an Allowed Secured Tax Claim and the Debtor (after reasonable consultation with the Committee) prior to the Effective Date, or, after the Effective Date, by the Holder of an Allowed Secured Tax Claim, and the Plan Administrator and Liquidation Debtor, or<br><br>**Alternative 3**. At the election of the Plan |

| *CLASS NO.* | *DESCRIPTION* | *TREATMENT* |
|---|---|---|
| | Penalties, if any, shall be treated in Class 7 | Administrator and Liquidation Debtor, in accordance with Bankruptcy Code § 1129(a)(9)(C), equal quarterly installments paid over a period ending no later than the fifth (5th) year anniversary of the Petition Date (and in such event, interest shall be paid on the unpaid portion of such Allowed Secured Tax Claims at a rate to be agreed to by the Plan Administrator, Liquidation Debtor and the appropriate Governmental Unit (or, if they are unable to agree, as determined by the Bankruptcy Court).<br><br>**Reservation of Defenses, Objections, Counterclaims and Other Rights**. Any defenses, objections, counterclaims, rights, rights of offset or recoupment of the Debtor or the Estate with respect to any Allowed Secured Tax Claim shall vest in and inure to the benefit of the Liquidation Debtor. .<br><br>**Further Assurances.** The Holders of the Allowed Secured Tax Claims shall promptly execute and deliver any and all documents and take such other or further actions as are reasonably necessary, appropriate or requested by the Plan Administrator and/or Liquidation Debtor to effectuate the provisions of the Plan. |
| **1B** | *Secured Claim of*:<br>**COUNTY OF SAN LUIS OBISPO**<br><br>*Collateral description* = CALLE LAGUNA PROPERTY<br><br>Claim Amount= $68,382.13<br><br>Debtor's Estimate of the Amount of the Claim = $52,888.60 | If not paid in full prior to the Effective Date pursuant to the Priority Tax Claim Motion, the Allowed Secured Tax Claim will be paid in respect of such Allowed Secured Tax Claim one of the following:<br><br>**Alternative 1**. The full amount thereof, without post-petition interest or penalty, (less any and all amounts paid after the Petition Date and prior to the Effective Date) in Cash, as soon as practicable after the later of (i) the Effective Date or (ii) ten (10) Business Days after the date on which such Secured Tax Claim becomes an Allowed Secured Tax Claim, or |

| *CLASS NO.* | *DESCRIPTION* | *TREATMENT* |
|---|---|---|
| | Debtor's Estimate of the Fair Market Value of Collateral = $1,715,449<br><br>General Unsecured Claim = $0<br><br>Penalties, if any, shall be treated in Class 7 | **Alternative 2**. A lesser amount as agreed to by the Holder of an Allowed Secured Tax Claim and the Debtor (after reasonable consultation with the Committee) prior to the Effective Date, or, after the Effective Date, by the Holder of an Allowed Secured Tax Claim, and the Plan Administrator and Liquidation Debtor, or<br><br>**Alternative 3**. At the election of the Plan Administrator and Liquidation Debtor, in accordance with Bankruptcy Code § 1129(a)(9)(C), equal quarterly installments paid over a period ending no later than the fifth (5th) year anniversary of the Petition Date (and in such event, interest shall be paid on the unpaid portion of such Allowed Secured Tax Claims at a rate to be agreed to by the Plan Administrator, Liquidation Debtor and the appropriate Governmental Unit (or, if they are unable to agree, as determined by the Bankruptcy Court).<br><br>**Reservation of Defenses, Objections, Counterclaims and Other Rights**. Any defenses, objections, counterclaims, rights, rights of offset or recoupment of the Debtor or the Estate with respect to any Allowed Secured Tax Claim shall vest in and inure to the benefit of the Liquidation Debtor. .<br><br>**Further Assurances.** The Holders of the Allowed Secured Tax Claims shall promptly execute and deliver any and all documents and take such other or further actions as are reasonably necessary, appropriate or requested by the Plan Administrator and/or Liquidation Debtor to effectuate the provisions of the Plan. |
| 1C | *Secured Claim of*:<br>**COUNTY OF VENTURA** | If not paid in full prior to the Effective Date pursuant to the Priority Tax Claim Motion, the Allowed Secured Tax Claim will be paid in respect of such Allowed Secured Tax Claim one of the following: |

| *CLASS NO.* | *DESCRIPTION* | *TREATMENT* |
|---|---|---|
| | *Collateral description* = OCEAN DRIVE PROPERTY<br><br>Claim Amount= $72,403.54<br><br>Debtor's Estimate of the Amount of the Claim = $72,403.54<br><br>Debtor's Estimate of the Fair Market Value of Collateral = $1,824,525<br><br>General Unsecured Claim = $0<br><br>Penalties, if any, shall be treated in Class 7 | **Alternative 1**. The full amount thereof, without post-petition interest or penalty, (less any and all amounts paid after the Petition Date and prior to the Effective Date) in Cash, as soon as practicable after the later of (i) the Effective Date or (ii) ten (10) Business Days after the date on which such Secured Tax Claim becomes an Allowed Secured Tax Claim, or<br><br>**Alternative 2**. A lesser amount as agreed to by the Holder of an Allowed Secured Tax Claim and the Debtor (after reasonable consultation with the Committee) prior to the Effective Date, or, after the Effective Date, by the Holder of an Allowed Secured Tax Claim, and the Plan Administrator and Liquidation Debtor, or<br><br>**Alternative 3**. At the election of the Plan Administrator and Liquidation Debtor, in accordance with Bankruptcy Code § 1129(a)(9)(C), equal quarterly installments paid over a period ending no later than the fifth (5th) year anniversary of the Petition Date (and in such event, interest shall be paid on the unpaid portion of such Allowed Secured Tax Claims at a rate to be agreed to by the Plan Administrator, Liquidation Debtor and the appropriate Governmental Unit (or, if they are unable to agree, as determined by the Bankruptcy Court).<br><br>**Reservation of Defenses, Objections, Counterclaims and Other Rights**. Any defenses, objections, counterclaims, rights, rights of offset or recoupment of the Debtor or the Estate with respect to any Allowed Secured Tax Claim shall vest in and inure to the benefit of the Liquidation Debtor. .<br><br>**Further Assurances.** The Holders of the Allowed Secured Tax Claims shall promptly |

| *CLASS NO.* | *DESCRIPTION* | *TREATMENT* |
|---|---|---|
| | | execute and deliver any and all documents and take such other or further actions as are reasonably necessary, appropriate or requested by the Plan Administrator and/or Liquidation Debtor to effectuate the provisions of the Plan. |

| *CLASS NO.* | *DESCRIPTION* | *TREATMENT* |
|---|---|---|
| CLASS 2 | ***Secured Claim of:***<br>**RCS**<br><br>*Collateral description* = OSTIN PROPERTY<br><br>Filed Claim Amount= None<br><br>Scheduled Claim = $370,000<br><br>Debtor's Estimate of the Amount of the Claim = **$371,902.17**<br><br>Scheduled Value of Ostin Property = $875,000<br><br>Debtor's Estimate of the Fair Market Value of Collateral = $670,000<br><br>General Unsecured Claim = $0 | Class 2 consists of the Allowed Secured Claim of RCS, the Holder of the first lien against the Ostin Property. Class 2 is unimpaired under the Plan, and the legal, equitable, and contractual rights of the Holder of the Allowed Class 2 Secured Claim is unaltered by the Plan. Except to the extent that the Holder of the Allowed Class 2 Secured Claim agrees to a less favorable treatment to such Holder, on the Effective Date, the Allowed Class 2 Secured Claim shall be treated as follows:<br><br>**Unimpaired Treatment.** The Holder of the Allowed Class 2 Secured Claim shall be treated in a manner such that the Allowed Class 2 Secured Claim shall be rendered unimpaired on the later of the Effective Date and the date on which such Class 2 Secured Claim becomes an Allowed Claim or as soon as reasonably practicable thereafter have its Allowed Class 2 Secured Claim be reinstated in accordance with Bankruptcy Code § 1124, which treatment may include the assumption of such Allowed Class 2 Secured Claim by a purchaser of the Ostin Property, provided, however, that such assumption is permitted under the applicable loan documents.<br><br>**Payment in Full.** Upon sale of the Ostin Property, the Holder of the Allowed Class 2 Secured Claim shall receive Cash in an amount equal to such Allowed Class 2 Secured Claim as soon as practical |

| *CLASS NO.* | *DESCRIPTION* | *TREATMENT* |
|---|---|---|
| | | following close of escrow for the sale of the Ostin Property.<br><br>**Retention of Lien Rights.** The lien to which the Holder of the Allowed Class 2 Secured Claim is entitled shall remain in place and unaltered by the Plan.<br><br>**Reservation of Defenses, Objections, Counterclaims and Other Rights.** Any defenses, objections, counterclaims, rights, rights of offset or recoupment of the Debtor or the Estate with respect to such Claim shall vest in and inure to the benefit of the Liquidation Debtor.<br><br>**Further Assurances.** The Holder of the Allowed Class 2 Secured Claim shall promptly execute and deliver any and all documents and take such other or further actions as are reasonably necessary, appropriate or requested by the Plan Administrator and/or Liquidation Debtor to effectuate the provisions of the Plan. |

The Ostin Property is an REO, now owned by the Debtor. The Ostin Property is residential real estate, located on the Westside of Valley Circle Boulevard in Woodland Hills, California. RCS hold a first deed of trust against the Ostin Property, securing the RCS Loan, which has an unpaid principal balance of approximately $371,902.17. The property taxes are current. The Debtor acquired title to the Ostin Property by foreclosing on its junior lien. Although the Debtor is not the borrower under the RCS Loan, the Debtor continues to service the RCS Loan since acquiring its interest in foreclosure.

The Ostin Property currently generates no income and is vacant. The prior owners left the property in such a state of disrepair that it would not be in the interest of public safety for it to be lease at this time, without a substantial expenditure of funds by the Debtor. The expenses (excluding utilities) consists of, among other expenses, the monthly debt service to RCS in the approximate amount of $3,728.96, insurance of $236.83 per month and pool service of approximately $90 per month. Under the Plan,

the Debtor intends to continue to service the debt and expenses until sale of the Ostin Property.

The Debtor scheduled its interest in the Ostin Property in Schedule A as having a value of approximately $875,000. The Debtor initially estimated the value based on a 2005 appraisal for $1,050,000, and the current market value in the area. The area in the San Fernando where the Ostin Property is located is a desirable area, with comparables in the areas selling for as much as $800,000 to $900,000. Unfortunately, the Ostin Property has considerable deferred maintenance. The former owners left the house with a number of safety issues, such as missing staircase banisters. In addition, the former owners, who the Debtor evicted after foreclosure, have removed a number of kitchen and bathroom appliances.

The Ostin Property is currently listed for sale with Keller Williams Estate Properties, Calabasas. The Debtor has recently received an offer for approximately $670,000. The Debtor is hopeful that a sale will be closed prior to the Effective Date.

| ***CLASS NO.*** | ***DESCRIPTION*** | ***TREATMENT*** |
|---|---|---|
| **CLASS 3** | **OTHER SECURED CLAIMS,** INCLUDING AGAINST ANY REO'S (EXCLUDING THE SECURED CLAIM IN CLASS 1 AND 2).<br><br>*Collateral description* = None<br><br>Filed Claim Amount= N/A<br><br>Scheduled Claim = N/A<br><br>Debtor's Estimate of the Amount of the Claim = N/A<br><br>General Unsecured Claim = N/A | Class 3 consists of all Other Secured Claims against any of the Assets, excluding those set forth in Classes 1 and 2. Each such Allowed Secured Claim shall be deemed and treated as a separate sub-class of Class 3 (e.g. Class 3A, 3B, 3C etc.). Class 3 is unimpaired under the Plan.<br><br>Unless the Holder of an Allowed Class 3 Claim in a particular Class 3 subclass agrees to other treatment, on or as reasonably practical after the Effective Date, such Holder shall receive, at the Liquidation Debtor's option:<br><br>**Alternative 1**: Cash in the Allowed amount of such Holder's Allowed Class 3 Secured Claim;<br><br>**Alternative 2**: The return of the collateral securing such Allowed Class 3 Secured Claim; or,<br><br>**Alternative 3**: (a) The cure of any default, other than a default of the kind specified in |

| *CLASS NO.* | *DESCRIPTION* | *TREATMENT* |
|---|---|---|
| | | Bankruptcy Code § 365(b)(2) that Bankruptcy Code § 1124(2) requires to be cured, with respect to such Holder's Allowed Class 3 Claim, without recognition of any default rate of interest or similar penalty or charge, and upon such cure, no default shall exist; (b) the reinstatement of the maturity of such Allowed Class 3 Claim as the maturity existed before any default, without recognition of any default rate of interest or similar penalty or charge; and, (c) its unaltered legal, equitable, and contractual rights with respect to such Allowed Class 3 Claim.<br><br>**Reservation of Defenses, Objections, Counterclaims and Other Rights**. Any defenses, objections, counterclaims, rights, rights of offset or recoupment of the Debtor or the Estate with respect to such Claim shall vest in and inure to the benefit of the Liquidation Debtor.<br><br>**Further Assurances**. Each Holder of an Allowed Class 3 Secured Claim shall promptly execute and deliver any and all documents and take such other or further actions as are reasonably necessary, appropriate or requested by the Plan Administrator and/or Liquidation Debtor to effectuate the provisions of the Plan. |

The Debtor does not believe that any Class 3 Claims exist as of the date of the Disclosure Statement. The Debtor has provided for treatment of this Class merely as a precautionary measure, such as in the event the Debtor forecloses on property and acquires another REO subject to a senior lien prior to the Effective Date, or in the event that a Claim is filed or the Debtor discovers a claim, which was previously unknown or overlooked at the time it prepared its Schedules. The provision for this Class and the subclasses under the Plan are intended to avoid the necessity of later amendment or modification of the Plan should a Claim that qualifies for treatment in this Class be ascertained prior to Confirmation.

2. *Classes of Commercial Paper Account Claims and General Unsecured Claims.*

General Unsecured Claims and Commercial Paper Account Claims are unsecured Claims not entitled to priority under Bankruptcy Code §507(a). The following charts identify the Plan's treatment of the Classes containing the Debtor's Allowed General Unsecured Claims and Allowed Commercial Paper Account Claims.

a. CLASS 4 - Classification and Treatment of Early Cash-Out Election Class.

| *CLASS NO.* | *DESCRIPTION* | *TREATMENT* |
|---|---|---|
| CLASS 4 | **EARLY CASH-OUT ELECTION CLASS**<br><br>Debtor's estimate as to the number of Commercial Paper Account Claims equal to and under $200,000, eligible to opt into this Class = approximately 150<br><br>Debtor's estimate as to the aggregate amount of the Commercial Paper Account Claims equal to and under $200,000 eligible to opt into this Class = approximately $ 7,978,487.17<br><br>Debtor's estimate as to the possible aggregate amount of potential distribution to Early Cash-Out Election Claims (assuming each and every Holder of a Commercial Paper Account Claim equal to or under $200,000 eligible to opt into Class 4 actually opts into this Class 4 = approximately $1,739,232.20 | Class 4 is an Early Cash-Out Election Class created for any Holder of Allowed Commercial Paper Account Claim or Allowed General Unsecured Claim whose unpaid principal balance and accrued and unpaid interest as of the Petition Date is greater than $0 and less than or equal to $200,000 (or for which the Creditor elects (pursuant to the appropriate election on the Ballot for Class 4 or other written instrument submitted and satisfactory to the Debtor) to reduce such Allowed Claim to $200,000), and who would rather accept a discounted payoff on the Effective Date, rather than accepting deferred payments and waiting for the orderly liquidation to be completed. The election to opt into the Early Cash-Out Election Class is available to any Holder of an Allowed Commercial Paper Account Claim and/or Allowed General Unsecured Claim whose unpaid principal balance and accrued and unpaid interest as of the Petition Date is in an amount that is greater than $0 and less than or equal to $200,000, and who voluntarily elects to opt into Class 4 (in the manner and on the conditions set forth below) and be treated as a Holder of an Early Cash-Out Election Claim. In the absence of timely election and compliance with each of the conditions, the Holders of Allowed Commercial Paper Account Claims and/or Allowed General Unsecured Claims will automatically be treated in Classes 5, 6 and/or 7, as applicable. |

| *CLASS NO.* | *DESCRIPTION* | *TREATMENT* |
|---|---|---|
| | | In order for any Holder an Allowed Commercial Paper Account Claim or Allowed General Unsecured Claim to opt into Class 4 and receive the treatment provided in Class 4 (a) the portion of such Holder's Commercial Paper Account Claim or General Unsecured Claim representing the unpaid principal balance and accrued and unpaid interest as of the Petition Date must be Allowed in an amount that is greater than $0 and less than or equal to $200,000; (b) each such Holder must voluntarily elect on the Ballot (or other written instrument submitted and satisfactory to the Debtor) to be treated as an Early Cash-Out Election Claim in Class 4; and, (c) each such Holder must execute and deliver to the Debtor prior to the Ballot Deadline (i) a Ballot accepting the Plan, and (ii) the Release.<br><br>Any Holder an Allowed Commercial Paper Account Claim or Allowed General Unsecured Claim qualifying and electing treatment in Class 4, in exchange for the treatment provided in Class 4, waives as of the Effective Date, any and all other Claims of any kind or nature, including, without limitation, those qualifying for treatment in Classes 5, 6 and/or 7, and also waives any further right to participate in, or receive, any further Distribution under, or in connection with, the Plan.<br><br>Any Holder of an Allowed Commercial Paper Account Claim or Allowed General Unsecured Claim that fails to timely comply with (a), (b) and (c)(i) and (c)(ii) above, will automatically have their Allowed Claims treated in Classes 5, 6 and/or 7, as applicable.<br><br>The Holders of Claims in this Class are impaired under the Plan and entitled to vote on the Plan. However, to qualify for treatment in Class 4, the Holder must vote to accept the Plan. In the event that any Holder rejects the Plan, such Holder will be deemed not to have made a timely election to |

| *CLASS NO.* | *DESCRIPTION* | *TREATMENT* |
|---|---|---|
| | | opt into Class 4, and such Holder's Commercial Paper Account Claim or General Unsecured Claim (as applicable) will be treated in Classes 5, 6 and/or 7, as applicable.<br><br>Each Holder of an Allowed Early Cash-Out Election Claim that elects and qualifies for treatment in Class 4 will receive, as soon as practical after the later of (i) the Effective Date or (ii) ten (10) Business Days after the date on which such Claim is determined to qualify as an Allowed Early Cash-Out Election Claim, in full, final and complete satisfaction of any and all of its Allowed Claims, including without limitation, its Allowed Claims in Classes 5, 6, and 7, one of the following Alternative Treatments at the election of the Debtor:<br><br>**Alternative 1:** If seventy percent (70%) of Effective Date Available Cash on hand as of the Effective Date is sufficient to permit the Plan Administrator to make the entire Early Cash-Out Election Claim Payment on the Effective Date, each Holder of an Allowed Early Cash-Out Election Claim will receive one Cash payment on the Effective Date in an amount that is equal to **thirty-five percent (35%)** of its Allowed Early Cash-Out Election Claim in full, final and complete satisfaction of any and all Claims of any kind or nature whatsoever, including, without limitation, its Allowed Commercial Paper Account Claims in Classes 5, 6, and/or 7 and/or Allowed General Unsecured Claims in Class 5, and such Holder will not be entitled to any future Distribution whatsoever under the Plan.<br><br>**Alternative 2:** Alternatively, in the event that seventy percent (70%) (or more in the discretion of the Plan Administrator) of the Effective Date Available Cash on hand as of the Effective Date is **not** sufficient to permit the Plan Administrator to make the entire Early Cash-Out Election Claim Payment on the Effective |

| *CLASS NO.* | *DESCRIPTION* | *TREATMENT* |
|---|---|---|
| | | Date, each Holder of an Allowed Early Cash-Out Election Claim will receive the following:<br><br>(i) One payment on the Effective Date from seventy percent (70%) of Effective Date Available Cash, distributed Pro Rata among the other Holders of Allowed Early Cash-Out Election Claims electing treatment in this Class; and,<br><br>(ii) A second payment as soon as practicable after the Plan Administrator has accumulated sufficient Available Cash after the Effective Date to make a further Distribution in such amount so that the payment received by such Holder on the Effective Date under paragraph (i) above, and the additional payment received from seventy percent (70%) of Available Cash after the Effective Date under this paragraph (ii), are equal to an aggregate of **thirty-five percent (35%)** of each Holders Allowed Early Cash-Out Election Claim; plus, simple interest calculated at the rate of five percent (5%) per annum, on the unpaid difference between (x) the payment received by such Holder on the Effective Date under paragraph (i) above, and (y) thirty-five percent (35%) of each Holders Allowed Early Cash-Out Election Claim, which interest shall accrue commencing on a date which is the first Business Day of the first full month following the Effective Date through the date which is five Business Days prior to the date on which the Plan Administrator delivers the second payment under paragraph (ii) (delivery effective upon mailing).<br><br>Pursuant to Alternative 2, once each Holder of the Allowed Early Cash-Out Election Claim receives payment under paragraphs (i) and (ii) in an amount that is equal to **thirty-five (35%)** of its Allowed Early Cash-Out Election Claim, such Distribution shall be in full, final and |

| *CLASS NO.* | *DESCRIPTION* | *TREATMENT* |
|---|---|---|
| | | complete satisfaction of any and all Claims of any kind or nature whatsoever, including, without limitation, its Allowed Commercial Paper Account Claims in Classes 5, 6, and/or 7 and/or Allowed General Unsecured Claims in Class 5, and such Holder will not be entitled to any future Distribution whatsoever under the Plan<br><br>The Debtor shall file a Plan Supplement with the Bankruptcy Court on or before the Exhibit Filing Date, which shall specify the number of Early Cash-Out Election Claims and the amount of such claims electing to be treated in Class 4, and whether the Plan Administrator must adopt Alternative 1 or 2 treatment above. Such Plan Supplement shall be served on the Committee, UST and Holders of the Early Cash-Out Election Claims. |

The Early Cash-Out Election Class is an elective Class available to the Holders of Allowed Commercial Paper Account Claims whose claims are $200,000 or less (or reduced to $200,000), as well as to Holders of Allowed General Unsecured Claims. The Debtor is aware of only one General Unsecured Claims at this time, which the Debtor does not anticipate will opt into Class 4 (*see* discussion in Class 5 below). Therefore, Class 4 is primarily created for the benefit of Commercial Paper Account Holders whose unpaid principal balance and accrued and unpaid interest as of the Petition Date is $200,000 or less, and who would rather accept a discounted payoff, rather than accepting deferred payments and waiting for the orderly liquidation to be completed.

The election to be treated in this Class must be made on the Ballot accepting the Plan by the Ballot Deadline. Qualified Commercial Paper Account Holders electing into this Class will receive upon confirmation of the Plan, thirty-five percent (35%) of the amount of its principal balance and accrued and unpaid interest as of the date of filing of the Chapter 11. By way of example, assuming a Commercial Paper Account Holder has a claim for $100,000, such creditor will receive $35,000 in full and final satisfaction of its claims.

Out of an estimated 175 Commercial Paper Account Claims, the Debtor estimates that the number of Commercial Paper Account Claims equal to and under $200,000 eligible to opt into Class 4 is approximately 150. The Debtor estimates that the

aggregate number of Commercial Paper Account Claims equal to and under $200,000 eligible to opt into Class 4 is approximately 150, and that the aggregate amount of the Commercial Paper Account Claims equal to and under $200,000 eligible to opt into Class 4 is approximately $7,978,487.17, assuming each and every Holder of a Commercial Paper Account Claims eligible to opt into Class 4, actually opts into Class 4.

Until the elections are actually received by the Debtor, the Debtor cannot reasonably project with exactitude the precise number, and amount of the claims, of the Commercial Paper Account Holders (with claims equal to or under $200,000) who will actually elect into Class 4. Therefore, the Debtor cannot predict with any degree of certainty whether or not the Plan Administrator will have cash on hand as of confirmation of its Plan sufficient to fund the entire thirty-five percent to all creditors electing treatment in Class 4 due to the number of variables involved.

For this reason, among others, the initial version of the Debtor's Plan proposed a much lower ceiling than $200,000. During negotiations, the Committee requested pushing the maximum amount required to qualify for Class 4 to $200,000. However, the Debtor was concerned that opening the election to Commercial Paper Account Claims of $200,000 or less may have a materially adverse impact upon feasibility of the Plan because the amount of Commercial Paper Account Claims qualifying for Class 4 swells from nearly $5 million to nearly $8 million at that increased ceiling, thereby potentially resulting in a material increase in the Effective Date Available Cash necessary to fund a payment of 35% to Class 4 on the Effective Date. The Debtor initially believed that the $150,000 set forth in the original plan represented a fair compromise balancing, on the one hand, the desire of the Committee to offer an early cash-out to as many Commercial Paper Account Holders as reasonably possible, and reduce the number of Commercial Paper Account Claims in order to increase distribution to larger claim Holders in Class 5, and, on the other hand, the desire of the Debtor to ensure that the Plan is feasible. Furthermore, the Debtor felt that being compelled to borrow funds from larger Commercial Paper Account Holders as proposed by the Committee in order to make the Effective Date payment to Class 4 was not in the best interest of the Estate and Creditors, and was potentially fraught with conflicts.

However, further negotiations between the Debtor and the Committee and subsequent events have resulted in a compromise that enables the Debtor to agree to an increase in the Class 4 cap as requested by the Committee. The Plan, as amended, eliminates the requirement for the Debtor to borrow money to make the Effective Date payment to Class 4. The Committee has agreed to support the Debtor's proposal to provide the Plan Administrator with the authority, in his discretion, to break the Class

4 payment into two payments, if required. In addition, a number of items occurring subsequent to the filing of the initial plan have enabled the Debtor to reconsider its original position on the issue in order to reach a consensual plan with the Committee, such as higher than anticipated offers being submitted for the West 8th Street Property. Therefore, the Plan, as amended, has opened Class 4 to Holders of a Commercial Paper Account Claims having claims equal to or under $200,000 (instead of the $150,000 set forth in the original plan).

By way of example, with a $200,000 ceiling to qualify for treatment in Class 4, the Debtor estimates that the possible aggregate amount of potential distribution required to pay the Early Cash-Out Election Claims on the Effective Date could be as much as approximately $2,792,470 (35% of $7,978,487), assuming each and every Holder of a Commercial Paper Account Claim (equal to or under $200,000) eligible to opt into Class 4, actually opts into Class 4. Although this is a highly unlikely scenario, it is a possible one. [The Debtor's financial analysis is discussed in more detail in the Financial Sections of the Disclosure Statement contained in Sections V and VI and the exhibits, and the reader is encouraged to review those sections and the attached exhibits.]

For purposes of illustration only, if the unlikely hypothetical comes to fruition whereby each and every eligible Commercial Paper Account Holder (holding a claim of $200,000 or less) opts into Class 4, it could result in the Debtor having a shortfall of approximately $1,881,670 in the amount of Effective Date Available Cash required for it to satisfy the requisite 35% payment to each Holder of an Early Cash-Out Election Claims on the Effective Date.

The foregoing calculation in the shortfall of Effective Date Available Cash under this scenario is arrived at by taking the Debtor's projected cash on hand as of the Effective Date in the estimated amount of $2,537,341, consisting of (a) cash on hand of $2,044,723 as of March 1, 2014, (b) projected net proceeds of $252,618 resulting to the Estate from the sale of the Ostin Property (after payment of the senior lienholder, RCS and closing costs, including broker's commissions); and, (c) $240,000 in additional interest collections through the Effective Date, collected from borrowers whose notes are part of the remaining Loan Portfolio.

From the $2,537,341 of projected cash on hand as of the Effective Date, the Plan Administrator must deduct approximately (i) $689,050 required to pay and/or reserve for projected Administrative Claims and Disputed Tax Claims on the Effective Date, (ii) $207,148 required to pay Secured Property Tax Claims and, (iii) $100,000 for Plan Reserves.

The foregoing calculations leaves a balance of approximately $1,541,143, from which the Liquidation Debtor shall distribute seventy percent (70%) of the balance (or more in its discretion) resulting in an aggregate distribution to Class 4 on the Effective Date of approximately $1,078,800 (out of the required $2,792,470 necessary to distribute 35% to each Holder under this hypothetical), leaving a shortfall of $1,713,670 of Effective Date Available Cash required to make the entire 35% distribution to Class 4 on the Effective Date.

Pursuant to the foregoing hypothetical, the Liquidation Debtor will be required to make a second payment to the Holders of Allowed Early Cash-Out Election Claims in Class 4 in the aggregate amount of approximately $1,713,670 (plus interest) required for it to satisfy the requisite 35% payment to each Holder of an Early Cash-Out Election Claim.

The second payment of $1,713,670 (plus interest) due to Commercial Paper Account Holders holding a claim of $200,000 or less (assuming they all opts into Class 4 under the above hypothetical) shall be made from additional proceeds of the liquidation received after the Effective Date. Under the Plan, the Liquidation Debtor will distribute the second payment once it accumulates sufficient cash to make such payments. The exact timing of the second payment cannot be predicted with certainty. However, the Debtor anticipates additional collections reasonably soon after the Effective Date in the approximate amount of $2,200,000 which the Plan Administrator may use for the second payment, derived from the following immediately identifiable sources: (a) approximately $1,200,000 of projected net proceeds resulting from the potential sale of the West 8th Street Property (based on the current offers being received and considered), (ii) approximately $1,000,000 in loan payoffs from its Loan Portfolio, and, (iii) additional interest collections from the Loan Portfolio of approximately $30,000 per month. It is also possible that the Liquidation Debtor may have sufficient cash on hand as of the Effective Date to make the entire 35% distribution to Class 4 under this extreme scenario, if the sale of the West 8th Street Property closes prior to the Effective Date and several of the loans are paid-off timely.

The foregoing analysis consists of an extreme scenario in which each and every eligible Commercial Paper Account Holder (holding a claim of $200,000 or less) opts into Class 4. It is highly unlikely that this will occur. In other words, the Debtor does not anticipate the shortfall in the initial payment to Class 4 to be as high as projected in the hypothetical discussed above, because, among other reasons, it is not likely that each and every Holder of a Commercial Paper Account Claim eligible to opt into Class 4, will, in fact, actually opt into Class 4. In addition, Administrative Claims or Plan Reserves could be less than projected (although it is entirely possible that they may be

higher as well). Furthermore, the Liquidation Debtor is not required under the Plan to reserve the entire 30% of Available Cash (as long as the Plan Administrator determines that adequate Plan Reserves are on hand), and may in its discretion decrease the amount reserved from Available Cash at any point in time, such as by reducing the amount reserved and electing to distribute 80% of the Available Cash rather than 70%. In other words, the Liquidation Debtor and Plan Administrator may distribute at any time a higher percentage of Available Cash than 70%.

However, the Debtor anticipates that a more realistic hypothetical is as follows. Assume hypothetically approximately 60% of the amount of the Claims held by Commercial Paper Account Holders holding claims of $200,000 or less timely elect treatment in Class 4, and further assume for purposes of this hypothetical that the Plan Administrator has the aggregate amount of $1,078,800 of projected Effective Date Available Cash to distribute on the Effective Date, the aggregate amount of Commercial Paper Account Claims opting into Class 4 would be approximately $4,787,092 (60% of $7,978,487). Therefore, based on this hypothetical, the aggregate amount of cash required for distribution of 35% would be approximately $1,675,482. The Plan Administrator would have the option under the Plan of distributing one payment on the Effective Date from the aggregate amount of $1,078,800 of projected Effective Date Available Cash to Holders of Early Cash-Out Election Claims on a Pro Rata basis, resulting in an initial distribution of 22.5% to each Holder of an Early Cash-Out Election Claim on the Effective Date. Thereafter, the Plan Administrator will distribute a second payment equal to an additional 12.5% (plus accrued interest on the second payment) to each Holder of an Early Cash-Out Election Claim from 70% of Available Cash as soon as practical following the Plan Administrators accumulation of sufficient Available Cash from the proceeds of liquidation to make such payment, so that the aggregate of the two payments to each Holder of an Early Cash-Out Election Claim is equal to 35% of such Holders Early Cash-Out Election Claim (plus accrued interest on the second payment).

Assume one more hypothetical that approximately 38% of the of the amount of the Claims held by Commercial Paper Account Holders holding claims of $200,000 or less timely elect treatment in Class 4, the aggregate amount of Commercial Paper Account Claims opting into Class 4 would be approximately $3,031,825 (38% of $7,978,487). Therefore, based on this hypothetical, the aggregate amount of cash required for distribution of 35% would be approximately $1,061,139. Further assume for purposes of this hypothetical that the Plan Administrator has the aggregate amount of $1,078,800 of projected Effective Date Available Cash to distribute on the Effective Date. Therefore, based on this hypothetical, the Plan Administrator would distribute on the Effective Date the entire 35%, and the two payment option will not be required.

In order for a Commercial Paper Account Holder to opt into Class 4 and receive a discounted cash-out, the portion of the Commercial Paper Account Claim for unpaid principal and accrued and unpaid interest as of the Petition Date must be in an amount that is greater than $0 and less than or equal to $200,000; the Holder must voluntarily elect on the Ballot (or other written instrument submitted and satisfactory to the Debtor) to be treated as an Early Cash-Out Election Claim in Class 4; and, the Holder must execute and deliver to the Debtor prior to the Ballot Deadline (i) a Ballot accepting the Plan, and (ii) the Release, whereby the Commercial Paper Account Holder qualifying and electing treatment in Class 4, in exchange for the treatment provided in Class 4, releases, among other things, all other claims and any further right to distribution under the Plan. In the absence of timely election and compliance with each of the conditions necessary to elect into Class 4, the Commercial Paper Account Holders will automatically be treated in Classes 5, 6 and/or 7, as applicable.

Class 4 has been created for several reasons. The existence of Class 4 potentially reduces the administrative burden and expense by limiting the number of checks required each time a distribution is made during the term of the Plan. The Class also provides an opportunity for Commercial Paper Account Holders who hold smaller Commercial Paper Account Claims to take a discount for early cash as opposed to waiting the two or three years required for the entire liquidation to be completed and final distributions to be made. Furthermore, reducing the Claims of smaller Commercial Paper Account Holders at a discount potentially increases the distribution available for those Holders of Allowed Commercial Paper Account Claims who are willing to wait for the entire orderly liquidation process to be completed.

b. CLASS 5 - CLASSIFICATION AND TREATMENT OF ALLOWED CLAIMS OF THE HOLDERS OF GENERAL UNSECURED CLAIMS AND COMMERCIAL PAPER ACCOUNT CLAIMS FOR UNPAID PRINCIPAL AND ACCRUED AND/OR UNPAID INTEREST THROUGH THE PETITION DATE, BUT EXCLUDING (A) INTEREST ACCRUED AFTER THE PETITION DATE, (B) PENALTIES, FEES, ATTORNEY'S FEES, COSTS, AND ANY OTHER CHARGES OR EXPENSES WHENEVER ACCRUED OR INCURRED, (C) ALLOWED CLAIMS WHICH TIMELY AND PROPERLY ELECT TREATMENT UNDER CLASS 4, AND (D) ANY CLAIMS THAT QUALIFY FOR TREATMENT IN CLASSES 1, 2, 3, 6 AND/OR 7.

| *CLASS NO.* | *DESCRIPTION* | *TREATMENT* |
|---|---|---|
| **CLASS 5** | **GENERAL UNSECURED CLAIMS AND COMMERCIAL PAPER** | Class 5 consists of the Allowed Claims of the Holders of General Unsecured Claims and |

| *CLASS NO.* | *DESCRIPTION* | *TREATMENT* |
|---|---|---|
| | **ACCOUNT CLAIMS FOR UNPAID PRINCIPAL AND ACCRUED AND/OR UNPAID INTEREST THROUGH THE PETITION DATE, BUT EXCLUDING (A) INTEREST ACCRUED AFTER THE PETITION DATE, (B) PENALTIES, FEES, ATTORNEY'S FEES, COSTS, AND ANY OTHER CHARGES OR EXPENSES WHENEVER ACCRUED OR INCURRED, AND (C) ALLOWED CLAIMS WHICH QUALIFY FOR, OR ELECT TREATMENT IN CLASSES 1, 2, 3, 6 AND/OR 7**<br><br>Debtor's estimate of the amount of the Commercial Paper Account Claims in Class 5 Claims for principal and interest through the Petition Date (without deducting potential Early Cash-Out Election Claims) = approximately $20,874,235.89<br><br>Debtor's estimated of General Unsecured Claims = approximately $113,845 | Commercial Paper Account Claims for principal and accrued and/or unpaid interest through the Petition Date (that do not elect to be treated in the Early Cash-Out Election Class in Class 4), excluding (a) interest accrued after the Petition Date, (b) penalties, fees, attorney's fees, costs, and any other charges or expenses whenever accrued or incurred, (c) Allowed Claims which timely and properly elect treatment under Class 4, and (d) , and (D) any Claims that qualify for treatment in Classes 1, 2, 3, 6 and/or 7.<br><br>The Holders of Claims in this Class are impaired under the Plan and entitled to vote on the Plan.<br><br>After the Effective Date, each Holder of an Allowed Class 5 Claim shall receive in full, final and complete satisfaction of its Allowed Claim, the following:<br><br>**Class 5 Deferred Plan Payment(s)**. After payment in full of the Early Cash-Out Election Claims in Class 4, the Plan Administrator shall distribute to the Holders of Allowed Claims in Class 5 quarterly payments of seventy percent (70%) of Available Cash (or more in his discretion), if any, on each January 5th, April 5th, July 5th and October 5th, (or the first Business Day thereafter), commencing on the first such date which is at least 90 days after payment in full of the Early Cash-Out Election Claims in Class 4, until such date as the Assets having been fully liquidated and administered by the Liquidation Debtor; each Class 5 Deferred Plan Payment shall be distributed to each Holder of an Allowed Claim in this Class and to the Disputed Claims Reserve (if required) on a Pro Rata basis (referred to individually as a "**Class 5 Deferred Plan Payment**", and referred to collectively as the "**Class 5 Deferred Plan Payments**"). |

| *CLASS NO.* | *DESCRIPTION* | *TREATMENT* |
|---|---|---|
| | | **Class 5 Final Payment**. On a date to be determined by the Plan Administrator with the consent of the Oversight Committee, a Final Payment of (i) Available Cash (remaining after payment in full of the Early Cash-Out Election Claims in Class 4), (ii) proceeds of Rights of Action, if any, and (iii) the proceeds of the Plan Reserves ("**Class 5 Final Plan Payment**").<br><br>**Discount/Interest Rate from the Effective Date.** The applicable rate to be applied to the General Unsecured Claims and Commercial Paper Account Claims in Class 5 shall be simple interest calculated at the rate of 3.75% per annum from and after the Effective Date on the Allowed Commercial Paper Account Claims in Class 5. However, interest shall only be paid by the Disbursing Agent in the event and after all Allowed Commercial Paper Account Claims in Class 5 are paid in full.<br><br>**Reservation of Defenses, Objections, Counterclaims and Other Rights**. Any defenses, objections, counterclaims, rights, rights of offset or recoupment of the Debtor or the Estate with respect to such Claims shall vest in and inure to the benefit of the Liquidation Debtor.<br><br>**Further Assurances**. The Holders of the Allowed Class 5 Claims shall promptly execute and deliver any and all documents and take such other or further actions as are reasonably necessary, appropriate or requested by the Liquidation Debtor and/or Plan Administrator to effectuate the provisions of the Plan.<br><br>**Maximum Distribution**. In no event shall the aggregate Distributions to be made under the Plan to each Holder of a Class 5 Allowed Claim exceed such Holders Allowed Class 5 Claim (plus interest, if any, due pursuant to the Plan). |

In the absence of an election into Class 4, the claims of Commercial Paper Account Claim Holders are automatically treated in Classes 5, 6 and/or 7, as applicable.

Class 5 consists of the portion of the claims of the Commercial Paper Account Holders that is for unpaid principal and accrued and unpaid interest through the Petition Date. Class 6 consists of the portion of the claims of the Commercial Paper Account Holders that is for any penalties, fees costs and any other charges. Class 7 consists of the portion of the claims of the Commercial Paper Account Holders that is for any interest accrued or owing during the Chapter 11 case, after the Petition Date and prior to Confirmation.

Although the Debtor anticipates that the distribution to Commercial Paper Account Holders in Class 5 will eventually be greater over time than the 35% being offered to those electing to be cashed-out in Class 4, it is not possible to predict with any degree of certainty the exact amount or percentage of distribution to Class 5 at this time or the amount of time it will take to complete the liquidation, although reasonable efforts have been made by the Debtor to do so, as set forth the exhibits to the Disclosure Statement. Among other reasons, there are too many uncertainties regarding the value of the remaining real estate assets, collectability of the remaining loans in the Debtor's loan portfolio and general unpredictability of the economy to make a completely accurate prediction at this point.

With that general disclaimer in mind, the Liquidation Analysis [***Exhibit 7***] prepared by the Debtor projects that each Holder of an Allowed Commercial Paper Account Claim in Class 5 should expect to receive a distribution of approximately 54.05% of the amount of his, her or its Allowed Commercial Paper Account Claim qualifying for treatment in Class 5, which projection is based on the hypothetical assumption that no Claimants whatsoever elect to be treated in Class 4.

On the other hand, in the event that all Holders of Allowed Commercial Paper Account Claims equal to or less than $200,000 eligible to elect treatment in Class 4 actually elects treatment in Class 4, the distribution to each Holder of an Allowed Commercial Paper Account Claim in Class 5 could increase from approximately 54.05% to approximately 65.8%. By way of further example, assuming that 50% of the amount of the Holders of Allowed Commercial Paper Account Claims equal to or less than $200,000 eligible to elect treatment in Class 4 actually elects treatment in Class 4, the distribution to each Holder of an Allowed Commercial Paper Account Claim in Class 5 could increase from approximately 54.05% to approximately 58.6%.

The Debtor believes that 54.05% is a reasonably accurate projection of anticipated distribution based on the information currently available. However, it is always possible that unanticipated events and circumstances, or unforeseen problems with loan collections, may adversely impact estimates of value, so that less is realized from liquidation than anticipated. Similarly, it is possible that results may be better than

predicted, as the Debtor believes that the Liquidation Analysis relies upon relatively conservative estimates of value.

Although reasonable efforts have been made to project the amount of the anticipated distribution based on the best information available as of the date of the Disclosure Statement, it is not possible at this time to project with exactitude the percentage that each Holder of an Allowed Commercial Paper Account Claim will receive because of there are a number of uncertainties impacting the liquidation. By way of example, the conditions of the real estate that serves as security for the Loans may not be known at this time. Similarly, the amount of the senior indebtedness can be impacted if the borrower is default. Intervening bankruptcy proceeding filed by borrowers impacts collectability, timing and the costs of collection. The ability of the Liquidation Debtor to collect the outstanding Loans will impact the available liquidation proceeds. The number of Allowed Commercial Paper Account Holders electing treatment in Class 4 may also increase the percentage distribution to Class 5. The exact sales prices for the existing REO's is subject to market variation.

The Debtor does not anticipate that there will be any distribution on account of claims in Classes 6 or 7 as it is not likely that Class 5 will receive payment in full. Therefore, Classes 6 and 7 are included for merely precautionary purposes only.

The Debtor is aware of only one General Unsecured Claims at this time, which is not set forth in its Schedules. Prior to the Petition Date, the Debtor previously had a Defined Benefit Pension Plan. The Debtor initiated the termination of such plan in or around 2009. The final distribution was made to participants in or around June 2010. Subsequently, the Debtor has learned that the PBCG apparently conducted an audit commencing in or around 2011. After the Petition Date, in or around March 26, 2013, a notice was issued to the Debtor notifying it of a claim resulting from the audit in the approximate amount of $113,845. The claim does not appear on the Debtor's Schedules. Inasmuch as the claim does not arise from services rendered within 180 days of the Petition Date, it does not appear to be a Priority Claim pursuant to Bankruptcy Code § 507(a)(5). Accordingly, the claim is a classified as a General Unsecured Claim in Class 5. BiggsCo has not yet reviewed the audit calculations to verify its accuracy, but intends to do so.

The estimated total amount of Commercial Paper Account Claims classified in Class 5 is approximately $20,874,235.89, without deduction for those Commercial Paper Account Holders who may elect to be treated in Class 4. Set forth below is a chart setting forth the (i) names of the Commercial Paper Account Holders; (ii) the contractual note rate of interest applicable to each Holders' Commercial Paper Account

Claim; (iii) the Debtor's estimate of the principal amount owed to each Holder of a Commercial Paper Account Claims as of the Petition Date; (iv) the Debtor's estimate of the accrued and unpaid interest due to each Commercial Paper Account Holder as of the Petition Date; (v) the POC No., if any, for those Commercial Paper Account Holders, who have filed proofs of claim; and, (vi) for those Commercial Paper Account Holders who have filed proofs of claim, the POC amount asserted to be due by such Holders.

| Account Name | Int. Rate | Balance at June 30, 2013 | Interest July - Dec 8th | Total | POC No. as of March 17, 2014 | POC Amount |
|---|---|---|---|---|---|---|
| JULIANA WESTERVELT | 0.50% | 1,411,877.14 | 23,354.00 | 1,435,231.14 | 55 | 1,435.14 |
| WILLIAM H. MALKMUS, REV TRUST | 0.50% | 1,375,893.52 | 22,758.79 | 1,398,652.31 | 18 | 1,398,652.31 |
| STEPHANIE L. DILLON, AS TRUSTEE | 0.50% | 1,249,206.97 | 20,663.25 | 1,269,870.22 | | |
| TODD FIORENTINO TRUSTEE | 0.50% | 1,249,206.97 | 20,663.25 | 1,269,870.22 | | |
| ARTHUR AND GRACE BEAVENS TTEES | 0.50% | 835,301.59 | 13,816.80 | 849,118.39 | | |
| LYN S. NELSON, TTEE | 0.50% | 701,429.98 | 11,602.42 | 713,032.40 | | |
| MARCEL OR JOANNE GEORGE TTEES | 0.50% | 546,723.60 | 9,043.41 | 555,767.01 | | |
| ARTHUR DEFEVER TRUSTEE, SURVIVOR'S TRUST | 0.25% | 516,157.72 | 7,968.63 | 524,126.35 | 11 & 15 | 516,157.72 516,157.72 |
| LARRY AND LINDA SACKS TTEES | 0.50% | 500,000.00 | 8,270.55 | 508,270.55 | 8 | 508,270.55 |
| BARBARA BIDWELL HILLMAN TTEE | 0.50% | 478,056.50 | 7,907.58 | 485,964.08 | | |
| KRAVITSKY FAMILY TRUST | 0.50% | 370,443.70 | 6,127.54 | 376,571.24 | | |
| J MACE THOMPSON | 0.25% | 364,935.56 | 5,634.01 | 370,569.57 | | |
| ALFRED OR WINIFRED WILKES | 0.50% | 292,407.87 | 4,836.75 | 297,244.62 | | |
| JAMES PRAUSE TRUST | 0.50% | 277,601.55 | 4,591.83 | 282,193.38 | | |
| MARILYN OR ROBERT HINDS, ET AL | 0.50% | 275,532.00 | 4,557.60 | 280,089.60 | | |
| PINGREE FAMILY TRUST | 0.50% | 272,140.23 | 4,501.50 | 276,641.73 | 75 | 281,111.56 |
| ROBERT HILLMAN JR. | 0.50% | 261,341.92 | 4,322.88 | 265,664.80 | | |
| DICE 1992 TRUST,DATED 4/2/1992 | 0.50% | 244,255.86 | 4,040.26 | 248,296.12 | 69 | 248,296.12 |
| JAN O. SIMIS,TTEE JAN O.SIMIS TRUST | 0.50% | 230,262.67 | 3,808.80 | 234,071.47 | 29 | 234,097.29 |
| WAYNE H. MADSEN | 0.50% | 213,586.23 | 3,532.95 | 217,119.18 | 81 | 217,143.13 |
| GUY C. MCCLOSKEY AND | 0.50% | 211,911.54 | 3,505.25 | 215,416.79 | 2 | 214,438.28 |

| Account Name | Int. Rate | Balance at June 30, 2013 | Interest July - Dec 8th | Total | POC No. as of March 17, 2014 | POC Amount |
|---|---|---|---|---|---|---|
| ELIZABETH BENNETT | 0.25% | 208,778.97 | 3,223.20 | 212,002.17 | | |
| INTERNATIONAL COMMITTEE OF ARTISTS | 0.50% | 200,040.07 | 3,308.88 | 203,348.95 | 32 | 203,369.50 |
| AMBER IRELAND | 0.50% | 200,000.00 | 3,308.22 | 203,308.22 | 71 | 206,000.00 |
| DALE J. BUTEYN JR. & PHYLLIS M.BUTEYN, TTEES | 0.50% | 200,000.00 | 3,308.22 | 203,308.22 | | |
| WILSON J POSEY | 0.25% | 196,382.94 | 3,031.83 | 199,414.77 | | |
| RAYMOND RUBENSTEIN TRUST | 0.25% | 193,608.14 | 2,988.99 | 196,597.13 | 31 | 196,597.13 |
| STEPHEN J & BARBARA D TOPPING, TTEES | 0.50% | 188,367.13 | 3,115.80 | 191,482.93 | | |
| PATRICIA A PINGREE | 0.50% | 186,822.40 | 3,090.25 | 189,912.65 | | |
| CANDACE PINGREE | 0.50% | 186,408.71 | 3,083.40 | 189,492.11 | 9 | 194,173.48 |
| LAVERNE C.GLOVER, TRUSTEE | 0.50% | 186,001.30 | 3,076.67 | 189,077.97 | | |
| KURT K MOTAMEDI PHD | 0.50% | 182,377.20 | 3,016.72 | 185,393.92 | | |
| MELISSA FARNSWORTH OR RICHARD FARNSWORTH | 0.50% | 179,896.99 | 2,975.69 | 182,872.68 | 40 | 182,872.68 |
| THE BONGIRNO FAMILY TRUST | 0.50% | 171,946.69 | 2,844.19 | 174,790.88 | 1 | 171,946.69 |
| STANLEY AND ANN MIKS | 0.50% | 169,253.42 | 2,799.64 | 172,053.06 | 65 | 170,070.45 |
| RICHARD FARNSWORTH OR MELISSA FARNSWORTH | 0.50% | 168,650.33 | 2,789.66 | 171,439.99 | 39 | 171,439.99 |
| KEITH & DAWN BLACKBURN CO-TTEE | 0.25% | 164,673.64 | 2,542.29 | 167,215.93 | | |
| JANE CRYSTAL BROWN | 0.50% | 163,285.03 | 2,700.91 | 165,985.94 | | |
| D'ANGELO FAMILY TRUST | 0.25% | 159,894.57 | 2,468.51 | 162,363.08 | 53<br>54 | 159,439.87 &<br>68,734.58 |
| PEARL K NICHOLSON TRUSTEE | 0.50% | 158,675.47 | 2,624.67 | 161,300.14 | | |
| KEITH AND DAWN BLACKBURN TTEES | 0.25% | 153,429.06 | 2,368.69 | 155,797.75 | | |
| CYNTHIA LEA ADKINS | 0.50% | 151,554.52 | 2,506.88 | 154,061.40 | 30 | 154,030.15 |
| GEORGE AND SANDRA FROLEY COMM. PROP TR | 0.50% | 146,689.57 | 2,426.41 | 149,115.98 | | |
| CAROL A. GEORGE | 0.50% | 146,042.18 | 2,415.70 | 148,457.88 | | |
| FIRST UNITED METHODIST CHURCH | 0.50% | 134,268.10 | 2,220.94 | 136,489.04 | | |
| GREGORY S. ADKINS OR CAROLYN P. | 0.50% | 132,000.00 | 2,183.42 | 134,183.42 | 59 | 134,212.02 |
| WILLIAM & ELIZABETH HADLEY TTEES | 0.50% | 113,884.23 | 1,883.77 | 115,768.00 | 43 | 115,768.00 |

| Account Name | Int. Rate | Balance at June 30, 2013 | Interest July - Dec 8th | Total | POC No. as of March 17, 2014 | POC Amount |
|---|---|---|---|---|---|---|
| OJAI OIL COMPANY | 0.50% | 113,411.57 | 1,875.95 | 115,287.52 | 26<br>27 &<br>28 | 7,387.10;<br>5,842.38;<br>& 115,300.24 |
| DAVID C AND MELANIE K EDWARD, TTEES | 0.50% | 110,812.98 | 1,832.97 | 112,645.95 | 51 | 112,658.38 |
| EST. ROBERT T. HENSZEY, HILTRUD HENSZEY, REP. | 0.50% | 101,263.21 | 1,675.00 | 102,938.21 | 19 | 101,263.21 |
| DALE S SPENCE AND PATRICIA E. SPENCE | 0.50% | 100,000.00 | 1,654.11 | 101,654.11 | | |
| CHRIS ROLIN FAMILY TRUST | 0.50% | 96,797.34 | 1,601.13 | 98,398.47 | 35 | 96,797.34 |
| ENID RODRIGUEZ OR KAREN GREENFIELD | 0.50% | 93,239.30 | 1,542.28 | 94,781.58 | | |
| LOWELL M. MORGEN | 0.50% | 90,729.78 | 1,500.77 | 92,230.55 | 67 | 92,234.76 |
| LOWELL M. MORGEN | 0.50% | 90,729.78 | 1,500.77 | 92,230.55 | 68 | 92,234.76 |
| SARAH E. BENNETT | 0.25% | 89,388.37 | 1,380.01 | 90,768.38 | | |
| BETTY D. COCKERILL,TRUSTEE | 0.50% | 85,576.71 | 1,415.53 | 86,992.24 | 62 | 85,576.71 |
| KELLY GRIFFIN OR DAVID GRIFFIN | 0.50% | 84,981.37 | 1,405.68 | 86,387.05 | 82 | 86,415.07 |
| MARGARET ZELLER | 0.50% | 83,809.93 | 1,386.31 | 85,196.24 | | |
| HIROSHI ROY NAKATANI | 0.50% | 78,360.23 | 1,296.16 | 79,656.39 | | |
| MARY ANN FROLEY | 0.50% | 74,497.16 | 1,232.26 | 75,729.42 | | |
| ARLETTE R HOBBS | 0.25% | 74,007.65 | 1,142.56 | 75,150.21 | | |
| ARLETTE R HOBBS | 0.25% | 73,907.69 | 1,141.01 | 75,048.70 | | |
| VINCENT J LOMBARDO | 0.50% | 72,257.66 | 1,195.22 | 73,452.88 | 41 | 73,477.52 |
| VINCENT MCCLOSKEY OR CRISTINA SOSA, JT | 0.50% | 69,190.30 | 1,144.48 | 70,334.78 | 6 | 70,341.59 |
| JOSEPH L. D'ANGELO OR NOEL D. D'ANGELO | 0.25% | 68,734.58 | 1,061.15 | 69,795.73 | | |
| KATHY LEITCH | 0.50% | 65,000.00 | 1,075.17 | 66,075.17 | | |
| KURT K.MOTAMEDI OR ELAINE MOTAMEDI, ET AL | 0.50% | 63,011.28 | 1,042.28 | 64,053.56 | | |
| SUSAN C. DeBUISER | 0.50% | 62,708.76 | 1,037.27 | 63,746.03 | | |
| BARBARA D TOPPING, TRUSTEE | 0.50% | 61,928.52 | 1,024.37 | 62,952.89 | | |
| EUNICE OR ROBERT TEAGUE | 0.50% | 61,780.44 | 1,021.92 | 62,802.36 | 42 | 62,809.28 |
| ALLEN BRODETSKY TRUSTEE | 0.50% | 61,059.89 | 1,010.00 | 62,069.89 | 10 | 61,059.89 |
| SANDY VOLTZ-LUDWIG TRUSTEE | 0.50% | 60,441.07 | 999.76 | 61,440.83 | | |
| KENNETH J.& PATRICIA A.PINGREE TRUSTEES | 0.50% | 56,692.82 | 937.76 | 57,630.58 | | |

| Account Name | Int. Rate | Balance at June 30, 2013 | Interest July - Dec 8th | Total | POC No. as of March 17, 2014 | POC Amount |
|---|---|---|---|---|---|---|
| DALE S SPENCE AND PATRICIA E. SPENCE | 0.50% | 55,000.00 | 909.76 | 55,909.76 | | |
| DEAN ROUILLER TTEE, KRISTIN | 0.25% | 53,451.05 | 825.20 | 54,276.25 | | |
| ROBERT R FONTANA OR CHRISTINE S. FONTANA | 0.50% | 53,160.82 | 879.34 | 54,040.16 | 3 | 54,157.59 |
| ROBERTA MITCHELL OR MEREDITH MITCHELL | 0.50% | 50,558.09 | 836.29 | 51,394.38 | 5 | 51,180.89 |
| MICHAEL & STEPHEN VALLENS, SUCC CO-TTEES | 0.50% | 50,132.53 | 829.25 | 50,961.78 | | |
| DIANA C. EDWARD 2003 REVOCABLE LIVING TR | 0.50% | 50,000.00 | 827.05 | 50,827.05 | 50 | 50,832.66 |
| DAVID A ZISKROUT TTEE | 0.50% | 50,000.00 | 827.05 | 50,827.05 | 14 | 50,832.68 |
| KRISTINA REED | 0.50% | 47,418.98 | 784.36 | 48,203.34 | 64 | 48,203.34 |
| ANTHONY A AND HELEN J DEMETRIOU, TTEES | 0.50% | 47,415.13 | 784.30 | 48,199.43 | | |
| LEWIS JENSEN OR BETTY JENSEN | 0.50% | 46,995.80 | 777.36 | 47,773.16 | 25 | 47,778.43 |
| C THOMAS OTERO OR MELISSA FARNSWORTH | 0.50% | 46,822.85 | 774.50 | 47,597.35 | 38 | 47,597.35 |
| EMIL HALIMI | 0.50% | 45,607.41 | 754.40 | 46,361.81 | | |
| BIG BEAR CABIN, A CALIF. | 0.50% | 44,824.17 | 741.44 | 45,565.61 | 49 | 45,570.64 |
| LAWRENCE BRAHAMS OR DIANE BRAHAMS | 0.25% | 44,121.06 | 681.16 | 44,802.22 | | 50,400.68 |
| SANDRA PEDDIE | 0.50% | 42,488.86 | 702.81 | 43,191.67 | | |
| MARGARET ZELLER | 0.50% | 41,085.03 | 679.59 | 41,764.62 | | |
| STANLEY M MIKS | 0.50% | 40,826.46 | 675.31 | 41,501.77 | 44 | 41,505.97 |
| MARY B. PALLARES OR OSCAR PALLARES | 0.50% | 40,484.52 | 669.66 | 41,154.18 | 84 | 41,154.48 |
| SIDNEY COPILOW OR REBECCA LUZADER | 0.50% | 40,090.13 | 663.13 | 40,753.26 | 61 | 110,753.26 |
| MARYBETH ADKINS | 0.25% | 35,000.00 | 540.34 | 35,540.34 | 23 | 35,531.00 |
| LAUREN A. ADKINS | 0.50% | 32,119.78 | 531.30 | 32,651.08 | 57 | 32,658.04 |
| HYRUM WES PINGREE IV | 0.50% | 31,414.06 | 519.62 | 31,933.68 | 76 | 31,414.06 |
| TIM KRANTZ | 0.50% | 31,116.22 | 514.70 | 31,630.92 | | |
| LARRY P. KNIGHT OR MONICA E. L. KNIGHT | 0.50% | 30,965.28 | 512.20 | 31,477.48 | | |
| BEAVENS SYSTEMS INC | 0.50% | 29,958.18 | 495.54 | 30,453.72 | | |
| RAYMOND R. KASPARIAN OR JOAN M. KASPARIAN | 0.50% | 29,679.38 | 490.93 | 30,170.31 | 72 | 30,179.96 |
| ROLIN FAMILY PARTNERSHIP | 0.50% | 28,840.86 | 477.06 | 29,317.92 | 34 | 28,840.86 |
| BETH GRUNLAND OR PHILIP GRUNLAND | 0.50% | 28,759.85 | 475.72 | 29,235.57 | | |

| Account Name | Int. Rate | Balance at June 30, 2013 | Interest July - Dec 8th | Total | POC No. as of March 17, 2014 | POC Amount |
|---|---|---|---|---|---|---|
| SUSAN F NIVEN OR ALLISON M. SPEER | 0.50% | 28,506.24 | 471.52 | 28,977.76 | | |
| KATO FAMILY TRUST | 0.50% | 27,741.40 | 458.87 | 28,200.27 | | |
| VERNA M VOGHT OR JOHN W. VOGHT (Claim transferred to DACA VI LLC on February 5, 2014) | 0.50% | 27,272.18 | 451.11 | 27,723.29 | 16 | 27,723.29 |
| ANGEL GONZALEZ AND GRACE V. GONZALES, TTEE | 0.50% | 26,907.18 | 445.07 | 27,352.25 | 52 | 27,352.68 |
| DORINNE H. OR DENNIS L. GRAVES | 0.50% | 25,450.19 | 420.97 | 25,871.16 | | |
| MOSLENKO TRUST | 0.50% | 25,339.52 | 419.14 | 25,758.66 | 70 | 25,339.52 |
| GREGORY B ARGANO OR BRENDA ARGANO | 0.50% | 25,002.04 | 413.56 | 25,415.60 | | |
| LAVERNE C. GLOVER, TRUSTEE | 0.50% | 23,759.92 | 393.02 | 24,152.94 | | |
| MARY ALICE ADKINS | 0.25% | 23,580.80 | 364.05 | 23,944.85 | | |
| ERICA OGIHARA OR ISAMU OGIHARA | 0.50% | 23,520.61 | 389.06 | 23,909.67 | | |
| JAMES R. CUTLER & KRISTIN J. SEIBT TTEE | 0.50% | 23,460.48 | 388.06 | 23,848.54 | | |
| H G & H PROPERTIES | 0.50% | 22,814.94 | 377.38 | 23,192.32 | | |
| JOHN G. AND RENATE M. KENASTON, TTEES | 0.50% | 22,605.21 | 373.91 | 22,979.12 | 47 | 22,838.32 |
| DOROTHY C HELTON TRUSTEE | 0.50% | 22,482.11 | 371.88 | 22,853.99 | 33 | 22,482.11 |
| FARANAK HALIMI | 0.50% | 21,944.39 | 362.98 | 22,307.37 | | |
| JAMES R. CUTLER & KRISTIN J. SEIBT TTEE | 0.50% | 19,938.86 | 329.81 | 20,268.67 | | |
| EMILY PRITCHETT BIDWELL TTEE | 0.50% | 19,390.39 | 320.74 | 19,711.13 | | |
| DEBORAH M. OR PETER S. SINDING FOR SPENCER | 0.50% | 19,215.78 | 317.85 | 19,533.63 | | |
| LINDA S. LAXSON | 0.50% | 18,929.28 | 313.11 | 19,242.39 | 56 | 19,243.56 |
| MARY A. MCDONALD | 0.50% | 17,560.41 | 290.47 | 17,850.88 | | |
| JOYCE C. SACKS | 0.50% | 17,391.55 | 287.68 | 17,679.23 | | |
| DEBORAH M. OR PETER S. SINDING FOR BRENNA | 0.50% | 17,179.55 | 284.17 | 17,463.72 | | |
| THE BLACKBURN FOUNDATION | 0.25% | 16,700.31 | 257.83 | 16,958.14 | | |
| SCHONES FAMILY PARTNERSHIP | 0.50% | 16,000.00 | 264.66 | 16,264.66 | 24 | 16,000.00 |

| Account Name | Int. Rate | Balance at June 30, 2013 | Interest July - Dec 8th | Total | POC No. as of March 17, 2014 | POC Amount |
|---|---|---|---|---|---|---|
| GREGORY S. ADKINS OR CAROLYN P. | 0.50% | 13,920.38 | 230.26 | 14,150.64 | 58 | 14,153.67a |
| GAIL SEFL | 0.50% | 13,917.20 | 230.21 | 14,147.41 | | |
| DONALD E. ORINGTON, SR. AND GISELE ORINGTON | 0.50% | 13,771.96 | 227.80 | 13,999.76 | | |
| DANIEL H. KATO OR CHIZUKO KATO | 0.50% | 13,018.95 | 215.35 | 13,234.30 | | |
| SUSAN S RAISIN | 0.50% | 12,825.48 | 212.15 | 13,037.63 | | |
| KOVACEVICH COMMUNITY TRUST | 0.50% | 12,756.99 | 211.01 | 12,968.00 | | |
| EDWARD JONES OR JENNY COOKE | 0.50% | 12,434.62 | 205.68 | 12,640.30 | 73 | 12,877.30 |
| FRANDSON FAMILY TRUST | 0.25% | 12,287.45 | 189.70 | 12,477.15 | | |
| PAUL WESTFALL ADKINS | 0.25% | 11,343.12 | 175.12 | 11,518.24 | | |
| CHIZUKO KATO OR JAMES Y. KATO | 0.50% | 11,143.87 | 184.33 | 11,328.20 | 60 | 11,328.20 |
| KELLY GRIFFIN OR DAVID GRIFFIN | 0.50% | 10,832.70 | 179.18 | 11,011.88 | 83 | 11,015.50 |
| JOHN A.MILLER OR KAMI L.MILLER | 0.50% | 10,675.89 | 176.59 | 10,852.48 | | |
| JACQUELINE MORGEN | 0.50% | 10,009.43 | 165.57 | 10,175.00 | 66 | 10,176.29 |
| ROBERT TRAVALI OR BARBARA TRAVALI, ET AL | 0.50% | 9,621.07 | 159.14 | 9,780.21 | | |
| ANTHONY SUGANO JR. | 0.50% | 9,601.96 | 158.83 | 9,760.79 | 20 | 9,761.77 |
| JOSEPH D OR KATHY P HOUGH, ET AL | 0.50% | 9,165.83 | 151.61 | 9,317.44 | | |
| ZETA BETA OF ALPH TAU OMEGA | 0.25% | 9,140.33 | 141.11 | 9,281.44 | | |
| JULIANA SUGANO | 0.50% | 9,062.13 | 149.90 | 9,212.03 | 21 | 9,212.96 |
| PINGREE FAMILY TRUST | 0.50% | 8,971.33 | 148.40 | 9,119.73 | | |
| TONY SUGANO | 0.50% | 8,674.77 | 143.49 | 8,818.26 | 22 | 8,819.15 |
| ANN HAGIHARA MIKS | 0.50% | 8,604.94 | 142.34 | 8,747.28 | 46 | 8,748.16 |
| ERIC D. SCHWAB OR JENNIFER MCGAUGHEY | 0.50% | 8,039.25 | 132.98 | 8,172.23 | 79 | 8,039.25 |
| KENNETH J.& PATRICIA A.PINGREE TRUSTEES | 0.50% | 7,714.43 | 127.61 | 7,842.04 | | |
| OJAI OIL COMPANY SM & O | 0.50% | 7,266.10 | 120.19 | 7,386.29 | | |
| THE GARY & ROBIN GRIFFIN | 0.50% | 7,128.58 | 117.91 | 7,246.49 | 80 | 7,246.84 |
| ERIC BECKERMAN OR KATHLEEN S. BECKERMAN | 0.50% | 6,863.87 | 113.54 | 6,977.41 | | |
| RICHARD OR GRACE DICKMAN TRUST | 0.50% | 6,739.68 | 111.48 | 6,851.16 | 13 | 6,845.00 |

| Account Name | Int. Rate | Balance at June 30, 2013 | Interest July - Dec 8th | Total | POC No. as of March 17, 2014 | POC Amount |
|---|---|---|---|---|---|---|
| LAWRENCE BRAHAMS OR DIANE BRAHAMS | 0.00% | 6,279.62 | 90.02 | 6,369.64 | | |
| GARY NEIL LEVENSTEIN & LISA LEVENSTEIN, TTEES | 0.50% | 6,122.81 | 101.28 | 6,224.09 | 17 | 6,257.98 |
| PHILIP J. CARNEVALE, JR. | 0.50% | 6,116.38 | 101.17 | 6,217.55 | 63 | 6,218.44 |
| LARRY P. KNIGHT OR MONICA E. L. KNIGHT | 0.50% | 6,075.22 | 100.49 | 6,175.71 | | |
| JOHN HADLEY III | 0.50% | 6,014.54 | 99.49 | 6,114.03 | | |
| RICHARD T. DAWSON OR ADDIE DAWSON TTEES | 0.50% | 5,967.23 | 98.70 | 6,065.93 | 36 | 5,967.23 |
| KENNETH AND PATRICIA PINGREE | 0.50% | 5,786.62 | 95.72 | 5,882.34 | | |
| MAKOTO M. TAKANO | 0.50% | 5,749.12 | 95.10 | 5,844.22 | | |
| OAK OF CALIFORNIA | 0.50% | 5,746.68 | 95.06 | 5,841.74 | | |
| JEE YOUNG CHOUNG | 0.50% | 5,665.90 | 93.72 | 5,759.62 | 77 | 5,759.62 |
| C. DOUGLAS OFF | 0.50% | 5,595.42 | 92.55 | 5,687.97 | 48 | 5,687.76 |
| VALETA CORDLEY BRINCK-LUND AND BRIAN ALLEN | 0.50% | 5,292.88 | 87.55 | 5,380.43 | | |
| ELIZABETH P. KHERIATY OR ELAINE MOTAMEDI | 0.50% | 5,079.04 | 84.01 | 5,163.05 | | |
| KENNETH AND PATRICIA PINGREE | 0.50% | 3,798.30 | 62.83 | 3,861.13 | | |
| THOMAS R. HUGGINS | 0.50% | 3,120.34 | 51.61 | 3,171.95 | | |
| NICOLE PAIGE PINGREE | 0.50% | 2,817.74 | 46.61 | 2,864.35 | 74 | 2,817.74 |
| NICHOLE GARCIA | 0.50% | 2,378.22 | 39.34 | 2,417.56 | | |
| ELAINE MOTAMEDI OR ELIZABETH MOTAMEDI | 0.50% | 2,136.83 | 35.35 | 2,172.18 | | |
| YOSHIKAWA TRUST DATED MARCH 9, 1992 | 0.50% | 1,661.19 | 27.48 | 1,688.67 | 45 | 4,494.33 |
| YOSHIKAWA TRUST DATED MARCH 9, 1992 | 0.50% | 1,556.05 | 25.74 | 1,581.79 | | |
| YOSHIKAWA TRUST DATED MARCH 9, 1992 | 0.50% | 1,277.09 | 21.12 | 1,298.21 | | |
| GEORGE NAKASHIMA OR HIROKO NAKASHIMA | 0.50% | 942.59 | 15.59 | 958.18 | 78 | 942.59 |
| | | **20,537,264.13** | **336,971.76** | **20,874,235.89** | | |

The Debtor does not anticipate 100% distribution being made to Allowed Commercial Paper Account Holders. Although unlikely, there is always a possibility. Therefore, the provision for interest to be paid to the Holders of Allowed Commercial Paper Account Claims in Class 5 is applicable only in the event such distribution

reaches 100%. In that unlikely event, the Plan provides for an interest rate to be applied of 3.75% per annum from and after the Effective Date on the Allowed Commercial Paper Account Claims in Class 5. However, as stated, interest shall only be paid by the Disbursing Agent in the event and after all Allowed Commercial Paper Account Claims in Class 5 are paid in full.

Set forth below is a brief discussion of the methods for determining the appropriate rate and the Debtor's argument in that regard. The conclusions reached by the Debtor may or may not be opposed by the Commercial Paper Account Holders. This section is included for discussion purposes only to assist the reader to evaluate the Plan. The Debtor intends to introduce evidence at the Confirmation Hearing. The evidence may establish a higher or lower rate. Absent consensual resolution (which the Debtor hopes to achieve prior to Confirmation), the Bankruptcy Court will make the final determination with regard to the appropriate interest rate to be applied to the future payment stream.

Generally, the Ninth Circuit looks to a market rate for similar loans. If a market is available for the type of loan at issue, the market rate will be applied. In the absence of a market rate, the Ninth Circuit adopts a formula approach by adding an appropriate risk factor to a base rate for a "riskless" loan, such as U.S. government Treasury bond rates or the prime rate. See, In re Camino Real Landscape Maintenance Contractors, Inc., 818 F.2d 1503 (9th Cir. 1987); and In re Fowler, supra, 903 F.2d. 694 (9th Cir. 1990) (both cases decided prior to Till, see analysis below). The Ninth Circuit Court of Appeals adopted a case by case approach. As stated by the court in Fowler:

> Having heard testimony regarding both the market interest rates in the region and the risks associated with this debtor, the bankruptcy court used the formula approach, taking the prime rate on the date of plan confirmation, 8.75% and adding a .75% risk factor. It did err in using this approach to determine the cramdown interest rate.

[Fowler at 697]

In utilizing the formula approach, the interest rate is adjusted for the term of the plan's repayment period by utilizing as the base rate the yield quoted for treasury bills or bonds on equivalent terms. The risk inherent in the type of collateral involved can be accounted for by utilizing an adjustment factor derived from the market for loans secured by similar collateral.

In 2004, the Supreme Court addressed the crucial question of how to select an appropriate interest rate for cramdown in Till v. SCS Credit Corporation 541 U.S. 465, 124 S. Ct. 1951, 1958-59 (2004). Although Till was a chapter 13 case, many Courts have applied it to chapter 11 cases as well. Till holds that a formula approach based upon the prime rate of interest best carries out the intention of Congress in order to determine a whether a stream of deferred payments constitutes present value of the allowed claim. 541 U.S. at 478-480, 124 S. Ct. at 1961-62. Till reversed a decision of the court of Appeals for the Seventh Circuit that held that the pre-bankruptcy contract rate should be the presumptive rate based on the theory that cramdown involved imposing a coerced loan on the secured creditor. In rejecting that the contract rate was the appropriate rate, the Supreme Court preferred the formula approach, which starts with the prime rate, and then adjusts the applicable rate upward.

> [T]he resulting prime-plus rate of interest depends only on the state of financial markets, the circumstances of the bankruptcy estate, and the characteristics of the loan, not on the creditor's circumstances or its prior interactions with the debtor. For these reasons, the prime-plus or formula rate best comports with the purposes of the Bankruptcy Code.

[Till at 541 U.S. at 477; 124 S. Ct. at 1960].

The Supreme Court in Till did not directly decide the proper scale for the risk adjustment factor, leaving it to a more flexible approach. However, the Supreme Court in Till did offer some guidance. The Supreme Court noted that adjustments of 1 to 3 percent seemed appropriate and suggested that large adjustments would not be appropriate because a plan cannot be confirmed unless the Bankruptcy Court finds the plan feasible. The Supreme Court stated:

> If the court determines that the likelihood of default is so high as to necessitate an 'eye-popping' interest rate, . . . the plan probably should not be confirmed.

[Till 541 U.S. at 481; 124 S. Ct. at 1962].

Many courts have applied Till to Chapter 11 cases holding that a formula rate applies unless an efficient lending market exists for the proposed exit financing. See, In re American Homepatient, Inc., 420 F.3d 559 (6th Cir. 2005).

The current one year LIBOR rate is 0.55%. The current Wall Street Journal Prime rate is 3.25%. The typical contract rate for the loans was typically 4% to 5%.

c. CLASSIFICATION AND TREATMENT OF ALLOWED CLAIMS FOR PENALTIES, FEES, ATTORNEY'S FEES, COSTS, AND ANY OTHER CHARGES OR EXPENSES, INCLUDING, WITHOUT LIMITATION, THOSE HELD BY THE HOLDERS OF COMMERCIAL PAPER ACCOUNT CLAIMS (EXCLUDING ANY AND ALL CLAIMS THAT QUALIFY FOR TREATMENT IN CLASSES 1, 2, 3, 4, 5 AND/OR 7).

| ***CLASS NO.*** | ***DESCRIPTION*** | ***TREATMENT*** |
|---|---|---|
| **CLASS 6** | **ALLOWED CLAIMS FOR PENALTIES, FEES, ATTORNEY'S FEES, COSTS, AND ANY OTHER CHARGES OR EXPENSES, INCLUDING, WITHOUT LIMITATION, THOSE HELD BY THE HOLDERS OF COMMERCIAL PAPER ACCOUNT CLAIMS.**<br><br>Debtor's estimate of the amount of the Class 6 Claims for principal and interest through the Petition Date (without deducting potential Convenience Class Claims) = Unknown | Class 6 consists of the Allowed Claims (that are not Early Cash-Out Election Claims) for penalties, fees, attorney's fees, costs, and any other charges or expenses whenever accrued or incurred, including, without limitation, those held by the Holders of the Commercial Paper Account Claims.<br><br>The Holders of Claims in this Class are impaired, and entitled to vote on the Plan. No interest will accrue or be paid after the Effective Date on account of the Allowed Claims in this Class.<br><br>After the Effective Date, each Holder of an Allowed Class 6 Claim shall receive in full, final and complete satisfaction of its Allowed Claim:<br><br>A Pro Rata distribution of the balance, if any, of Available Cash, proceeds of Rights of Action, if any, and the proceeds of the Plan Reserves remaining after payment in full all of the following: (a) Plan Operating Expenses and Liquidation Expenses, (b) Administrative Expenses (including, without limitation, Professional Fees, accrued and/or billed before or after the Effective Date), (c) Priority Claims, (d) Allowed Claims in Classes 1, 2, 3, 4, and 5, and (e) any and all other claims, expenses, costs or charges of any kind or nature incurred by the Liquidation Debtor or Plan Administrator before or after the Effective |

| *CLASS NO.* | *DESCRIPTION* | *TREATMENT* |
|---|---|---|
| | | Date, or in connection with, or related to, the liquidation of the Assets, administration of the Case, administration of, consummation of, or Distribution under, the Plan, the closing of the Case, or the dissolution of the Liquidation Debtor. |

Class 6 is a precautionary Class for subordinated penalty Claims. The Debtor is not aware of any Claim in this Class at this time, apart from potential penalty claims relating to delinquent property taxes. This Class receives distribution under the Plan only to the extent all Allowed Claims senior in priority receives payment in full, including, without limitation, the Holders of Allowed Commercial Paper Account Claims in Class 5, plus interest. The Debtor anticipates that no distribution will be made to Class 6.

d. CLASS 7 - CLASSIFICATION AND TREATMENT OF ALLOWED CLAIMS OF THE HOLDERS OF COMMERCIAL PAPER ACCOUNT CLAIMS FOR INTEREST ACCRUED OR OWING AFTER THE PETITION DATE AND PRIOR TO THE EFFECTIVE DATE (EXCLUDING ANY AND ALL CLAIMS THAT QUALIFY FOR, OR ELECT, TREATMENT IN CLASSES 1, 2, 3, 4, 5 AND/OR 6.

| *CLASS NO.* | *DESCRIPTION* | *TREATMENT* |
|---|---|---|
| CLASS 7 | **ALLOWED CLAIMS OF THE HOLDERS OF COMMERCIAL PAPER ACCOUNT CLAIMS FOR INTEREST ACCRUED OR OWING AFTER THE PETITION DATE AND PRIOR TO THE EFFECTIVE DATE (EXCLUDING ANY AND ALL CLAIMS THAT QUALIFY FOR TREATMENT IN CLASSES 1, 2, 3, 4, 5 AND/OR 6.**<br>Debtor's estimate of the amount of the Class 7 Claims for principal and interest through the Petition Date (without deducting potential Convenience Class Claims) = $0 | Class 7 consists of Allowed Claims of the Holders of Commercial Paper Account Claims for interest accrued or owing after the Petition Date and prior to the Effective Date to the Holders (that are not Early Cash-Out Election Claims), excluding, any and all Claims that qualify for treatment in Classes 1, 2, 3, 4, 5 and 6.<br>The Holders of Claims in this Class are impaired and entitled to vote on the Plan. No interest will accrue or be paid after the Effective Date on account of the Claims in this Class.<br>After the Effective Date, each Holder of an Allowed Class 7 Claim shall receive in full, |

| *CLASS NO.* | *DESCRIPTION* | *TREATMENT* |
|---|---|---|
| | | final and complete satisfaction of its Allowed Claim:<br><br>A Pro Rata distribution of the balance, if any, of Available Cash, proceeds of Rights of Action, if any, and the proceeds of the Plan Reserves remaining after payment in full all of the following: (a) Plan Operating Expenses and Liquidation Expenses, (b) Administrative Expenses (including, without limitation, Professional Fees, accrued and/or billed before or after the Effective Date), (c) Priority Claims, (d) Allowed Claims in Classes 1, 2, 3, 4, 5 and 6, and (e) any and all other claims, expenses, costs or charges of any kind or nature incurred by the Liquidation Debtor or Plan Administrator before or after the Effective Date, or in connection with, or related to, the liquidation of the Assets, administration of the Case, administration of, consummation of, or Distribution under, the Plan, the closing of the Case, or the dissolution of the Liquidation Debtor. |

Class 7 is a precautionary Class for interest after the Petition Date up through the Effective Date. This Class receives distribution under the Plan only to the extent all Allowed Claims senior in priority receives payment in full, including, without limitation, the Holders of Allowed Commercial Paper Account Claims in Class 5 (plus interest) and Class 6. The Debtor anticipates that no distribution will be made to Class 7. It is included only in the unlikely event that all senior classes receive payment in full.

3. *Class of the Interest Holder*

The Interest Holder is the party who hold ownership interest (i.e., equity interest) in the Debtor. The following chart identifies the Plan's treatment of the Class consisting of the Interest Holder:

| CLASS NO. | DESCRIPTION | TREATMENT |
|---|---|---|
| CLASS 8 | ALLOWED EQUITY INTERESTS | Class 8 consists of the Holders of the Allowed Equity Interests in the Debtor. Each such Interest for purposes of voting and distribution shall be deemed to be a separate subclass (e.g., Class 8A, Class 8B, Class 8C, etc.). The Holders of Interests in this Class (and in each subclass created hereunder) shall retain such Interests pending dissolution of Bay Area subject to the terms and conditions of the Plan (including, without limitation, the provisions of Section VI.G), but shall receive no Distribution under the Plan on account of such Interests. Without limiting the generality of the foregoing, the Interest Holders shall not vote their shares after the Effective Date in any manner that would directly or indirectly modify, amend or alter the terms of the Plan. |

## D. TREATMENT OF NON-CONSENTING CLASSES

Even if all Classes do not consent to the proposed treatment of their Claims under the Plan, the Plan may nonetheless be confirmed if the dissenting Classes are treated in a manner prescribed by the Bankruptcy Code. The process by which dissenting Classes are forced to abide by the terms of a plan is commonly referred to as "cramdown." The Bankruptcy Code allows dissenting Classes to be crammed down if the Plan does not "discriminate unfairly" and is "fair and equitable." These are complex statutory provisions and the explanations contained in the succeeding paragraphs do not purport to be exhaustive. The Bankruptcy Code does not define discrimination, but it does provide a minimum definition of "fair and equitable."

The term "fair and equitable" can mean that secured claimants retain their liens and receive Cash payments whose present value equals the value of their security interest. For example, if a creditor lends the hypothetical debtor $100,000 and obtains a security interest in property that is worth only $80,000, the "fair and equitable" requirement means that the claimant is entitled to cash payments whose present value equals $80,000 and not $100,000.

The term "fair and equitable" also means that no Claim or Interest that is junior to the General Unsecured Claimants will receive or retain anything under the Plan, unless the Plan provides for full satisfaction of such senior Class of General Unsecured Claims. However, there are exceptions to this general rule. Therefore, if a class of General Unsecured Claims votes against the Plan, the Plan cannot be confirmed where a Class of Equity Interest Holders will receive or retain any property under the Plan, unless the Plan provides that the class of General Unsecured Claims shall be paid in full with interest or an exception to the general rule applies. ("Fair and equitable" also means that each Holder of an Interest must receive the value of such Interest or else no junior Interest is entitled to receive anything.)

Notwithstanding the foregoing, one of the exceptions to the "fair and equitable" is where the plan contemplates an infusion of "new value" in which case General Unsecured Creditors need not be paid in full.

In this Case, the Debtor believes that the treatment of Secured Claims is unimpaired and consistent with the requirements of Bankruptcy Code §1129. In this Case, the Debtor also believes that the treatment of General Unsecured Claims is consistent with the requirements of Bankruptcy Code §1129(b)(2)(B). The Plan proposes that Class 5 must receive payment in full before any junior class receives distribution under the Plan. In addition, the Equity Interest Holder, Kenneth J. Pingree Jr. will be receiving no distribution under the Plan on account of his equity interest.

## E. MEANS OF EFFECTUATING THE PLAN

*1. The source of all Distributions and payments under the Plan will as follows:*

a. Available Cash

The Plan Administrator shall receive and collect all Available Cash as of the Effective Date after payment in full of (a) Plan Operating Expenses and Liquidation Expenses, (b) Administrative Expenses (including, without limitation, Professional Fee Claims), and, (c) Priority Claims.

b. Net Sale Proceeds of the Real Estate Assets

On the Effective Date and after the Effective Date, the Real Estate Assets which have not been sold prior to the Effective Date shall be marketed for sale by the Liquidation Debtor in accordance with the terms of the Plan, and the Net Sale Proceeds

of the Real Estate Assets shall be delivered to the Liquidation Debtor to be distributed in accordance with the terms of the Plan.

c. Plan Reserves

The Plan Administrator shall maintain Plan Reserves, including (a) the Post-Effective Date Plan Expense Reserve, (b) the Administrative Claim Reserve (including, without limitation, reserves for Professional Fee Claims), (c) the Indemnification Reserve, (d) separate reserves for payment of Disputed Administrative Claims, Allowed General Unsecured Claims and Disputed General Unsecured Claims, and (e) such other reserves as may be determined to be appropriate or desirable by the Plan Administrator after reasonable consultation with the Oversight Committee. Each Plan Reserve shall be in an amount (as of the Effective Date) no less than that scheduled for it in the Reserve Notice to be served no later than sixty (60) days after the Effective Date, and such amount(s) can be reduced, increased and/or replenished from time to time after the Effective Date as determined by the Plan Administrator and the Liquidation Debtor in their discretion.

*2. Management of the Liquidation Debtor.*

On and after the Effective Date, subject to the powers and duties of the Plan Administrator, the Oversight Committee shall manage the affairs and liquidation of the Liquidation Debtor. On and after the Effective Date, the Oversight Committee shall exercise the powers and duties of the board of directors of the Liquidation Debtor, subject to, as limited by, and to extent not inconsistent with, the terms of the Plan and the limitations provided in the Plan.

On the Effective Date, a Plan Administrator shall be appointed. On and after the Effective Date, the Plan Administer shall act as liquidating agent, and may take any actions and execute any documents on behalf of, and in the name of, the Liquidation Debtor (as more specifically set forth below), subject to the powers and duties of the Oversight Committee, subject to, as limited by, and to extent not inconsistent with, the terms of the Plan.

*3. The Oversight Committee.*

On the Effective Date, the Oversight Committee will be established pursuant to the terms of the Plan. On and after the Effective Date, the Oversight Committee will manage the Liquidation Debtor, after reasonable consultation with, and advice from, the Plan Administrator as set forth in the Plan or as the Plan Administrator may request

from time to time after the Effective Date. However, the Oversight Committee's right, power, standing and authority to manage the Liquidation Debtor, cause the Liquidation Debtor to take actions and to direct the Plan Administrator are limited by the Plan and by the terms of Plan, including, without limitation, being subject to Section VI.E of the Plan respecting the limitation on its right, power, standing or authority to modify, alter and/or amend the Plan or any of its terms.

On and after the Effective Date, the Oversight Committee shall consist of three members. On and after the Effective Date, the initial three members appointed to the Oversight Committee shall be as follows: (a) Fiorentino; (b) Prause; and (c) Lombardo (or, should he decline to accept, one member selected by the Debtor, in its sole and absolute discretion).

Each member of the Oversight Committee shall have one vote. However, nothing in the Plan or in any document or instrument created pursuant to the Plan shall prohibit any member of the Oversight Committee from providing a proxy for such member's vote on Oversight Committee matters to any other member of the Oversight Committee.

Approval of a majority of the members of such Oversight Committee shall be required for the Oversight Committee to act and shall bind all members as well as the Liquidation Debtor, except for removal of the Plan Administrator (which requires unanimous vote, or Court approval for cause shown after majority vote) or as otherwise specified in the Plan.

The identities of the final three members of the Oversight Committee (including the member selected by the Debtor) shall be set forth in the Effective Date Notice filed with the Bankruptcy Court within five (5) Business Days after the Effective Date, and, thereafter, supplemented within five (5) Business Days after any change in its membership.

After the Effective Date, the Oversight Committee is prohibited from expanding the number of its members. In the event that one of the two members of the Oversight Committee originally selected by the Committee resigns after the Effective Date, the remaining Oversight Committee member originally selected by the Committee, shall select a successor to serve in the place of the resigning member. In the event that the member of the Oversight Committee originally selected by the Debtor resigns after the Effective Date, the Plan Administrator shall select a successor to serve in the place of the resigning member originally selected by the Debtor.

Neither the Plan Administrator nor any successor Plan Administrator may be appointed as member of the Oversight Committee to fill any vacancy.

The Oversight Committee shall have the right to remove the Plan Administrator and any successor Plan Administrator only in the manner expressly set forth in Section VI.D.4 of the Plan.

The Oversight Committee may adopt by-laws with respect to its operation so long as such by-laws are consistent with the terms of the Plan and the Confirmation Order.

Except for reimbursement of reasonable expenses and indemnification, the members of the Oversight Committee shall receive no other compensation or other payment for the performance of their duties hereunder.

The duties, responsibilities and powers of the Oversight Committee shall terminate after all Assets have been liquidated, abandoned, distributed or otherwise disposed of, and after the Liquidation Debtor seeks and obtains an order for a final decree in the Case.

a. Limitation on the Liability of the Members of the Oversight Committee

Except as provided below, the members of the Oversight Committee shall not be personally liable for any Claim asserted against the Debtor whatsoever. The members of the Oversight Committee shall neither have, nor incur, any liability to any person or entity for any post-petition act taken or omitted to be taken in connection with, or related to, the Plan, including, without limitation, implementing, effecting or consummating the Plan, the marketing or sale of any Assets or Real Estate Assets, the collection or failure to collect any loan or note or foreclose on any collateral in the Remaining Loan Portfolio, the decision to sell or not sell to a potential buyer, any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or the sale of any Assets, Real Estate Assets or REOs, the compromise or failure to compromise any loan, note or claim against any borrower respecting the Remaining Loan Portfolio, the failure to assert or notify of any claim which may be covered by an applicable insurance policy, or any other post-petition act taken or omitted to be taken in connection with or in contemplation of the administration of the Liquidation Debtor, liquidation of any of its Assets, or for any act taken or omitted to be taken as members of the Oversight Committee or in connection with the liquidation or Distribution under the Plan; *provided* that the foregoing shall have no effect on the liability of any of the members of the Oversight Committee that results from any such act or omission that is determined in a Final Order to have constituted gross negligence, willful misconduct,

fraud, breach of fiduciary duty or intentional misrepresentation; and, *provided, further,* that the members of the Oversight Committee shall be entitled to rely upon the advice of counsel concerning his, her, or its duties pursuant to, or in connection with, the Plan any of the foregoing or any other related document, instrument, or agreement.

*4. The Plan Administrator*

a. Appointment of the Plan Administrator

On the Effective Date, a Plan Administrator shall be appointed. On the Effective Date, Biggs shall be appointed as the Plan Administrator. The Plan Administrator may, in his, her or its discretion, obtain a bond in an amount equal to the reasonable value of the Assets to be liquidated under the Plan or other insurance, as determined by the Plan Administrator in his, her or its discretion, after reasonable consultation with the Oversight Committee. The Plan Administrator may pay for such bond or insurance as a Plan Operating Expense from the Asset, the proceeds thereof or any other Cash held by the Liquidation Debtor or Disbursing Agent.

As of the Effective Date, the Plan Administrator shall assist in the administration of the liquidation, and in such capacity, may exercise rights, power and authority consistent with the Plan and applicable laws. The Plan Administrator shall serve in such capacity through the later of the date that Bay Area is dissolved in accordance with the Plan or the date of the last Distribution to Allowed Claims under the Plan, unless such Plan Administrator resigns, is terminated or otherwise unable to serve; *provided, however,* that any successor Plan Administrator appointed pursuant to the Plan shall serve in such capacity after the effective date of such person's appointment as Plan Administrator.

b. Powers and Authority of Plan Administrator

On or after the Effective Date, subject to the power and authority of the Oversight Committee as set forth in the Plan, the powers and authority of the Plan Administrator shall include, but not be limited to, advising, assisting, taking any action, filing or causing to be filed any proceeding, instituting and prosecuting any litigation, executing any document, entering into any compromise or settlement, or taking any such other actions consistent with the Plan, all in the name of the Liquidation Debtor, in connection with, consist with, or related to, (i) the Plan, (ii) liquidation and sale of the Assets, (iii) collection of loans and notes in the Remaining Loan Portfolio and the enforcement of the Liquidation Debtor's rights in respect thereof (including, without limitation, foreclosing on any collateral for such loans), (iv) determination, allowability,

classification or priority of any Claims, (v) the extent, validity and priority of any lien, (vi) construing, administering or enforcing the terms of the Plan, the Confirmation Order and any other order of the Court, (vii) implementation, execution, performance, and consummation of the Plan and the Confirmation Order, and all matters referred to in the Plan and the Confirmation Order, (viii) the opening or closing of any account which the Plan Administrator determines is reasonable, necessary or required under the Plan, and making any withdrawals or deposits in connection therewith, (ix) reviewing, approving or opposing any and all applications or requests for compensation and reimbursement of expenses of any Professionals, which are submitted or brought after the Effective Date (regardless of the date of such services), (x) filing, prosecuting, compromising or settling Rights of Action or other litigation reserved under the Plan, (xi) any applications, motions, adversary proceedings, contested matters and any other litigated matters instituted before, on or after the Effective Date, including, without limitation, any and all claims, causes of action, setoffs, recoupments and the determination of any other rights; (xii) modifying the Plan under Bankruptcy Code § 1127 in order to remedy any apparent defect or omission in the Plan, or to reconcile any inconsistency in the Plan so as to carry out its intent and purpose, or implement any settlement reached (which shall be within the Plan Administrators, sole and exclusive power, right and authority), (xiii) seeking any injunctions, judgment or orders or taking such other actions as may be necessary or appropriate to restrain interference with the Plan or the Confirmation Order, (xiv) to aid of consummation of the Plan or the Confirmation Order, (xv) the sale, collection, transfer or disposition of any of the Assets and Real Estate Assets and all related transactions, (xvi) administration of the Case and the Plan, including, without limitation, retaining, hiring, terminating any employee or staff, (xvii) preparing, executing and filing of any tax return, and (xviii) closing of the Case and dissolution of the Liquidation Debtor, including, without limitation, obtaining a final decree.

On and after the Effective Date, the Plan Administrator shall be authorized and empowered to execute, do and perform, in the name and on behalf of the Liquidation Debtor, such acts and to prepare, execute, acknowledge, verify, file, deliver and cause to be published such certificates, agreements, notices, reports, applications, declarations, instruments and documents, under the corporate seal of Bay Area as Liquidation Debtor or otherwise, as the Plan Administrator may deem necessary, appropriate or desirable in his, her or its discretion, to carry into effect the decisions of the Liquidation Debtor, the terms and provisions of the Plan, the directions of the Oversight Committee and/or in connection with any of the matters set forth above or in the Plan. The Plan Administrator's performance of any such actions and execution and delivery of any such documents shall constitute conclusive evidence of such authority and determination.

Without limiting the generality of the foregoing, on and after the Effective Date, the Plan Administrator is authorized and empowered to execute, do and perform, in the name and on behalf of the Liquidation Debtor, such acts and to prepare, execute, acknowledge, verify, file, deliver and cause to be published any and all certificates, agreements, notices, notice of default, trustees' sale notices, reports, applications, declarations, instruments, notes, deeds, reconveyances, transfer documents, sale agreements, and any and all other documents of any kind or nature on behalf of, and in the name of, the Liquidation Debtor, including, without limitation, those reasonable, necessary, required, requested or appropriate in order to (i) sell, operate, convey, transfer, hypothecate, assign, alienate, dispose of, take possession of, and/or abandon any of the Assets, Real Estate Assets and/or REOs, (ii) collect or enforce the Liquidation Debtor's rights respecting, or in connection with, any loans, (iii) foreclose and take possession of on any Assets, Real Estate Assets and/or REOs, (iv) file, prosecute, enforce or collect any Claims and/or Rights of Action, (v) carry-out the terms and intent of the Plan and/or directions of the Oversight Committee, and (vi) administer the Plan and the Case. The Plan Administrator's performance of any such actions and execution and delivery of any such documents shall constitute conclusive evidence of such authority and determination.

In the discretion of the Liquidation Debtor and the Plan Administrator, the powers and duties of the Plan Administrator may be further delineated, refined and expanded upon in the Liquidation Agreement or by majority vote of the Oversight Committee; but may not be limited in any way.

c. Expenses of the Liquidation Debtor and/or Plan Administrator

The Plan Administrator and the Liquidation Debtor may pay all Administrative Expenses. Plan Operating Expenses and/or Liquidation Expenses arising under, in connection with, related to, or necessary for implementation, execution, performance, and consummation of the Plan and the Confirmation Order, the sale, transfer, disposition, distribution or administration of any Assets, and all matters referred to in the Plan and the Confirmation Order. Without limiting the generality of the foregoing or the general definition of Plan Operating Expenses, Plan Operating Expenses shall include, but not limited to, any and all operating or other expenses of any kind or nature incurred by the Plan Administrator and/or the Liquidation Debtor, including, without limitation, his, hers or its fees and expenses, rent, operating expenses, offices expenses, salaries and any and all other expenses incurred in the ordinary course of the liquidation.

Without limiting the generality of the foregoing, the Plan Administrator will receive in connection with its duties under the Plan compensation at its then prevailing

hourly rates, and reimbursement of fees and expenses incurred by it. The Plan Administrator shall be entitled to reimbursement for actual out-of-pocket expenses incurred by the Plan Administrator.

To the extent there are sufficient available funds, the Plan Administrator shall include in the reserve created for Post-Effective Date Plan Expenses reasonably sufficient monies to cover the foreseeable compensation and expenses of the Plan Administrator incurred, or to be incurred, after the Effective Date.

d. Removal of the Plan Administrator

The Plan Administrator, including any successor Plan Administrator, may be removed as the Plan Administrator only in the following manner: (a) by affirmative unanimous vote of all of the three members of the Oversight Committee, or (b) by majority vote of two members of the Oversight Committee and following entry of a Final Order of the Court, upon good cause shown by clear and convincing evidence, resulting from an evidentiary hearing held on properly noticed motion filed on behalf of the Oversight Committee, with opportunity for objection, after providing at least thirty (30) days written notice to the Plan Administrator, the dissenting member of the Oversight Committee, the twenty largest Holders of Allowed Commercial Paper Account Claims, CMKF, SHB and the UST, each of which shall have standing to object.

e. Successor Plan Administrator

In the event that the Plan Administrator is removed, resigns or otherwise ceases to serve as the Plan Administrator, the Liquidation Debtor shall select a successor Plan Administrator within thirty (30) Business Days of such resignation or cessation of service by the incumbent Plan Administrator. Any successor Plan Administrator shall be subject to the same general qualifications and shall have the same rights, powers, duties and discretion, and otherwise be in the same position, as the originally named Plan Administrator. Any successor Plan Administrator may not be a past or current member of the Oversight Committee.

If the Plan Administrator ceases to act as Plan Administrator for any reason whatsoever, such Plan Administrator shall turn over to any successor Plan Administrator, upon written request, any and all Assets, property and record, within twenty (20) days of the receipt of such written request. References herein to the Plan Administrator shall be deemed to refer to the successor Plan Administrator acting hereunder.

f. Records

The Plan Administrator shall maintain good and sufficient books and records of account relating to the liquidation of the Assets; Available Cash and the management thereof; all post-Effective Date transactions undertaken and transfers made by the Plan Administrator; all expenses incurred by the Plan Administrator in connection with the implementation of the Plan after the Effective Date; and all distributions contemplated or effectuated under the Plan. Upon final disposition of the Assets and final distribution of Available Cash pursuant to the Plan, the Plan Administrator may destroy or otherwise dispose of all records maintained by it. Notwithstanding anything to the contrary, the Plan Administrator may destroy any documents that it reasonably believes are no longer required to effectuate the terms and conditions of the Plan.

g. Liability of the Plan Administrator

The Plan Administrator and its Related Parties shall not be personally liable for any Claim asserted against the Debtor whatsoever. The Plan Administrator shall neither have, nor incur, any liability to any person or entity for any post-petition act taken or omitted to be taken in connection with, or related to, the Plan, including, without limitation, implementing, effecting or consummating the Plan, the marketing or sale of any Assets or Real Estate Assets, the collection or failure to collect any loan or note or foreclose on any collateral in the Remaining Loan Portfolio, the decision to sell or not sell to a potential buyer, any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or the sale of any Assets, Real Estate Assets or REOs, the compromise or failure to compromise any loan, note or claim against any borrower respecting the Remaining Loan Portfolio, the failure to assert or notify of any claim which may be covered by an applicable insurance policy, or any other post-petition act taken or omitted to be taken in connection with or in contemplation of the administration of the Liquidation Debtor, liquidation of any of its Assets, or for any act taken or omitted to be taken as Plan Administrator or in connection with the liquidation or Distribution under the Plan; *provided* that the foregoing shall have no effect on the liability of any of the Plan Administrator that results from any such act or omission that is determined in a Final Order to have constituted gross negligence, willful misconduct, fraud, breach of fiduciary duty or intentional misrepresentation; and, *provided, further,* that the Plan Administrator shall be entitled to rely upon the advice of counsel concerning his, her, or its duties pursuant to, or in connection with, the Plan any of the foregoing or any other related document, instrument, or agreement.

*5. Limitations on the Rights of the Oversight Committee.*

Notwithstanding anything in the Plan express or implied to the contrary, the Oversight Committee does not have the right, power, standing or authority, whether directly or indirectly, to take any action, take any vote, seek, conspire, direct or cause, the Liquidation Debtor, the Oversight Committee, the Plan Administrator or any other person or entity, to alter, amend, supplement, or modify under Bankruptcy Code § 1127, the Plan or any of its terms. The Oversight Committee does not have the right, power, standing and/or authority, whether directly or indirectly, to take any action, vote, seek, conspire, direct or cause the Liquidation Debtor, the Oversight Committee, the Plan Administrator or any other person or entity to take any action or file any proceeding, pleading or document inconsistent with the terms of the Plan.

The Plan Administrator, in his sole and absolute discretion, shall have the sole and exclusive right, power, standing and authority to seek a modification of the Plan under Bankruptcy Code § 1127, or an order to alter, amend or supplement the Plan, or to resolve or remedy any apparent defect or omission in the Plan, or to reconcile any inconsistency. The foregoing right, power, standing and authority of the Plan Administrator may not be revoked for any reason. Furthermore, the Oversight Committee does not have the right, power, standing or authority, whether directly or indirectly, to take any action, take any vote, seek, conspire, direct or cause, the Liquidation Debtor, the Oversight Committee, the Plan Administrator or any other person or entity, to revoke, limit, modify or alter the exclusive right of the Plan Administrator in this regard. (The sole and exclusive remedy of the Oversight Committee in this regard is to seek removal of the Plan Administrator in accordance with Section VI.D.4 of the Plan.)

Notwithstanding the foregoing limitation on the right and power of the Oversight Committee to modify the Plan, after unanimous vote by the Oversight Committee, the Oversight Committee may make demand on the Plan Administrator to modify the Plan at any time after the Effective Date consistent with applicable Bankruptcy Law, including, without limitation, the provisions of Bankruptcy Code § 1127. In the event that the Plan Administrator fails or refuses to file such modification after unanimous vote of the Oversight Committee, the Oversight Committee may file a motion with the Court on at least twenty-four (24) days' notice to compel the Plan Administrator to modify the Plan. In such event, the Plan Administrator may, in his absolute and sole discretion, retain independent counsel at the expense of the Liquidation Debtor to represent him in opposing such motion. Upon entry of a Final Order of the Court granting the motion of the Oversight Committee, the Plan Administrator shall promptly

file and serve the proposed modification in manner consistent with applicable Bankruptcy law.

On the Effective Date, the corporate bylaws of Bay Area shall be deemed amended and modified consistent with the Plan, including, without limitation, Sections VI. C, D and E of the Plan.

*6. Termination/Resignation of Current Management.*

On the Effective Date, Kenneth J. Pingree Jr. shall resign as president and chief executive officer of the Liquidation Debtor; Lombardo shall resign as secretary; and, Patricia Pingree shall resign as assistant secretary of the Debtor. The Plan Administrator shall assume the powers and duties previously exercised by the president, subject to the powers and duties of the Oversight Committee as set forth in the Plan.

On and after the Effective Date, the Oversight Committee shall exercise the powers and duties of the board of directors of the Liquidation Debtor, subject to, as limited by, and to extent not inconsistent with, the terms of the Plan. On and after the Effective Date, the Plan Administrator shall serve exercise the powers and duties of the president of the Liquidation Debtor, subject to, as limited by, and to extent not inconsistent with, the terms of the Plan.

*7. Ultimate Dissolution of Bay Area*

Once the Liquidation Debtor has sold the Assets and Real Estate Assets, the Plan Administrator has fully performed its duties and made all Distributions under the Plan, Bay Area may be dissolved for all purposes, without the necessity for any other or further actions to be taken by or on its behalf or payments to be made in connection therewith; *provided, however,* without the need of any further approval, the Plan Administrator may execute and file documents and take all other actions deemed appropriate relating to the dissolution of Bay Area under applicable state laws, and in such event, all applicable regulatory or governmental agencies shall take all steps necessary to allow and effect the prompt dissolution of Bay Area as provided herein, without the payment of any fee, tax, or charge and without need for the filing of reports or certificates.

*8. Physical Location of the Liquidation Debtor on and after the Effective Date.*

On and after the Effective Date until the current termination date pursuant to the Suite 350 Lease, the Liquidation Debtor shall continue to conduct its day to day operations/liquidation from the Bay Area Financial corporate headquarters, located at 12400 Wilshire Blvd, Suite 350, Los Angeles, California 90025. Upon termination of the Suite 350 Lease in or about December 2014, such Suite 350 Lease shall not be renewed by the Liquidation Debtor (unless instructed otherwise by the Oversight Committee pursuant to majority vote). Upon termination of the Suite 350 Lease, the Liquidation Debtor may relocate to 3250 Ocean Park Blvd., Suite 350, Santa Monica, California 90405 until such time as the Plan Administrator resigns, is removed in accordance with the Plan or otherwise decides not to offer space to the Liquidation Debtor (as determined in the Plan Administrator's sole and absolute discretion). In the event the Liquidation Debtor must again relocate for any reason, the Plan Administrator shall select a suitable location with the approval of the Oversight Committee.

*9. Termination of Services of the Debtor's Employees.*

On the Effective Date, if still employed by the Debtor as of the Effective Date, the Debtor shall provide employee, Elsa Raigoza, thirty (30) days written notice of termination of her employment effective on the 31st day following the Effective Date. On the Effective Date, if still employed by the Debtor as of the Effective Date, the Debtor shall provide employee, Kimberly Wizer, thirty (30) days written notice of termination of her employment effective on the 31st day following the Effective Date.

On and after the Effective Date, the Plan Administrator may elect to cause the Liquidation Debtor to hire an employee selected by the Plan Administrator on reasonable terms, at the expense of the Liquidation Debtor for a period of one year following the Effective Date. Thereafter, the Plan Administrator may, in his, hers or its discretion, continue to employee such employee selected by the Plan Administrator, until the Oversight Committee votes to direct the Plan Administrator to terminate such employee after reasonable consultation with the Plan Administrator and after giving reasonable deference to his, her or its view.

*10. Termination Of Duties/Closing Of The Case*

The duties, responsibilities and powers of the Plan Administrator, Liquidation Debtor. the Oversight Committee and Disbursing Agent shall terminate after all Assets have been liquidated, abandoned, distributed or otherwise disposed of, and after the

final Distribution under the Plan as determined in the Plan Administrators absolute and sole discretion, with the consent of the Oversight Committee.

Notwithstanding any other provision herein, the Liquidation Debtor may move to close the Case at any time after the Effective Date, even if any Assets remain to be liquidated, funds remain to be distributed or Plan Reserve(s) remain on deposit.

*11. Treatment Of Disputed Claims.*

On and after the Effective Date, the Liquidation Debtor shall have the right to take actions to pursue any and all disputes respecting any and all Claims asserted against the Debtor with respect to which the liability is disputed in whole or in part. All disputes may be litigated to Final Order; provided, however, that the Liquidation Debtor may compromise and settle any disputes respecting Claims. At such time as a Disputed Claim is resolved by Final Order and is Allowed or is settled by the Liquidation Debtor, the Holder thereof will receive, as soon as practicable thereafter, the distributions to which such Holder is then entitled under the Plan.

*12. Distribution of Property under the Plan*

a. Manner of Cash Payments

Payments to domestic Holders of Allowed Claims will be denominated in U.S. dollars and will be made by checks drawn on a domestic bank selected by the Plan Administrator or, at the Plan Administrator's option, by wire transfer from a domestic bank. Payments to foreign Holders of Allowed Claims, if any, may be paid, at the Plan Administrator's option, either in the same manner as payments to domestic entities or in any funds and by any means that are necessary or customary in the particular foreign jurisdiction, but in accordance with all financial reporting, payment and tax withholding laws and regulations of Federal and State jurisdictions under which payments fall.

b. Setoff and Recoupment

Notwithstanding anything to the contrary in the Plan, the Liquidation Debtor may setoff, recoup, or withhold against the distributions to be made on account of any Allowed Claim, any Claims that the Debtor may have against the entity holding a Claim. The Liquidation Debtor will not waive or release any Claim against those entities by failing to effect such setoff or recoupment; by allowing any Claim against the Debtor; or by making a distribution on account of an Allowed Claim.

c. No De Minimis Distributions

Notwithstanding anything to the contrary in the Plan, no Cash payment of less than $50 will be made to any Holder of an Allowed Claim. No consideration will be provided in lieu of the de minimis distributions that are not made under this Section. Allowed Claims that are entitled to a Pro Rata distribution of less than $50 shall continue to accrue until such time as the Pro Rata distribution on account of such Allowed Claim will be $50 or more.

d. No Distributions With Respect to Disputed Claims

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 becomes an Allowed Claim or is deemed to be an Allowed Claim for Distribution purposes.

e. Undeliverable, Unclaimed Non-Negotiated Distributions

Distributions to Holders of Allowed Claims will initially be made by mail to the address, if any, set forth on the books and records of the Debtor as amended by any written notice of address change received by the Plan Administrator no later than ten (10) Business Days prior to the date of any Distribution.

If no address is available through any of the foregoing means, the Distribution will be deemed to be undeliverable. If a Distribution is returned to the Plan Administrator as an undeliverable Distribution or is deemed to be an undeliverable Distribution, the Plan Administrator shall make no further Distribution to the entity holding the Claim on which the Distribution is being made unless and until the Plan Administrator is timely notified in writing of that entity's current address. Subject to the following paragraph, until they become deliverable, the Plan Administrator will create one or more reserves for undeliverable Distributions for the benefit of the entities entitled to the Distributions. These entities will not be entitled to any interest on account of the undeliverable Distributions.

Any Holder of an Allowed Claim that is otherwise entitled to an undeliverable Distribution and that does not, within ninety (90) days after a Distribution is returned to the Plan Administrator as undeliverable, or is deemed to be an undeliverable Distribution, provide the Plan Administrator with a written notice asserting his, her or its claim to that undeliverable Distribution and setting forth a current, deliverable address, will be deemed to waive any claim to such undeliverable Distribution and will be forever barred from receiving such undeliverable Distribution or asserting any Claim

against the Debtor, Liquidation Debtor, Plan Administrator and/or the Exculpated Parties. Any undeliverable Distributions that are not claimed under this Section will become Available Cash. Nothing in the Plan requires the Plan Administrator, the Liquidation Debtor or the Oversight Committee to attempt to locate any entity holding an Allowed Claim and whose Distribution is undeliverable.

If an instrument delivered as a Distribution to a Holder of an Allowed Claim is not negotiated within one hundred and twenty (120) days after such instrument was sent to the Holder of the Allowed Claim, then the instrument shall be null and void, the Holder of an Allowed Claim shall be deemed to have waived such Distribution, and it shall become Available Cash.

## F. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

The Debtor will assume certain executory contracts and unexpired leases. A specific list of all executory contracts and/or unexpired leases to be assumed by the Debtor under the Plan ("**Assumed Contract Schedule**") will be filed with the Court and served on the other party to such contract or lease by the Exhibit Filing Date.

On the Effective Date, each of the unexpired leases and executory contracts listed on the Assumed Contract Schedule shall be assumed as obligations of the Liquidation Debtor. The Confirmation Order shall constitute an order approving the assumption of each lease and contract to be identified on the Assumed Contract Schedule. If a party to a lease or contract to be assumed objects to the assumption of his, her or its lease or contract, such party must file and serve his, her or its objection to the proposed assumption of his, her or its lease or contract within the deadline for objecting to the Confirmation of the Plan.

In addition, to the extent not already assumed by Final Order prior to the Effective Date, the Suite 350 Lease is hereby assumed under the Plan as of the Effective Date through the current expiration date.

The Debtor will reject certain pre-petition leases and executory contracts of Debtor. A specific list of all executory contracts and/or unexpired leases to be rejected by the Debtor under the Plan ("**Rejection Schedule**") will be filed with the Court and served on the other party to such contract or lease by the Exhibit Filing Date.

In addition, all executory contracts and unexpired leases that have not been specifically assumed will be deemed rejected on the Effective Date, despite not being

included on the Rejection Schedule. The Confirmation Order shall constitute an order approving the rejection of the lease or contracts not specifically assumed.

**THE BAR DATE FOR FILING A POC BASED ON A CLAIM ARISING FROM THE REJECTION OF A LEASE OR CONTRACT IS THIRTY (30) DAYS AFTER THE ENTRY OF AN ORDER CONFIRMING THE PLAN.**

Any claim based on the rejection of a contract or lease will be barred if the POC is not timely filed, unless the Court later orders otherwise.

## G. Regulatory Approval Not Required.

The Debtor is not subject to governmental regulatory commission approval of its rates.

## H. Litigation

On the Effective Date, the Liquidation Debtor shall retain, and may exclusively enforce, any and all such claims, rights or Rights of Action, whether arising before or after the Effective Date, in any court or other tribunal. The Liquidation Debtor shall have the exclusive right, authority, and discretion to institute, prosecute, abandon, settle, or compromise any and all such claims, rights and Rights of Action, after reasonable consultation with the Plan Administrator.

On and after the Effective Date, with respect to any matter affecting any Assets, the Liquidation Debtor may take such actions in the name of Bay Area.

Unless a claim or Right of Action against a person or entity is expressly waived, relinquished, released, compromised, or settled in the Plan or any Final Order, the Liquidation Debtor expressly reserves such claim or cause of action for later adjudication (including, without limitation, claims and Rights of Action which the Liquidation Debtor may presently be unaware, or which may arise or exist by reason of additional facts or circumstances unknown at this time, or facts or circumstances which may change or be different from those now believed to exist) and, therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable, or otherwise), or laches shall apply to such claims or Rights of Action upon, or after, the consent to or consummation of the Plan, except where such claims or Rights of Action have been released in the Plan or other Final Order.

On and after the Effective Date, the Liquidation Debtor and the Plan Administrator will make the decision of whether or not to pursue Rights of Action, any claims or causes of action and/or to settle or not settle any Rights of Action, claims or causes of action, and this decision will be based upon the Liquidation Debtor's and the Plan Administrator's review of the merits of the various Rights of Action as well as the costs required to prosecute such Rights of Action. The Plan Administrator may seek to retain counsel and/or other advisors to prosecute some or all of such Rights of Action on behalf of, and in the name of, the Liquidation Debtor, may seek to finance any costs relating to the prosecution of such litigation or may decide not to pursue such Rights of Action at all. The Plan Administrator with the consent of the Oversight Committee, in their absolute and sole discretion, may settle such actions on behalf of the Liquidation Debtor following the Effective Date without further notice or hearing, except as otherwise provided in the Plan.

Notwithstanding the foregoing, should the Plan Administrator refuse to consent to file or pursue any Right of Action requested by the Oversight Committee after a vote by 2/3rds of the Oversight Committee in favor of filing and pursuing such Right of Action at any time after the Effective Date, the Oversight Committee may make demand on the Plan Administrator to commence or pursue such Right of Action in the name of the Liquidation Debtor; and, should the Plan Administrator fail or refuse to file and pursue such Right of Action, the Oversight Committee may file a motion with the Court on at least twenty-four (24) days' notice to compel the Plan Administrator to file and pursue such Right of Action. If the Oversight Committee files such motion, the Plan Administrator may, in his absolute and sole discretion, retain independent counsel at the expense of the Liquidation Debtor to represent him in opposing such motion. Upon entry of a Final Order of the Court granting the motion of the Oversight Committee, the Plan Administrator shall promptly file and pursue in the name of the Liquidation Debtor such Right of Action in manner consistent with the Court's order.

The Liquidation Debtor and/or the Plan Administrator and their respective Related Parties shall not have any liability arising out of the good faith determinations of the Liquidation Debtor and the Plan Administrator of whether or not to pursue prosecution of and/or settle the foregoing Rights of Action.

The Liquidation Debtor and the Plan Administrator, in their absolute and sole discretion, reserve the right to supplement any at any time before or after the Effective Date, the reserved litigation to include actions, causes of action, claims, avoidance actions, declaratory relief actions and lawsuits, of any kind or nature, whether in law or in equity, that the Debtor may have against any Claimant or any other person or entity by filing with the Bankruptcy Court Schedule I; upon such filing, ***Schedule I*** shall be

deemed to be incorporated as part of the Disclosure Statement, Plan and Confirmation Order as of the Effective Date without further order of the Bankruptcy Court; and, none of the Disclosure Statement, Plan and/or Confirmation Order shall act as bar against the filing and/or prosecution of any such actions, causes of action, claims, avoidance actions, declaratory relief actions and lawsuits, and/or the enforcement of any judgment obtained with respect thereto.

## I. SUMMARY OF THE PLAN RISKS FACTORS

The amount of distribution under the Plan is subject to various factors and contingencies, some of which are described below. The following discussion summarizes only some of the material risks associated with the Plan and the Liquidation Debtor, and is not exhaustive. Moreover, this section should be read in connection with the other disclosures contained in the Plan and Disclosure Statement. Each Holder of a Claim and Interest, in conjunction with its advisors, should supplement the following discussion by analyzing and evaluating the Plan and Disclosure Statement as a whole.

**THE RISKS ASSOCIATED WITH THE PLAN AND THE LIQUIDATION DEBTOR MUST BE CAREFULLY CONSIDERED IN DETERMINING WHETHER TO VOTE TO ACCEPT THE PLAN.**

This discussion assumes that the Plan is confirmed and that the Effective Date occurs. The proceeds to be realized upon liquidation are subject to the following general risks:

- Adverse changes in general economic conditions, and the real estate market in particular.

- Unknown and unanticipated material deferred maintenance respecting the real estate that serves as security for the Loans may not be known at this time.

- Unknown and unanticipated material default in the senior indebtedness or real estate taxes respecting the real estate that serves as security for the Loans.

- Material default or inability to collect on existing Loans.

- Unanticipated intervening bankruptcy proceeding filed by borrowers which adversely impacts collectability, timing and the costs of collection of existing Loans.

- Fewer or greater than anticipated Allowed Commercial Paper Account Holders elect treatment in Class 4.

- Lower than anticipated sales prices for the existing REO's.

- Destruction or material damage to the REOs or other real estate collateral.

- Unanticipated environmental or zoning regulations adversely impacting the REOs and/or other real estate collateral.

- Non-occurrence of the Effective Date.

The foregoing is a disclosure of general risks. However, the Debtor is not currently aware of any imminent event which falls into any of the foregoing categories, which would render the feasibility of the Plan highly suspect at this time.

## V. LIQUIDATION ANALYSIS/BEST INTEREST TEST

Another confirmation requirement is the "Best Interest Test", which requires a liquidation analysis. Under the "Best Interest Test", if a Holder of a Claim or Interest is in an impaired Class and such Holder does not vote to accept the Plan, then that Holder of a Claim or Interest must receive or retain under the Plan property of a value not less than the amount that such holder would receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code.

In a hypothetical Chapter 7 case, the hypothetical debtor's assets are usually sold by a Chapter 7 trustee. Secured Creditors are generally paid first from the sales proceeds of properties on which the secured creditor has a lien. Administrative claims (both Chapter 7 and then Chapter 11) are paid next. Next, the General Unsecured Creditors are paid from any remaining sales proceeds, according to their rights to priority. General Unsecured Creditors with the same priority share in proportion to the amount of their Allowed Claim in relationship to the amount of total Allowed General Unsecured Claims. Finally, the Interest Holders receive the balance, if any, that remains after all creditors are paid.

The Debtor's Liquidation Analysis is attached to the Disclosure Statement as ***Exhibit 7***. Specific information about the loans has been excluded due to legal disclosure issues, and because the Debtor believes that it is not in the best interest of the Estate and Creditors to include such confidential information in the public record. By way of example, disclosing valuations respecting the Loan Portfolio might potentially impact collectability of specific loans. Similarly, the liquidation value of a particular

parcel of real estate might have an impact on the sale price of the property. Thus, the Debtor has opted not to include such information in the Disclosure Statement where it becomes readily available to the general public.

The estimated amount owed by the Debtor on account of General Unsecured Claims is approximately $113,845, and the estimated total amount of Commercial Paper Account Claims classified in Class 5 is approximately $20,874,235.89, without deduction for those Commercial Paper Account Holders who may elect to be treated in Class 4.

Although the Debtor anticipates that the distribution to Commercial Paper Account Holders in Class 5 will eventually be greater over time than the 35% being offered to those electing to be cashed-out in Class 4, it is not possible to predict with any degree of certainty the exact amount or percentage of distribution to Class 5 at this time or the amount of time it will take to complete the liquidation, although reasonable efforts have been made by the Debtor to do so, as set forth the exhibits to the Disclosure Statement. Among other reasons, there are too many uncertainties regarding the value of the remaining real estate assets, collectability of the remaining loans in the Debtor's loan portfolio and general unpredictability of the economy to make a completely accurate prediction at this point.

With that general disclaimer in mind, the Liquidation Analysis prepared by the Debtor projects that each Holder of an Allowed Commercial Paper Account Claim in Class 5 should expect to receive a distribution of approximately 54.05% of the amount of his, her or its Allowed Commercial Paper Account Claim qualifying for treatment in Class 5, which projection is based on the hypothetical assumption that no Claimants whatsoever elect to be treated in Class 4.

Based on the same Liquidation Analysis, assuming hypothetically that all Holders of Allowed Commercial Paper Account Claims equal to or less than $200,000 eligible to elect treatment in Class 4 actually elects treatment in Class 4, the distribution to each Holder of an Allowed Commercial Paper Account Claim in Class 5 would hypothetically increase to approximately 60%. By way of further example, assuming that only 50% of the amount owed to the Holders of Allowed Commercial Paper Account Claims equal to or less than $200,000 eligible to elect treatment in Class 4 actually elects treatment in Class 4, the distribution to each Holder of an Allowed Commercial Paper Account Claim in Class 5 would hypothetically increase to approximately 56.6%.

The Debtor believes that 54.05% is a reasonably accurate projection of anticipated distribution based on the information currently available. However, it is always possible that unanticipated events and circumstances, or unforeseen problems with loan collections, may adversely impact estimates of value, so that less is realized from liquidation than anticipated. Similarly, it is possible that results may be better than predicted, as the Debtor believes that the Liquidation Analysis relies upon relatively conservative estimates of value.

Although reasonable efforts have been made to project the amount of the anticipated distribution based on the best information available as of the date of the Disclosure Statement, it is not possible at this time to project with exactitude the percentage that each Holder of an Allowed Commercial Paper Account Claim will receive because of there are a number of uncertainties impacting the liquidation. By way of example, the conditions of the real estate that serves as security for the Loans may not be known at this time. Similarly, the amount of the senior indebtedness can be impacted if the borrower is default. Intervening bankruptcy proceeding filed by borrowers impacts collectability, timing and the costs of collection. The ability of the Liquidation Debtor to collect the outstanding Loans will impact the available liquidation proceeds. The number of Allowed Commercial Paper Account Holders electing treatment in Class 4 may also increase the percentage distribution to Class 5. The exact sales prices for the existing REO's is subject to market variation.

The Debtor maintains that the best interest requirement is met in this case. The Liquidation Analysis includes a comparison of the anticipated results of the liquidation under the Plan compared to Liquidation under Chapter 7. The Liquidation Analysis projects a distribution of approximately of 54.05% of the amount of the Allowed Commercial Paper Account Claim qualifying for treatment in Class 5 (assuming no Claimant whatsoever elects to be treated in Class 4). By comparison, the Liquidation Analysis projects an anticipated distribution of approximately of 36.01% of the amount of the Allowed Commercial Paper Account Claim, assuming the assets are liquidated in Chapter 7. There are a number of reasons for the projected disparity.

For example, in a hypothetical Chapter 7 case, a trustee is appointed and entitled to compensation from the bankruptcy estate based on disbursements. The trustee's compensation is in an amount not to exceed 25% of the first $5,000 of all moneys disbursed, 10% on any amount over $5,000, but less than $50,000, 5% on any amount over $50,000 but not in excess of $1 million, and 3% on all amounts over $1 million. In a hypothetical Chapter 7 case, a trustee would be entitled to fees on projected distributions in Chapter 7. In addition to the added Administrative Expense for the trustee, the Chapter 7 trustee will most certainly employ professional persons, such as

legal counsel, accountants and appraisers. Thus, the projected Administrative Expense claims will significantly increase.

It is noteworthy that the Liquidation Analysis fails to take into account the possibility that existing Loan collections and/or real estate values may be adversely affected were the Debtor liquidated in Chapter 7.

**The Debtor has estimated the liquidation values of its assets based upon the most accurate information that is currently available. Because those estimates are a prediction of what could be obtained in the future if such assets were liquidated, there is no guarantee that the estimates are entirely accurate. It is possible that the actual liquidation of the assets would generate either more or less than the estimated values set forth herein.**

## VI. FINANCIAL INFORMATION

### A. FEASIBILITY

The Bankruptcy Code requires that, in order for the Plan to be confirmed by the Bankruptcy Court, it must be demonstrated that consummation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor, unless such liquidation is proposed in the Plan. See, Bankruptcy Code § 1129(a)(11). Here, the Plan is a liquidating Plan.

In this Case, the Plan is to be funded from cash on hand, Loan collections, proceeds of sales of REOs, and liquidation of other assets.

#### *1. Cash on Effective Date*

There are at least two important aspects of a feasibility analysis. The first aspect considers whether the Debtor will have enough Cash on hand on the Effective Date of the Plan to pay all the claims and expenses which are entitled to be paid on such date. The Debtor maintains that this aspect of feasibility is satisfied.

The Debtor has approximately $2,044,772 of cash on hand. Assuming the sale of the Ostin Property closes prior to the Effective Date, the amount of cash on hand as of the Effective Date may increase by $252,618, resulting in cash on hand as of the Effective Date of approximately $2,297,341.

The aggregate amount of projected cash required to be paid on the Effective Date is approximately $896,198, consisting of $675,000 in projected Administrative Expenses, $14,050 in disputed Priority Tax Claims, and $207,148 in Secured Property Tax Claims. Based on the foregoing analysis, there appears to be adequate cash on hand to meet the required Effective Date payments.

*2. Additional Financial Information*

The Debtor has included with this Disclosure Statement some historical and current financial information to assist the reader in making an informed decision respecting the Plan. ***Exhibit 2*** consists of the Debtor's Balance Sheets as of June 30, 2012, June 30, 2013, and February 28, 2014. ***Exhibit 3*** is a Profit & Loss Statement prepared by the Debtor for the period June 30, 2012 through June 30, 2016. ***Exhibit 4*** is the Cash Flow Projections prepared by the Debtor for the period June 30, 2012 through June 30, 2016. Attached collectively as ***Exhibit 5*** is a Profit & Loss Statement for the Year Ending June 30, 2014 and a Forecasted Profit & Loss Statement for the Year Ending June 30, 2015. Attached collectively as ***Exhibit 6*** is a Cash Flow Projections for the Year Ending June 30, 2014 and a Cash Flow Projections for the Year Ending June 30, 2015.

Specific detail respecting the outstanding loans is excluded from the Disclosure Statement due to legal disclosure laws and because the Debtor believes that it is not in the best interest of the Estate and Creditors to include such confidential information in the public record. By way of example, disclosing valuations respecting the Loan Portfolio might potentially impact collectability of specific loans. Thus, the Debtor has opted not to include such information in the Disclosure Statement where it becomes readily available to the general public.

The financial information described above is based on the Debtor's good faith estimate as to the income it believes can be achieved from future collections of Loans and from sales of the Assets. The projections are based on the assumption that, after the Effective Date, the Liquidation Debtor will continue to collect Loans and sell property. The projections demonstrate that the Debtor can meet its financial obligations under the Plan.

The projections show that the Reorganized Debtor will be able to meet its obligations to Creditors under the Plan; and that the Plan is not likely to be followed by the need for further financial reorganization of the Liquidation Debtor. As a result, the Plan satisfies the feasibility requirement set forth in Bankruptcy Code § 1129.

## VII. TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain federal income tax consequences of the implementation of the Plan to the Debtor and certain Holders of Claims. The following summary does not address the federal income tax consequences to Holders of Claims that are entitled to reinstatement or payment in full in cash under the Plan, such as Holders of Allowed Administrative Claims.

The following summary is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury Regulations promulgated 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.

The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtor has 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 will adopt concerning any issue discussed herein. 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, and investors in pass-through Entities).

This discussion assumes that the various debt and other arrangements to which the Debtor is a party will be respected for federal income tax purposes in accordance with their form. There is no assurance, however, that the IRS will not take contrary positions to those described herein or upon which this summary is based.

**DISCLAIMER: The discussion set forth below is included for general information 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. The Debtor and its counsel, tax advisors, and financial advisors are not making any representations regarding the particular tax consequences of confirmation and consummation of the Plan with respect to the Debtor, the Estate, entities holding Claims or Interests, the Reorganized Debtor, nor are they rendering any form of legal opinion or tax advice on such tax consequences. The tax laws**

**applicable to debtor's in bankruptcy are extremely complex, and the following summary does not address all aspects of federal income taxation that may be relevant to the Debtor, the Estate, or entities holding Claims or Interests. Entities holding Claims or Interests are strongly urged to consult their tax advisors regarding the tax consequences of the Plan, including federal, foreign, state, and local tax consequences.**

**To ensure compliance with requirements imposed by the IRS, you are hereby inform that any tax information contained in the Disclosure Statement (including any attachments) (including to the extent that notwithstanding the preceding general disclaimer, any statement contained in the Disclosure Statement is deemed or construed to constitute tax advice) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding any penalties under the Tax Code or (ii) promoting, marketing or recommending to another party any transaction(s), action(s) or tax-related matter(s) addressed herein.**

## A. TAX CONSEQUENCES TO THE DEBTOR.

### *1. Cancellation of Debt.*

Generally, cancellation of indebtedness is treated as income ("**COD income**") that is includable in a taxpayer's gross income. However, Section 108(a) of the Tax Code provides that gross income does not include any COD income if the cancellation of indebtedness occurs in a bankruptcy case and the cancellation is granted by a court with proper jurisdiction under the Bankruptcy Code or pursuant to a plan approved by such a court. The debtor in a bankruptcy case must reduce certain of its tax attributes—such as its current-year "net operating loss" ("**NOL**"), NOL carry forwards resulting from losses in prior years, tax credits and the tax basis in its assets (collectively, "**Tax Attributes**") — by the amount of any COD income that is excluded from gross income under Section 108(a) of the Tax Code. The reduction of these tax attributes is made after the federal income tax liability for the year of the debt cancellation has been determined.

COD income realized by a debtor equals the amount by which the indebtedness discharged exceeds any consideration given in exchange therefore, subject to certain statutory or judicial exceptions that can apply to limit the amount of COD realized (such as where the payment of the cancelled debt would have given rise to a tax deduction). To the extent that the amount of COD income excluded from gross income pursuant to Section 108(a) of the Tax Code exceeds the tax attributes available for reduction, the

excess COD income is simply excluded from gross income without any further tax consequences.

As a result of the Plan's treatment of the various claims of its creditors and the limited assets, the Reorganized Debtor is not expected to realize a significant amount of COD income. The extent of such COD income and the resulting Tax Attribute reduction will depend, in part, on the fair market value of the consideration paid by the Debtor in satisfaction of the creditors' Claims and Interests.

*2. Gain on Sales.*

The Debtor does not anticipate any gain from sales of its property under the Plan due to its loss carry forwards. However, the Debtor has yet not fully analyzed the tax consequences of all of its potential sales; therefore, the tax consequence to the Estate is unknown at this time, and has also not been factored into the Liquidation Analysis.

*3. Carryover Losses and Other Tax Attributes.*

Following the Effective Date, the Debtor expects to have carryover losses. The amount of such carryover losses remains subject to adjustment by the IRS. As explained above, however, the Debtor's carryover losses and other tax attributes is subject to being reduced or eliminated as of the beginning of the taxable year following the year in which the Effective Date occurs as a result of the COD income on implementation of the Plan. Accordingly, there can be no assurance that the Liquidation Debtor will have carryover losses following the year in which the Plan is implemented. However, in this Case, the Debtor anticipates that there will be on COD and, therefore, it anticipates that its carryover losses will be available.

*4. Limitation on Carry forwards.*

The utilization of part of the Debtor's carry forwards may be subject to limitation under Section 382 of the Tax Code and Treasury Regulations promulgated thereunder, which limitation, if applicable, would effectively prevent the Debtor from offsetting such carry forwards against taxable income in future years. Section 383 of the Tax Code imposes similar limitations on capital loss carry forwards and tax credits.

## VIII. OTHER PLAN PROVISIONS

### A. RECOURSE

No Person entitled to receive a payment or Distribution under the Plan will have any recourse against the Debtor, the Liquidation Debtor, the Plan Administrator or their respective Related Parties other than the right to receive Distributions in accordance with the terms of the Plan.

### B. NO ADMISSIONS

Notwithstanding anything to the contrary in the Plan, if the Plan is not consented to, is revoked or otherwise the Effective Date does not' occur, the Plan will be null and void, and nothing contained in the Plan will: (1) be deemed to be an admission by the Debtor with respect to any matter discussed in the Plan, including liability on any Claim or the propriety of any Claim's classification; (2) constitute a waiver, acknowledgement, or release of any Claims; or (3) prejudice in any manner the rights of the Debtor or any other person in any further proceedings.

### C. REVOCATION OF THE PLAN

The Debtor reserves the right to withdraw the Plan before the Effective Date.

### D. SEVERABILITY OF PLAN PROVISIONS

If, before the Effective Date, any court holds that any Plan term or provision is invalid, void, or unenforceable, the 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, except if such term or provision is inconsistent with the intent of the Debtor, in which case the Plan may be unilaterally withdrawn by it. 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.

### E. CONFIRMATION REQUEST

In the event that all of the applicable requirements of Bankruptcy Code §1129 (a) are met other than paragraph (8), the Plan Proponent requests Confirmation of the Plan notwithstanding the requirements of such paragraph under Bankruptcy Code §1129(b).

## F. GOVERNING LAW

Unless a rule of law or procedure is supplied by (a) federal law (including the Bankruptcy Code and FRBPs), or (b) an express choice of law provision in any agreement, contract, instrument, or document provided for, or executed in connection with, the Plan, the rights and obligations arising under the Plan and any agreements, contracts, documents, and instruments executed in connection with the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of California without giving effect to the principles of conflict of laws thereof, except as otherwise expressly stated therein.

## G. SUCCESSORS AND ASSIGNS

Unless otherwise specified in the Plan, the rights, benefits, and obligations of any entity referred to in this Plan will be binding on, and will inure to the benefit of, any heir, executor, administrator, successor, or assign of that entity.

## H. SATURDAY, SUNDAY, OR LEGAL HOLIDAY

If any payment or act under the Plan should be required to 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.

## I. HEADINGS

The headings used in the Plan are inserted for convenience only and do not constitute a portion of the Plan or in any manner affect the provisions of the Plan or their meaning.

## J. OTHER ASSURANCES

The Creditors and Holders of Interests shall execute and deliver such documents and perform such other acts as may be reasonably requested by the Debtor, the Liquidation Debtor and/or the Plan Administrator to implement and carry out the terms and/or intent of the Plan, and any notes or other documents issued pursuant hereto.

## K. MODIFICATION OF PLAN

The Debtor may modify, alter or amend the Plan at any time before the Effective Date. The Plan Administrator reserve the right to modify, alter or amend the Plan at any time after the Effective Date to correct any ambiguity or mistake.

## L. ROUNDING

Whenever 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, with one-half cent being rounded up to the nearest whole cent.

## M. CLAIMS ESTIMATION

Under the Plan, the Debtor has the right to file motions seeking to estimate Claims, including, without limitation, Secured Claims in accordance with Bankruptcy Code § 502(c)(1). Through such motions, the Debtor can seek a ruling from the Court estimating any Claim in a fixed amount for the purpose of voting, allowance and distributions under the Plan. Once Claims have been estimated and allowed for purposes of distribution at a fixed amount, Claims will be treated and distribution reserved based on such fixed amount, subject to any further order upon motion under Bankruptcy Code § 502(j) to reconsider the fixed amount allowed. Until Claims are finally Allowed: (a) such Claims shall not receive any Distribution; and (b) such Claims shall be reserved in the amount estimated.

## N. SETOFF, RECOUPMENT AND OTHER RIGHTS

Notwithstanding anything to the contrary contained in the Plan, the Liquidation Debtor may, but shall not be required to, setoff, recoup, assert counterclaims or withhold against the Distributions to be made pursuant to the Plan on account of any claims that the Debtor, the Estate, or the Liquidation Debtor may have against the entity holding an Allowed Claim; provided, however, that neither the failure to effect such a setoff or recoupment, nor the allowance of any Claim against the Debtor or the Liquidation Debtor, nor any partial or full payment during the Case or after the Effective Date in respect of any Allowed Claim, shall constitute a waiver or release by the Debtor, the Estate or the Liquidation Debtor of any claim that they may possess against such Holder.

## O. RETENTION OF JURISDICTION

After Confirmation of the Plan and after the Effective Date, in addition to jurisdiction which exists in any other court, the Court will retain such jurisdiction as is legally permissible including for the following purposes:

a. To resolve any and all disputes regarding the operation and interpretation of the Plan and the Confirmation Order;

b. To determine the allowability, classification or priority of Claims and Interests upon objection by the Debtor, or by other parties in interest with standing to bring such objection or proceeding;

c. To determine the extent, validity and priority of any lien asserted against the property of the Liquidation Debtor or property of the Debtor's Estate, including, without limitation, the lien rights, if any, asserted by the Holders of Claims;

d. To (i) construe and take action to enforce the Plan, the Confirmation Order and any other order of the Court, (ii) issue such orders as may be necessary for the implementation, execution, performance, and consummation of the Plan and the Confirmation Order, and all matters referred to in the Plan and the Confirmation Order, and (iii) determine all matters that may be pending before the Court in the Case on or before the Effective Date with respect to any Person or entity;

e. To determine (to the extent necessary) any and all applications for allowance of compensation and reimbursement of expenses of professionals for the period before, on and after the Effective Date;

f. To determine any requests for payment of Administrative Expenses;

g. To resolve any dispute regarding the implementation, execution, performance, consummation or interpretation of the Plan or the Confirmation Order;

h. To determine motions for the rejection, assumption or assignment of executory contracts or unexpired leases filed before the Effective Date and the allowance of any Claims resulting therefrom;

i. To determine all applications, motions, adversary proceedings, contested matters and any other litigated matters instituted during the Case whether before, on or after the Effective Date, including, without limitation, any and all claims, causes of action, setoffs, recoupments and the determination of any other rights;

j. To determine such other matters and for such other purposes as may be provided in the Confirmation Order;

k. To modify the Plan under Bankruptcy Code § 1127 in order to remedy any apparent defect or omission in the Plan, or to reconcile any inconsistency in the Plan so as to carry out its intent and purpose, or implement any settlement reached;

l. Except as otherwise provided in the Plan or the Confirmation Order, to issue injunctions to take such other actions or make such other orders as may be

necessary or appropriate to restrain interference with the Plan or the Confirmation Order, or to restrain the execution or implementation by any Person of the Plan or the Confirmation Order;

m. To issue such orders in aid of consummation of the Plan or the Confirmation Order, notwithstanding any otherwise applicable non-bankruptcy laws, with respect to any Person, to the fullest extent authorized by the Bankruptcy Code or FRBP;

n. To enter any order approving, in connection with, or related to, the sale, collection, transfer or disposition of any of the Assets, Real Estate Assets, REOs, personal property, assets of the Loan Portfolio, collection of the loans and all related transactions; and

o. To enter a final decree closing this Case.

## P. POST CONFIRMATION UST FEES AND IDENTITY OF THE ESTATE REPRESENTATIVE

The Liquidation Debtor shall timely pay all UST Fees incurred after Confirmation until the entry of a final decree closing the Case. The Liquidation Debtor shall be the Estate representative for purposes of complying with the Debtor's reporting requirements to the Court and the UST and for obtaining a final decree closing the Case.

## Q. EXEMPTION FROM CERTAIN TRANSFER TAX

In accordance with Bankruptcy Code § 1146(c), the issuance, transfer or exchange of a security, or the making or delivery of an instrument of transfer under the Plan, including the recording of any mortgage or liens or amendments thereto, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, or other similar tax or governmental assessment. The Confirmation Order shall direct all governmental officials and agents to forego the assessment and collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instrument or other documents without payment of such tax or other governmental assessment.

## R. APPLICABILITY OF LBR 3020(B)

In accordance with LBR 3020-1(b), within 120 days of the entry of the Confirmation Order, the Liquidation Debtor shall file a status report explaining what progress has been made toward consummation of the confirmed Plan. The Liquidation

Debtor shall serve such report on the UST, the 20 largest unsecured creditors, and those parties who have requested special notice.

### S. FINAL DECREE

Once the Effective Date has occurred, the Liquidation Debtor, Plan Administrator or other party as the Court shall designate in the Confirmation Order, may file a motion with the Court to obtain a final decree to close the Case. Upon entry of the final decree or applicable order of the Court, the obligation to pay UST Fees shall cease and terminate.

## IX. EFFECT OF CONFIRMATION OF PLAN

### A. INJUNCTION

The Confirmation Order shall operate as an injunction against the commencement or continuation of any act relating to the collection or enforcement of any Claim ("**Enjoined Claim**") against the Debtor and the Liquidation Debtor. The Confirmation Order shall provide, among other things, that except as otherwise provided in the Plan, all Persons who have held, hold or may hold Claims against or Interests in the Debtor are enjoined from and after the Effective Date in respect of the treatment of the Claims of Creditors under the Plan, from: (i) commencing or continuing in any manner any action or proceeding of any kind with respect to such Claim against the Debtor and/or the Liquidation Debtor, including, without limitation based upon any guaranty; (ii) enforcing, attaching, collecting or recovering by any manner or means any judgment, award, decree or order against the Debtor and/or the Liquidation Debtor or the property of any such parties or property of their respective affiliates with respect to any such Claim; and (iii) creating, perfecting or enforcing any encumbrances of any kind against the Debtor and/or the Liquidation Debtor or against the property of any such parties, with respect to any such Claim or Interest.

### B. VESTING OF PROPERTY IN THE LIQUIDATION DEBTOR

The Confirmation of the Plan vests all of the property of the Estate, including, without limitation, the Assets, Real Estate Assets, REOs, all assets of the Loan Portfolio, and Rights of Action in the Liquidation Debtor free and clear of all claims, liens, interests and encumbrances, except with respect to the Ostin Property which shall remain subject to the Secured Claim of RCS as expressly provided in the Plan.

On and after the Effective Date, the Liquidation Debtor may sell, assign, transfer, convey, hypothecate, pledge, alienate, dispose of, take possession of, encumber any and all of the Assets, Real Estate Assets, REOs, personal property, assets of the Loan Portfolio and any other property, without further Court order or approval. As provided in the Plan, the Plan Administrator is authorized and empowered without further Court Order to execute, do and perform, in the name and on behalf of the Liquidation Debtor, such acts and to prepare, execute, acknowledge, verify, file, deliver and cause to be published any and all certificates, agreements, notices, notice of default, trustees' sale notices, reports, applications, declarations, instruments, notes, deeds, reconveyances, transfer documents, sale agreements, and any and all other documents of any kind or nature to accomplish any of the foregoing.

## C. EXCULPATION

The Exculpated Parties shall neither have, nor incur, any liability to any entity or to any Holder of a Claim or Interest for any act taken or omitted to be taken on or after the Petition Date in connection with, related to, or arising out of the Case, the pursuit of confirmation of the Plan, the consummation or administration of the Plan, or property to be distributed under the Plan, including, without limitation, formulating, negotiating, soliciting, preparing, disseminating, implementing, entering, effecting or consummating the Plan; the marketing, sale and liquidation of any Assets, Real Estate Assets, REOs, personal property and/or assets of the Loan Portfolio; collection of any loans; any contract, instrument, release, or other agreement or document created or entered into in connection with the Plan; provided that the foregoing "**Exculpation**" shall not include and shall not apply to the following (i) the liability of any of the Exculpated Parties that results from any such act or omission that is determined in a Final Order to have constituted gross negligence, willful misconduct, fraud, breach of fiduciary duty or intentional misrepresentation, and (ii) any claims for errors and omissions against officers and directors (including, without limitation, the Pingrees) as set forth in ***Exhibit 1*** attached to the Disclosure Statement; provided, further, that each Exculpated Party shall be entitled to rely upon the advice of counsel concerning his, her, or its duties pursuant to, or in connection with, the Plan or any other related document, instrument, or agreement.

### *1. Injunction Prohibiting Actions against the Exculpated Parties.*

All Persons voting in favor of the Plan or receiving and accepting any distribution pursuant thereto are permanently enjoined from commencing, or continuing in any manner, any action or proceeding against the Exculpated Parties, whether directly, derivatively, on account of or respecting any claim, debt, right, or cause of action based

in whole or in part upon the conduct of the Exculpated Parties set forth and/or included in any of the Exculpation provisions set forth in this Plan. In the event the Exculpated Parties and/or any of them are injured by any willful violation of the injunctions provided in the Plan, such aggrieved party shall recover from the willful violator actual damages (including costs and attorneys' fees) and, in appropriate circumstances, punitive damages.

2. *Indemnification of the Exculpated Parties.*

From and after the Effective Date, Debtor, the Exculpated Parties shall be, and hereby are, indemnified by the Liquidation Debtor, to the fullest extent permissible by applicable law, from and against any and all claims, debts, dues, accounts, actions, suits, causes of action, bonds, covenants, judgments, damages, attorneys' fees and defense costs and other assertions of liability directly or indirectly relating to the conduct of the Exculpated Parties set forth and/or included in any of the Exculpation provisions set forth in the Plan.

Subject to the terms hereof, the Plan Administrator may advance or pay promptly out of Available Cash or the Indemnification Reserve(s), on behalf of the Exculpated Parties reasonable attorneys' fees and other expenses and disbursements which they would be entitled to receive pursuant to the foregoing indemnification obligation; provided, however, that any of the Exculpated Parties receiving any such advance shall execute a written undertaking to repay such advance amounts if a court of competent jurisdiction ultimately determines that such party is not entitled to indemnification hereunder due to the fraud, gross negligence or willful misconduct of such party.

The Plan Administrator is authorized, but not required, to obtain and purchase (by using Available Cash) insurance coverage, to the extent available, with respect to the indemnification obligations hereunder. Any person entitled to indemnification hereunder shall have the right to employ such person's own separate counsel reasonably acceptable to the Plan Administrator, in any such action, as a Plan Operating Expense, subject to the terms and conditions of this Plan.

DATED: July 2, 2014

**BAY AREA FINANCIAL CORPORATION,**
Plan Proponent

_____

By: **Kenneth J. Pingree**
Its: President

Respectfully submitted,

**CREIM MACIAS KOENIG & FREY LLP**

By: /s/ Sandford L. Frey
**SANDFORD L. FREY**
Chapter 11 Attorneys for Bay Area Financial Corporation,
Debtor and Debtor in Possession

**EXHIBIT "1"**

SHULMAN HODGES & BASTIAN LLP

Please respond to:
Irvine

James C. Bastian, Jr.
Brian L. Bloom
Mark Bradshaw
Lynda T. Bui
Franklin J. Contreras, Jr.
Melissa Davis Lowe
Heather B. Dillion
Kiara W. Gebhart
Ronald S. Hodges
Robert E. Huttenhoff
J. Ronald Ignatuk
John Mark Jennings
Rika M. Kido
Paul S. Ocampo
Ryan O'Dea
Gary A. Pemberton
Michael J. Petersen
Samuel J. Romero
Leonard M. Shulman

Of Counsel to the Firm
A. Lavar Taylor
Donald R. Kurtz
Gregory J. Anderson

February 14, 2014

Via E-Mail and First Class Mail
sfrey@cmkllp.com

Sandy Frey, Esq.
Creim Macias Koenig & Frey
633 West Fifth Street, 51st Floor
Los Angeles, CA 90071

Re: In re Bay Area Financial Corporation
Case No. 2:13-bk-38974-TD

Insurance Certificate Number: MBB1278584A12

Dear Sandy:

This letter represents notice by the Official Committee of Unsecured Creditors ("Committee") for the bankruptcy estate ("Estate") of Bay Area Financial Corporation ("Debtor") that it has claims against the Debtor and/or its officers and directors which is covered by the Debtor's insurance policy. Reference is made to my email of January 30, 2014 wherein I detailed several deficiencies and errors or omissions of the Debtor and its management. A copy of that email is attached hereto for easy reference.

While our investigation is still continuing and additional claims may be discovered, the Committee, on behalf of the Debtor's estate and unsecured creditors, believes that there are claims against the Debtor and its officers and directors, including Kenneth Pingree and Patricia Pingree, for negligent acts and omissions in servicing and/or originating the Debtor's loans and errors and omissions in the discharge of their professional services. These errors and omissions are detailed in the January 30, 2014 email. For example, the estate and/or creditors have a claim against the Debtor for allowing the collateral for Alexis Wong's note, namely the deed of trust on the property on Post Street, to be reconveyed without the Debtor receiving reasonably equivalent value. The Debtor also extended loans to borrowers who did not have sufficient equity to qualify for the loan and did not obtain sufficient information on proposed collateral to make a proper determination of whether to extend credit in certain instances. The acts and omissions of the Debtor and its officers and directors have caused damage to the Debtor's creditors in an amount that exceeds $2,000,000.00. Thus, the Committee hereby demands that the Debtor and its officers and directors pay to the estate the amount of at least $2,000,000.00.

As you know, the Debtor has insurance coverage through Lloyd's of London ("Lloyd's") which we believe allows claims to be reported up to sixty (60) days after termination of the policy, **or February 17, 2014**.

> **It is critical that you immediately provide notice of these potential claims to Lloyd's in order to preserve the all rights under the policy. Failure to provide notice of this claim to Lloyd's within the time required by the policy can result in no insurance coverage for this claim.**

According to the policy, notice of a claim must be sent as follows:

Thompson Heath & Bond Limited
7th Floor, 107 Leadenhall Street
London, EC3A 4AF
profinclaims@thbgroup.com

To ensure timely delivery, we suggest that you send notice of the claim via overnight mail and via e-mail at the following email address:

profinclaims@thbgroup.com

If you have any questions, feel free to contact me.

Very truly yours,

**SHULMAN HODGES & BASTIAN LLP**

James C. Bastian, Jr.

JCB/pab
Enclosure

Z:\A-B\Bay Area Financial\Ltr\Lloyd's_001_v3.docx
4776-000/34

**From:** Jim Bastian
**Sent:** Thursday, January 30, 2014 10:51 AM
**To:** Sandy Frey; Melissa Davis Lowe
**Subject:** RE: Bay Area Financial

Sandy:

I did not get a chance to fully elaborate with you about all this during our phone call Tuesday night and understand your concerns. I have a very concerned committee and a difficult constituency, as you know, and they are all very nervous about this case and their prospects for recovery. So they are very involved and concerned about everything in this case right now. I am working with them to gain their trust and confidence (which I think I have achieved) but I am still balancing their concerns and needs and the practicalities of the case. I am sure you can appreciate my position.

Aside from this, following the 341(a) and our meeting, the committee has serious concerns about the asset pool, the Debtor's management and the impact of this on their recovery. The concerns are based on some very specific revelations made during these meetings as follows:

1. The Debtor's unilateral and apparently unauthorized decision to invest in assets or companies that have nothing to do with secured deeds of trust against real property. While Ken may have believed that these were good investment opportunities and that there may not have been any written restrictions on how investor funds were used, it is clear that the strategy everyone invested in was limited to secured positions on real property.
2. Ken's inability to recall or give good answers to basic questions as you saw during both sessions. Trish clearly has a better understanding of basic facts than Ken does. I don't know whether it is age or stress but we all found Ken less than reliable as a witness and less than knowledgeable for someone who was running a $25MM to $50MM fund.
3. Ken's inaccurate answer about the type of insurance the company carried during the 341(a), the fact that the insurance was apparently allowed to lapse and that no extended reporting or tail coverage was secured.
4. Ken's inability to confirm that any written forbearance agreements have been entered into with any of the borrowers in default and his statement that he does not think there are many causes some concerns on his management of this case in the last few years. While I am all for simplicity, obtaining written forbearance agreements with waivers and releases from the borrower is standard practice for any lender in workout discussions as you know – for good reason. You need to get something in exchange for your agreement to forbear. And if there are any infirmities in the lender's documentation, or possible claims or defenses that a borrower might have, you can clean all that up through forbearance documents. Any sophisticated lender will do this and it is clear this did not occur here. Given some concerns I will express below, this is very disconcerting.
5. The fact that the Wong deeds of trust were reconveyed sometime last year making her loans totally unsecured and more alarming, that Ken did not know how or why this happened. The loan balances total well over $1MM. This was alarming to say the least.
6. The apparent fact that the borrower on the SF apartment building has claimed that all the funds from the loans from BAF went to Mrs. Wong and that this borrower is taking a very aggressive stance on retaining the property. We are very concerned that the borrower may have some defenses to loan collection based on lack of consideration or some other theory based on the possibility that the loan is tied to Mrs. Wong when she may not have an ownership interest in the building. We are also concerned that the borrower may assert claims against Mrs. Wong which will make collection all that more complicated if legal rights need to be pursued. The first 5 loans listed on the sheet you provided during our meeting are all apparently tied together and represent a material amount in this case (nearly $3.5MM) and frankly, appears to reflect a big mess. If we had a solid forbearance agreement with reaffirmation of the debt and liens, and releases and waivers in favor of BAF, this

may not be as big a concern but given that we don't appear to have that, we are possibly vulnerable to claims and defenses. Finally, the fact that the borrower called Ken over the last weekend and Ken did not take or return his call was very troubling. Ken may be frustrated with the guy but this is a huge loan in this portfolio and constant communication is critical.

7. The proposed listing price stated by Ken on the Calle Laguna property of $2.5-$2.6MM when the comps in the area don't seem to support anything close to this price and the projected recovery schedule provided during our meeting shows the sale price at $1.7MM. This is huge disparity and either demonstrates that Ken does not know what the real list price is going to be or there is a strategy to list the property at a number that does not appear to make any sense.
8. Given that the remaining loans and properties are in a very delicate situation where not many, if any of the borrowers have the present ability to pay the loans off, we have to look seriously at whether it makes sense to pursue remedies and whether we do or not, we need to make sure what that would look like. Further, many form secured real estate loan documents from the 2005-6 time frame have been shown to have deficiencies when it comes time to enforce, including opening the door to sham guaranty defenses. We need to see if the remaining loan documents are free of these issues and if not, make sure that any future deals with borrowers include clean up language on any infirmities.

If maybe one or two issues like the ones referenced above were present, it may be something the committee would not be very concerned about but given the aggregate number of issues we have here and the general lack of confidence the committee has in the debtor given the above is causing us to say "what else will we learn" as the onion layers are peeled back. In isolation, none of these things would necessarily cause us huge concern but taken together, people are very nervous. The committee believes that Ken and Trish need to stay on for now but that we need to create a new and better process going forward under the plan. The idea is likely going to be that we have committee oversight and approval of every action going forward and make sure someone is working these accounts properly. We will need to formulate a transition under the plan from the Pingeree's to a new person, likely Sam but we will need to visit this further.

The committee definitely feels that Ken and Trish are committed to maximizing the recovery for creditors and feel a tremendous responsibility and duty to these people. The concern, however, is that it appears that there have been several missteps along the way and that they appear to be more pronounced recently. The key will be aligning motivation with ability to get the job done.

As to our specific requests, we do not want to create any burdens and I can see where the list we provided caused great concern on your part. We do not need every document at this point and further, I do not intend to fly speck every document. However, we do need to confirm certain things. I will address each of our requests, why they are important and what we can do to address your concerns as follows:

1. Loan files: The main issue is to see the full set of documents to confirm that we actually have valid and enforceable positions and if any defenses are available to a borrower. My real estate partner can, in a very cursory review, confirm what, if any, exposure we have. Further, we need to assess whether we have formal forbearance agreements in place and if they include everything we will need to enforce our position. If you can start by providing the note, deed of trust, extension documents and any forbearance agreements that would be sufficient. We can also set a time for someone from my office to review each file and pick out what we need copied.
2. Insurance. We just need to see D & O and any general liability policy. If the same policy is extended each year, there is an argument of continuous coverage under a claims made policy even if a claim is reported in 2014 for an event that took place in 2013 for example. We need to get a sense so my insurance guy can confirm if we have any ability to make a claim under the policy that is currently in place or if we have an extended reporting period or tail. We need to see policy documents at least going back to 2011 at this point and may need more but we can start there.
3. The other items we have requested did not appear controversial so I think you should be able to get those together.

In summary, Sandy, the committee is less than comfortable with this situation. The Debtor's people have botched a couple of things it seems and that only raises the concerns as to what else we might find. For the people on the committee, the funds at issue in most cases represents the bulk or all of their retirement money. They are very scared and while they appreciated the cooperation and sharing of information, the things they have learned have not provided much comfort frankly.

I am going to approach this in a very collaborative and conciliatory manner as I always do. I will make sure we only do what is necessary and not duplicative. I do not expect or want you to have to review everything we are asking for. I envision sending someone to the debtor's office to review the loan documents to see where we stand and then let us know (you and I) what we might have to do, if anything, to shore up our position. Then we can set up an efficient mechanism for a sub-committee of the committee to work with the debtor on a regular basis to manage the loan portfolio in the best way possible. As soon as we can get the plan confirmed, we can get out from under the court having to approve everything which will greatly reduce costs. I am certainly not trying to make work for us or anyone else. I am merely trying to address what I believe are real concerns held by the committee. I am doing this informally with you to keep costs down. I hope you see that.

This is a difficult balance I know. But I also hope you can appreciate where we are coming from. I don't expect you to concede or admit to any of the shortcomings that we note and do not want you to. At the same time, I am sure you can understand where this is coming from. I am happy to discuss this with you further. I have a hearing in Woodland Hills at 1:00 that I am leaving for shortly so you can reach me on my mobile today – 949-689-4394. Melissa can coordinate logistics on this if it will be easier to just make documents available with at the debtor's office. Let us know. Thanks.

Jim

James C. Bastian, Jr.
*Partner*
jbastian@shbllp.com
http://www.shbllp.com

SHULMAN HODGES & BASTIAN LLP

**Orange County** - 8105 Irvine Center Drive, Suite 600, Irvine, CA 92618, Phone: 949-340-3400 Fax: 949-340-3000
**Inland Empire** - 3750 University Avenue, Suite 670, Riverside, CA 92501, Phone: 951-275-9300 Fax: 951-275-9303

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**EXHIBIT "2"**

# BAY AREA FINANCIAL COMPANY, INC.
## BALANCE SHEETS
## AS OF JUNE 30, 2012 & 2013 AND FEBRUARY 28, 2014

| | Feb 28, 14 | Jun 30, 13 | Jun 30, 12 |
|---|---|---|---|
| **ASSETS** | | | |
| **ASSETS** | | | |
| Cash | 2,044,723 | 235,626 | 812,184 |
| Loans & Interest Receivable | | | |
| Principal Loan Balances | 6,566,386 | 8,328,061 | 11,174,297 |
| Accrued Interest | 801,875 | 876,497 | 943,055 |
| | **7,368,261** | **9,204,558** | **12,117,352** |
| REO's & Other Investments | | | |
| Real Estate Owned (at cost) | 7,719,222 | 7,702,737 | 8,561,038 |
| Other Investments (at cost) | 302,536 | 302,536 | 1,478,934 |
| | **8,021,759** | **8,005,273** | **10,039,972** |
| Other Assets | | | |
| Fixed Assets - Net of Depreciation | - | - | 302 |
| Prepaid Income Tax - State | - | - | 800 |
| Security Deposit - Rent | 4,506 | 4,506 | 8,628 |
| Ostin Insurance Claim | 15,000 | | |
| Stock in Bel Air Bay Club | - | - | 40,038 |
| | **19,506** | **4,506** | **49,768** |
| **TOTAL ASSETS** | **17,454,248** | **17,449,963** | **23,019,275** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **LIABILITIES** | | | |
| Security Deposits on REO's | 8,295 | 8,295 | 8,295 |
| Commercial Paper | 20,537,264 | 20,537,264 | 23,407,028 |
| Uncleared Pre Petition Com. Paper Checks | 4,294 | - | - |
| Notes Payable on REO's | 367,132 | 377,000 | 701,606 |
| **TOTAL LIABILITIES** | **20,916,986** | **20,922,559** | **24,116,929** |
| **SHAREHOLDERS' EQUITY** | | | |
| Capital Stock | 100,000 | 100,000 | 100,000 |
| Retained Earnings (Deficit) | (3,562,738) | (3,572,596) | (1,197,654) |
| **TOTAL SHAREHOLDERS' EQUITY** | **(3,462,738)** | **(3,472,596)** | **(1,097,654)** |
| **TOTAL LIABILITIES & EQUITY** | **17,454,248** | **17,449,963** | **23,019,275** |

**EXHIBIT "3"**

Case 2:13-bk-38974-TD Doc 195-4 Filed 07/07/14 Entered 07/07/14 16:31:12 Desc
Exhibit C Part 3 of 3 Page 10 of 20

**BAY AREA FINANCIAL CORPORATION**
**PROFIT & LOSS**
**JUNE 30, 2012 THROUGH JUNE 30, 2016**

| | | | ACTUAL | FORECAST | TOTAL | FORECAST | | |
|---|---|---|---|---|---|---|---|---|
| | FYE 6.30.12 | FYE 6.30.13 | July - Feb | March - June | FYE 6.30.14 | 6.30.15 | 6.30.16 | TOTAL |
| **Income** | | | | | | | | |
| **Interest Income** | | | | | | | | |
| Bank Interest & Dividends | 51 | 46 | 4 | - | 4 | - | - | 4 |
| Loan Interest & Late Charges | 801,874 | 569,672 | 305,770 | 120,000 | 425,770 | 300,000 | - | 725,770 |
| **Total Interest Income** | 801,925 | 569,718 | 305,774 | 120,000 | 425,774 | 300,000 | - | 725,774 |
| **Other Income** | | | | | | | | |
| Extension Points | 133,142 | 19,654 | 9,637 | - | 9,637 | - | - | 9,637 |
| Other Loan Fees | 5,669 | 1,632 | 3,187 | - | 3,187 | - | - | 3,187 |
| **Total Other Income** | 138,812 | 21,286 | 12,824 | - | 12,824 | - | - | 12,824 |
| **Total Income** | 940,736 | 591,004 | 318,597 | 120,000 | 438,597 | 300,000 | - | 738,597 |
| **Commercial Paper Interest** | (967,887) | (796,072) | - | - | - | - | - | - |
| **Gross Profit** | (27,151) | (205,068) | 318,597 | 120,000 | 438,597 | 300,000 | - | 738,597 |
| **Expense** | | | | | | | | |
| **Operating Expenses** | | | | | | | | |
| Bank Service Charges | - | - | 871 | 200 | 1,071 | 600 | 100 | 1,771 |
| Data Processing | 8,440 | 8,183 | 6,092 | 2,400 | 8,492 | 3,600 | 4,000 | 16,092 |
| Depreciation | 383 | 302 | - | - | - | | - | - |
| Insurance | 46,652 | 37,936 | 20,815 | 4,000 | 24,815 | 18,000 | 15,000 | 57,815 |
| Legal & Accounting - PrePetition | 25,553 | 22,067 | 73,209 | - | 73,209 | - | - | 73,209 |
| Office Expense | 16,385 | 14,741 | 4,865 | 3,400 | 8,265 | 15,250 | 5,000 | 28,515 |
| Payroll Processing Fees | 1,182 | 1,382 | 887 | 400 | 1,287 | 600 | 750 | 2,637 |
| Payroll Taxes | 23,769 | 18,253 | 8,158 | 4,000 | 12,158 | 2,735 | - | 14,893 |
| Salaries & Wages | 361,350 | 269,683 | 90,900 | 33,451 | 124,351 | 32,178 | - | 156,529 |
| Postage and Shipping | 2,466 | 1,736 | 228 | 600 | 828 | 1,200 | 750 | 2,778 |
| Rent & Parking | 51,570 | 57,081 | 47,071 | 23,772 | 70,843 | 44,658 | 18,000 | 133,501 |
| Licenses & Permits | 683 | 1,516 | 545 | 400 | 945 | 1,200 | 1,000 | 3,145 |
| Telephone | 2,853 | 3,947 | 2,228 | 1,200 | 3,428 | 2,700 | 2,500 | 8,628 |
| Supplies | 999 | 785 | 1,114 | 800 | 1,914 | 3,000 | 500 | 5,414 |
| **Total Operating Expenses** | 542,284 | 437,611 | 256,982 | 74,623 | 331,605 | 125,721 | 47,600 | 504,926 |
| **Other Income(Expenses)** | | | | | | | | |
| Investment - Jacon Way | (21,967) | (30,767) | - | - | - | - | - | - |
| Investment - Ocean Drive | 17,993 | 27,664 | 20,607 | 9,600 | 30,207 | 12,000 | - | 42,207 |
| Real Estate Owned Income (Exp.) | (135,495) | 54,617 | (46,753) | 36,000 | (10,753) | 29,000 | - | 18,247 |
| Office Sublease Income | | | 10,752 | 5,432 | 16,184 | 8,148 | - | 24,332 |
| Delinquent Property Taxes | | | - | (158,843) | (158,843) | - | - | (158,843) |
| Gain (Loss) on REO Sold | (1,809,516) | (1,781,377) | - | - | - | - | - | - |
| Federal & State Income Tax | (195,277) | (2,400) | (1,600) | - | (1,600) | (800) | (800) | (3,200) |
| **Total Other Income (Expenses)** | (2,144,263) | (1,732,263) | (16,994) | (107,811) | (124,805) | 48,348 | (800) | (77,257) |
| **Net Operating Income(Loss)** | (2,713,698) | (2,374,942) | 44,621 | (62,433) | (17,813) | 222,627 | (48,400) | 156,414 |
| **Bankruptcy Professional Fees** | | | | | | | | |
| Legal - Debtor | | | 28,787 | 269,213 | 298,000 | 176,400 | 60,000 | 534,400 |
| Legal - Creditors Committee | | | - | 112,000 | 112,000 | 42,000 | - | 154,000 |
| Legal - Post Confirmation Comm. | | | - | - | - | 105,000 | 50,000 | 155,000 |
| Accountant - Debtor | | | 20,000 | 104,500 | 124,500 | 169,500 | 70,000 | 364,000 |
| US Trustee Fees | | | 975 | 4,875 | 5,850 | 18,525 | 18,525 | 42,900 |
| **Total BK Professional Fees** | - | - | 49,762 | 490,588 | 540,350 | 511,425 | 198,525 | 1,250,300 |
| **Net Income (Loss)** | (2,713,698) | (2,374,942) | (5,141) | (553,021) | (558,163) | (288,798) | (246,925) | (1,093,886) |

**EXHIBIT "4"**

Case 2:13-bk-38974-TD Doc 195-4 Filed 07/07/14 Entered 07/07/14 16:31:12 Desc
Exhibit C Part 3 of 3 Page 12 of 20

**BAY AREA FINANCIAL CORPORATION**
**CASH FLOW PROJECTIONS**
**JUNE 30, 2012 THROUGH JUNE 30, 2016**

| | | | ACTUAL | FORECAST | TOTAL | FORECAST | | |
|---|---|---|---|---|---|---|---|---|
| | FYE 6.30.12 | FYE 6.30.13 | July - Feb | March - June | FYE 6.30.14 | 6.30.15 | 6.30.16 | TOTAL |
| **Net Income (Loss)** | (2,713,698) | (2,374,942) | (5,141) | (553,021) | (558,163) | (288,798) | (246,925) | (1,093,886) |
| **Cash Flow Adjustments:** | | | | | | | | |
| Cash Balance @ 7/1/2013 | | | 235,626 | | 235,626 | - | - | 235,626 |
| Principal Collection on Loans | | | 1,761,675 | 60,000 | 1,821,675 | 180,000 | 5,281,700 | 7,283,375 |
| Accrued Interest Collection | | | 74,621 | - | 74,621 | - | - | 74,621 |
| Sale of Real Property | | | - | 252,618 | 252,618 | 4,369,700 | - | 4,622,318 |
| Sale of Other Assets | | | | | | - | 259,000 | 259,000 |
| REO Note Payments/Adj. | | | (26,354) | (3,140) | (29,494) | - | - | (29,494) |
| Prepetion Unclear CP Chks | | | 4,294 | - | 4,294 | - | - | 4,294 |
| **Total** | | | **2,049,863** | **309,478** | **2,359,341** | **4,549,700** | **5,540,700** | **12,449,741** |
| **Cash Before Creditor Distns** | | | **2,044,722** | **(243,543)** | **1,801,178** | **4,260,902** | **5,293,775** | **11,355,855** |
| Cash Advanced by Creditors | | | | | | | | |
| Cash Advances Repaid | | | | | | | | |
| General Creditor Distributions | | | | | | (5,200,000) | (6,155,855) | (11,355,855) |
| **Net Cash Available** | | | 2,044,722 | (243,543) | 1,801,178 | (939,098) | (862,080) | 0 |
| **Cumulative Cash Avaible** | | | 2,044,722 | 1,801,178 | 1,801,178 | 862,080 | 0 | 0 |

**EXHIBIT "5"**

Case 2:13-bk-38974-TD Doc 195-4 Filed 07/07/14 Entered 07/07/14 16:31:12 Desc
Exhibit C Part 3 of 3 Page 14 of 20

# BAY AREA FINANCIAL CORPORATION
## PROFIT & LOSS
## FOR THE YEAR ENDING JUNE 30, 2014

| | ACTUAL | | | | | | | | | FORECAST | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jul-13 | Aug-13 | Sep-13 | Oct-13 | Nov-13 | Dec-13 | Jan-14 | Feb-14 | July -Feb | Mar-14 | Apr-14 | May-14 | Jun-14 | FYE 6.30.14 |
| **Income** | | | | | | | | | | | | | | |
| **Interest Income** | | | | | | | | | | | | | | |
| Bank Interest & Dividends | 1 | 1 | 0 | 1 | 1 | 0 | - | - | 4 | - | - | - | - | 4 |
| Loan Interest & Late Charg. | 56,733 | 49,412 | 110,510 | 33,426 | (35,937) | 23,877 | 55,723 | 12,027 | 305,770 | 30,000 | 30,000 | 30,000 | 30,000 | 425,770 |
| **Total Interest Income** | 56,734 | 49,412 | 110,510 | 33,427 | (35,937) | 23,877 | 55,723 | 12,027 | 305,774 | 30,000 | 30,000 | 30,000 | 30,000 | 425,774 |
| **Other Income** | | | | | | | | | | | | | | |
| Extension Points | 829 | 8,368 | - | - | 439 | - | - | - | 9,637 | | | | | 9,637 |
| Other Fees | - | 2,876 | 75 | - | 60 | - | 176 | - | 3,187 | | | | | 3,187 |
| **Total Other Income** | 829 | 11,244 | 75 | - | 499 | - | 176 | - | 12,824 | - | - | - | - | 12,824 |
| **Total Income** | 57,563 | 60,656 | 110,585 | 33,427 | (35,437) | 23,877 | 55,899 | 12,027 | 318,597 | 30,000 | 30,000 | 30,000 | 30,000 | 438,597 |
| **Gross Profit** | 57,563 | 60,656 | 110,585 | 33,427 | (35,437) | 23,877 | 55,899 | 12,027 | 318,597 | 30,000 | 30,000 | 30,000 | 30,000 | 438,597 |
| **Expense** | | | | | | | | | | | | | | |
| **Operating Expenses** | | | | | | | | | | | | | | |
| Bank Service Charges | - | - | - | - | - | 799 | 60 | 12 | 871 | 50 | 50 | 50 | 50 | 1,071 |
| Data Processing | 42 | 1,866 | 75 | 1,937 | 75 | - | 2,013 | 85 | 6,092 | 600 | 600 | 600 | 600 | 8,492 |
| Insurance | 62 | 221 | - | 179 | - | 17,400 | 1,179 | 1,774 | 20,815 | 1,000 | 1,000 | 1,000 | 1,000 | 24,815 |
| Legal & Acct. - PrePetition | 6,940 | 1,951 | 4,195 | 1,325 | 22,318 | 36,480 | - | - | 73,209 | - | - | - | - | 73,209 |
| Office Expense | 994 | 916 | 822 | 971 | 874 | 186 | 79 | 23 | 4,865 | 850 | 850 | 850 | 850 | 8,265 |
| Payroll Processing Fees | 85 | 85 | 85 | 95 | 95 | 195 | 152 | 95 | 887 | 100 | 100 | 100 | 100 | 1,287 |
| Payroll Taxes | 869 | 869 | 869 | 869 | 869 | 869 | 1,894 | 1,049 | 8,158 | 1,000 | 1,000 | 1,000 | 1,000 | 12,158 |
| Salaries & Wages | 11,363 | 11,363 | 11,363 | 11,363 | 11,363 | 11,363 | 11,363 | 11,363 | 90,900 | 11,363 | 11,363 | 5,363 | 5,363 | 124,351 |
| Postage and Shipping | - | - | 42 | 31 | - | 112 | 42 | | 228 | 150 | 150 | 150 | 150 | 828 |
| Rent & Parking | 5,771 | 5,883 | 5,883 | 5,883 | 5,883 | 5,883 | 5,943 | 5,943 | 47,071 | 5,943 | 5,943 | 5,943 | 5,943 | 70,843 |
| Licenses & Permits | - | - | 25 | 250 | 270 | - | | | 545 | 100 | 100 | 100 | 100 | 945 |
| Telephone | 288 | 290 | - | 579 | 285 | 291 | 299 | 197 | 2,228 | 300 | 300 | 300 | 300 | 3,428 |
| Supplies | 212 | 83 | - | 308 | - | 89 | 269 | 154 | 1,114 | 200 | 200 | 200 | 200 | 1,914 |
| **Total Operating Expenses** | 26,626 | 23,525 | 23,359 | 23,788 | 42,032 | 73,666 | 23,292 | 20,694 | 256,982 | 21,656 | 21,656 | 15,656 | 15,656 | 331,605 |
| **Other Income / (Expenses)** | | | | | | | | | | | | | | |
| Investment - Ocean Drive | 2,600 | 2,600 | 2,600 | 2,600 | 2,407 | 2,600 | 2,600 | 2,600 | 20,607 | 2,400 | 2,400 | 2,400 | 2,400 | 30,207 |
| REO Income (Exp.) | 5,002 | 5,633 | 9,475 | (78,975) | (3,139) | 5,723 | 2,848 | 6,680 | (46,753) | 9,000 | 9,000 | 9,000 | 9,000 | (10,753) |
| Office Sublease Income | 1,299 | 1,348 | 1,348 | 1,348 | 1,348 | 1,348 | 1,358 | 1,358 | 10,752 | 1,358 | 1,358 | 1,358 | 1,358 | 16,184 |
| Delinquent Property Taxes | | | | | | | | | - | | (158,843) | | | (158,843) |
| Federal & State Income Tax | - | | (1,600) | | | | | | (1,600) | - | - | - | - | (1,600) |
| **Total Other Income (Exp.)** | 8,901 | 9,580 | 11,822 | (75,027) | 615 | 9,671 | 6,805 | 10,637 | (16,995) | 12,758 | (146,085) | 12,758 | 12,758 | (124,806) |
| **Net Operating Income (Loss)** | 39,838 | 46,712 | 99,049 | (65,388) | (76,854) | (40,119) | 39,412 | 1,970 | 44,620 | 21,103 | (137,741) | 27,103 | 27,103 | (17,813) |
| **Bankruptcy Professional Fees** | | | | | | | | | | | | | | |
| Legal - Debtor | - | - | - | - | - | 28,787 | - | - | 28,787 | 209,213 | 20,000 | 20,000 | 20,000 | 298,000 |
| Legal - Creditors Committee | - | - | - | - | - | - | - | - | - | 70,000 | 14,000 | 14,000 | 14,000 | 112,000 |
| Accountant - Debtor | - | - | - | - | - | 20,000 | - | - | 20,000 | 55,000 | 16,500 | 16,500 | 16,500 | 124,500 |
| US Trustee Fees | | | | - | - | - | 975 | - | 975 | - | 4,875 | - | - | 5,850 |
| **Total BK Professional Fees** | - | - | - | - | - | 48,787 | 975 | - | 49,762 | 334,213 | 55,375 | 50,500 | 50,500 | 540,350 |
| **Net Income (Loss)** | 39,838 | 46,712 | 99,049 | (65,388) | (76,854) | (88,906) | 38,437 | 1,970 | (5,142) | (313,111) | (193,116) | (23,398) | (23,398) | (558,163) |

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# BAY AREA FINANCIAL CORPORATION
## FORECASTED PROFIT & LOSS
## FOR THE YEAR ENDING JUNE 30, 2015

| | FORECAST | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jul-14 | Aug-14 | Sep-14 | Oct-14 | Nov-14 | Dec-14 | Jan-15 | Feb-15 | Mar-15 | Apr-15 | May-15 | Jun-15 | FYE 6.30.15 |
| **Income** | | | | | | | | | | | | | |
| **Interest Income** | | | | | | | | | | | | | |
| Bank Interest & Dividends | | | | | | | | | | | | | - |
| Loan Interest & Late Charg. | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 300,000 |
| **Total Interest Income** | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 300,000 |
| **Other Income** | | | | | | | | | | | | | |
| Extension Points | | | | | | | | | | | | | - |
| Other Fees | | | | | | | | | | | | | - |
| **Total Other Income** | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total Income** | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 300,000 |
| **Gross Profit** | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 300,000 |
| **Expense** | | | | | | | | | | | | | |
| **Operating Expenses** | | | | | | | | | | | | | |
| Bank Service Charges | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 600 |
| Data Processing | 600 | 600 | 600 | 600 | 600 | 600 | - | - | - | - | - | - | 3,600 |
| Insurance | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 18,000 |
| Office Expense | 850 | 850 | 850 | 850 | 850 | 8,000 | 500 | 500 | 500 | 500 | 500 | 500 | 15,250 |
| Payroll Processing Fees | 100 | 100 | 100 | 100 | 100 | 100 | - | - | - | - | - | - | 600 |
| Payroll Taxes | 456 | 456 | 456 | 456 | 456 | 456 | - | - | - | - | - | - | 2,735 |
| Salaries & Wages | 5,363 | 5,363 | 5,363 | 5,363 | 5,363 | 5,363 | - | - | - | - | - | - | 32,178 |
| Postage and Shipping | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 1,200 |
| Rent & Parking | 5,943 | 5,943 | 5,943 | 5,943 | 5,943 | 5,943 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 44,658 |
| Licenses & Permits | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 1,200 |
| Telephone | 300 | 300 | 300 | 300 | 300 | 300 | 150 | 150 | 150 | 150 | 150 | 150 | 2,700 |
| Supplies | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 3,000 |
| **Total Operating Expenses** | 15,612 | 15,612 | 15,612 | 15,612 | 15,612 | 22,762 | 4,150 | 4,150 | 4,150 | 4,150 | 4,150 | 4,150 | 125,721 |
| **Other Income / (Expenses)** | | | | | | | | | | | | | |
| Investment - Ocean Drive | 2,400 | 2,400 | 2,400 | 2,400 | 2,400 | (12,000) | 2,400 | 2,400 | 2,400 | 2,400 | 2,400 | - | 12,000 |
| REO Income (Exp.) | 9,000 | 9,000 | 9,000 | 2,000 | - | - | - | - | - | - | - | - | 29,000 |
| Office Sublease Income | 1,358 | 1,358 | 1,358 | 1,358 | 1,358 | 1,358 | - | - | - | - | - | - | 8,148 |
| Delinquent Property Taxes | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Federal & State Income Tax | (800) | - | - | - | - | - | - | - | - | - | - | - | (800) |
| **Total Other Income (Expen** | 11,958 | 12,758 | 12,758 | 5,758 | 3,758 | (10,642) | 2,400 | 2,400 | 2,400 | 2,400 | 2,400 | - | 48,348 |
| **Net Operating Income (Loss)** | 21,346 | 22,146 | 22,146 | 15,146 | 13,146 | (8,404) | 23,250 | 23,250 | 23,250 | 23,250 | 23,250 | 20,850 | 222,627 |
| **Bankruptcy Professional Fees** | | | | | | | | | | | | | |
| Legal - Debtor | 20,800 | 20,800 | 20,800 | 18,000 | 18,000 | 18,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 176,400 |
| Legal - Creditors Committee | 14,000 | 14,000 | 14,000 | - | - | - | - | - | - | - | - | - | 42,000 |
| Legal - Post Confirm. Comm | - | - | - | 15,000 | 15,000 | 15,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 105,000 |
| Accountant - Debtor | 16,500 | 16,500 | 16,500 | 15,000 | 15,000 | 15,000 | 15,000 | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 | 169,500 |
| US Trustee Fees | 4,875 | | | 1,950 | | | 9,750 | | | 1,950 | | | 18,525 |
| **Total BK Professional Fees** | 56,175 | 51,300 | 51,300 | 49,950 | 48,000 | 48,000 | 44,750 | 32,000 | 32,000 | 33,950 | 32,000 | 32,000 | 511,425 |
| **Net Income (Loss)** | (34,829) | (29,154) | (29,154) | (34,804) | (34,854) | (56,404) | (21,500) | (8,750) | (8,750) | (10,700) | (8,750) | (11,150) | (288,798) |

**EXHIBIT "6"**

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# BAY AREA FINANCIAL CORPORATION
## CASH FLOW PROJECTIONS
## FOR THE YEAR ENDING JUNE 30, 2014

| | ACTUAL | | | | | | | | | FORECAST | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jul-13 | Aug-13 | Sep-13 | Oct-13 | Nov-13 | Dec-13 | Jan-14 | Feb-14 | July -Feb | Mar-14 | Apr-14 | May-14 | Jun-14 | FYE 6.30.14 |
| **Net Income (Loss)** | 39,838 | 46,712 | 99,049 | (65,388) | (76,854) | (88,906) | 38,437 | 1,970 | (5,142) | (313,111) | (193,116) | (23,398) | (23,398) | (558,163) |
| **Cash Flow Adjustments:** | | | | | | | | | | | | | | |
| Cash Balance @ 7/1/2013 | 235,626 | - | - | - | - | - | - | - | 235,626 | - | - | - | - | 235,626 |
| Principal Collection on Loans | 27,789 | 121,611 | 307,509 | 24,681 | 580,591 | 16,275 | 664,543 | 18,677 | 1,761,675 | 15,000 | 15,000 | 15,000 | 15,000 | 1,821,675 |
| Accrued Interest Collection | - | - | - | - | 74,621 | - | - | - | 74,621 | - | - | - | - | 74,621 |
| Sale of Real Property | | | | | | | | | | | | 252,618 | | |
| REO Note Payments/Adj. | - | - | - | (21,583) | (811) | (816) | (1,570) | (1,574) | (26,354) | (1,570) | (1,570) | - | - | (29,494) |
| Prepetion Unclear CP Chks | - | - | - | - | 4,294 | - | - | - | 4,294 | - | - | - | - | 4,294 |
| **Total** | 263,415 | 121,611 | 307,509 | 3,097 | 658,695 | 15,459 | 662,974 | 17,103 | 2,049,863 | 13,430 | 13,430 | 267,618 | 15,000 | 2,106,723 |
| **Cash Before Creditor Distns** | 303,253 | 168,323 | 406,558 | (62,291) | 581,842 | (73,447) | 701,411 | 19,074 | 2,044,722 | (299,681) | (179,686) | 244,221 | (8,398) | 1,548,560 |
| Cash Advanced by Creditors | | | | | | | | | | | | | | |
| Cash Advances Repaid | | | | | | | | | | | | | | |
| General Creditor Distributions | | | | | | | | | | | | | | |
| **Net Cash Available** | 303,253 | 168,323 | 406,558 | (62,291) | 581,842 | (73,447) | 701,411 | 19,074 | 2,044,722 | (299,681) | (179,686) | 244,221 | (8,398) | 1,548,560 |
| **Cumulative Cash Avaible** | 303,253 | 471,576 | 878,134 | 815,843 | 1,397,684 | 1,324,237 | 2,025,648 | 2,044,722 | 2,044,722 | 1,745,041 | 1,565,355 | 1,809,576 | 1,801,178 | 1,801,178 |

Case 2:13-bk-38974-TD Doc 195-4 Filed 07/07/14 Entered 07/07/14 16:31:12 Desc
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# BAY AREA FINANCIAL CORPORATION
## CASH FLOW PROJECTIONS
## FOR THE YEAR ENDING JUNE 30, 2015

| | FORECAST | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jul-14 | Aug-14 | Sep-14 | Oct-14 | Nov-14 | Dec-14 | Jan-15 | Feb-15 | Mar-15 | Apr-15 | May-15 | Jun-15 | FYE 6.30.15 |
| **Net Income (Loss)** | (34,829) | (29,154) | (29,154) | (34,804) | (34,854) | (56,404) | (21,500) | (8,750) | (8,750) | (10,700) | (8,750) | (11,150) | (288,798) |
| **Cash Flow Adjustments:** | | | | | | | | | | | | | |
| Principal Collection on Loans | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 180,000 |
| Sales of Real Estate | | | 1,096,125 | | 1,586,375 | | | | | | | 1,687,200 | 4,369,700 |
| Accrued Interest Collection | | | | | | | | | | | | | - |
| REO Note Payments/Adj. | | | | | | | | | | | | | - |
| Prepetion Unclear CP Chks | | | | | | | | | | | | | - |
| **Total** | 15,000 | 15,000 | 1,111,125 | 15,000 | 1,601,375 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 1,702,200 | 4,549,700 |
| **Cash Before Creditor Distns** | (19,829) | (14,154) | 1,081,971 | (19,804) | 1,566,521 | (41,404) | (6,500) | 6,250 | 6,250 | 4,300 | 6,250 | 1,691,050 | 4,260,902 |
| Cash Advanced by Creditors | | | | | | | | | | | | | |
| Cash Advances Repaid | | | | | | | | | | | | | |
| General Creditor Distributions | | | | (2,000,000) | | (1,500,000) | | | | | | (1,700,000) | (5,200,000) |
| **Net Cash Available** | (19,829) | (14,154) | 1,081,971 | (2,019,804) | 1,566,521 | (1,541,404) | (6,500) | 6,250 | 6,250 | 4,300 | 6,250 | (8,950) | (939,098) |
| **Cumulative Cash Avaible** | 1,781,349 | 1,767,195 | 2,849,166 | 829,362 | 2,395,883 | 854,479 | 847,979 | 854,229 | 860,479 | 864,779 | 871,029 | 862,079 | 862,079 |

**EXHIBIT "7"**

BAY AREA FINANCIAL CORPORATION
LIQUIDATION ANALYSIS
Forecast as of June 30, 2014

| PROPERTY & DESCRIPTION | *Frsct. Book Value at 6.30.14* | *Treatment Chapter 11* | *Liquidation Value Under Chapter 7* |
|---|---|---|---|
| A. LOANS & INTEREST RECEIVABLE | | | |
| Gross Principal Loan Balances | 6,566,386 | 5,521,700 | 2,760,850 |
| Accrued Interest | 801,875 | 210,600 | 105,300 |
| | 7,368,261 | 5,732,300 | 2,866,150 |
| B. REO'S & OTHER ASSETS | | | |
| REAL PROPERTY | | | |
| 1. 623-627 W.8TH STREET | | | |
| Estimated Value | 1,632,655 | 1,185,000 | 1,185,000 |
| Less Selling Costs at 7.5% | | (88,875) | (88,875) |
| | 1,632,655 | 1,096,125 | 1,096,125 |
| 2. 1840 CALLE LAGUNA | | | |
| Estimated Value | 2,440,832 | 1,715,000 | 1,715,000 |
| Less Selling Costs at 7.5% | | (128,625) | (128,625) |
| | 2,440,832 | 1,586,375 | 1,586,375 |
| 3. 4145 OCEAN DRIVE | | | |
| Estimated Value | 2,911,154 | 1,824,000 | 1,824,000 |
| Less Selling Costs at 7.5% | | (136,800) | (136,800) |
| | 2,911,154 | 1,687,200 | 1,687,200 |
| 4. 5734 OSTIN (IN ESCROW) | | | |
| Estimated Value | 734,581 | 670,000 | 670,000 |
| Less Selling Costs at 7.5% | - | (50,250) | (50,250) |
| Less 1st Trust Deed | | (367,132) | (367,132) |
| | 734,581 | 252,618 | 252,618 |
| TOTAL REAL PROPERTY | 7,719,222 | 4,622,318 | 4,622,318 |
| OTHER ASSETS | | | |
| 1. Securities & Other Assets | 302,536 | 259,000 | 259,000 |
| 2 Ostin Insurance Claim | 15,000 | 15,000 | 15,000 |
| TOTAL OTHER ASSETS | 317,536 | 274,000 | 274,000 |
| TOTAL REO'S & OTHER ASSETS | 8,036,758 | 4,896,318 | 4,896,318 |
| C. CASH | 1,548,560 | 1,548,560 | 1,548,560 |
| NET CASH AVAILABLE FROM ASSETS | 16,953,579 | 12,177,178 | 9,311,028 |
| ADMINISTRATIVE EXPENSE CLAIMS - TRUSTEE | | | |
| Chapter 7 Trustee Fees | | - | 315,000 |
| Legal & Professional Fees | | - | 1,000,000 |
| Accounting Fees | | - | 400,000 |
| Chapter 11 US Trustee Fees | | - | 30,000 |
| Total Trustee Administrative Claims | | - | 1,745,000 |
| BAY AREA FINANCIAL OPERATING INC. (EXP) (7/14 thru 6/16) | | | |
| Net Operating Expense | | (105,523) | |
| Adminsitrative Expenses | | (672,900) | |
| Chapter 11 US Trustee Fees | | (42,900) | |
| Total Bay Area Financial Expenses (2 Years) | | (821,323) | - |
| Net Cash Available for General Unsecured Creditors | | $ 11,355,855 | $ 7,566,028 |
| General Unsecured Creditor Claims | | $ 21,010,000 | $ 21,010,000 |
| Percent Paid | | 54.05% | 36.01% |

**EXHIBIT "D"**

LAW OFFICES OF
CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR, LOS ANGELES, CA 90071 TEL (213)614-1944 FAX (213)614-1961

In re

**BAY AREA FINANCIAL CORPORATION,**

Debtor and Debtor in Possession.

CASE NO.: 2:13-bk-38974-TD

Chapter 11

**FIRST AMENDED PLAN OF REORGANIZATION/LIQUIDATION PROPOSED BY DEBTOR, BAY AREA FINANCIAL CORPORATION**

**Confirmation Hearing to be held on:**
Date: August 20, 2014
Time: 10:00 a.m.
Ctrm: 1345
255 E. Temple Street
Los Angeles, CA 90012

*PRESENTED BY:*

***Creim Macias Koenig & Frey LLP***
*By: Sandford L. Frey*
*Chapter 11 Attorneys for Debtor and Debtor in Possession*

***Biggs & Co., Certified Public Accountants***
*By: Samuel R. Biggs*
*Financial Advisors for Debtor and Debtor in Possession*

*PLAN SUPPORTED BY:*

***Shulman Hodges & Bastian LLP***
*By: James C. Bastian*
*Melissa Davis Lowe*
*General Counsel for the Official Committee of Unsecured Creditors*

Sandford L. Frey (SBN 117058)
**CREIM MACIAS KOENIG & FREY LLP**
633 West Fifth Street, 51st Floor
Los Angeles, CA 90071
Telephone: (213) 614-1944
Facsimile: (213) 614-1961
sfrey@cmkllp.com

Chapter 11 Attorneys for Bay Area Financial Corporation, Debtor and Debtor in Possession

**UNITED STATES BANKRUPTCY COURT**

**CENTRAL DISTRICT OF CALIFORNIA**

**[LOS ANGELES DIVISION]**

| | |
|---|---|
| In re<br><br>**BAY AREA FINANCIAL CORPORATION,**<br><br>Debtor and Debtor in Possession. | CASE NO.: 2:13-bk-38974-TD<br><br>Chapter 11<br><br>**FIRST AMENDED PLAN OF REORGANIZATION/LIQUIDATION PROPOSED BY DEBTOR, BAY AREA FINANCIAL CORPORATION**<br><br>**Hearing Approving Disclosure Statement held on:**<br>Date: June 18, 2014<br>Time: 10:00 a.m.<br>Ctrm: 1345 |

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# I. INTRODUCTION

The Debtor hereby submits its proposed Plan, whereby it intends to proceed with an orderly liquidation of all Assets for the benefit of the Debtor's creditors as expeditiously and cost effectively as reasonably possible.

The Plan proposes to distribute the Net Cash Proceeds held by the Debtor resulting from liquidation to each class of Creditors and Commercial Paper Account Holders as set forth below on a Pro Rata basis.

***All Holders of Claims and interests are encouraged to read thoroughly the Plan and the related materials in their entirety before deciding to consent to the Plan.***

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

# II. DEFINITIONS AND RULES OF CONSTRUCTION

## A. DEFINITIONS

In addition to the definitions set forth elsewhere in the Disclosure Statement and in the Plan, the following definitions will apply with respect to the Disclosure Statement:

***Administrative Bar Date*** shall have the meaning set forth in Section IV of the Plan.

***Administrative Claim(s)*** or ***Administrative Expense(s)*** means Claims for costs or expenses of administering the Debtor's Chapter 11 Case which are Allowed under Bankruptcy Code §§ 503 (b) and 507(a) (1).

***Administrative Claims Funding Amount*** shall have the meaning set forth in Section IV of the Plan.

***Administrative Claim Reserve(s)*** means a Plan Reserve in an amount sufficient to satisfy Allowed Administrative Claims against the Debtor.

***Administrative Tax Claim*** means a Claim that a governmental unit asserts or may assert against the Debtor either for taxes or for related interest, fees, costs or penalties for any tax period.

***Allowed*** means, when used in respect of a Claim or an Interest or group of Claims or Interests, the following as applicable:

(a) if no Proof of Claim or Interest has been timely filed, such amount of the Claim or Interest or group of Claims or Interests which has been scheduled by the Debtor as liquidated in amount and not disputed or contingent and as to which no party in interest has filed an objection within the time required under the Plan or otherwise fixed by the Court and which Claim or Interest is not disallowed under Bankruptcy Code § 502 (d) or (e); or

(b) if a Proof of Claim or Interest has been filed by the applicable bar date or is deemed timely filed by the Court, such amount of the Claim or Interest or group Claims or Interests as to which any party in interest has not filed an objection within the time required under the Plan or otherwise fixed by the Court and which Claim or Interest is not disallowed under Bankruptcy Code § 502 (d) or (e); or

(c) such amount of the Claim or Interest or group of Claims or Interests which is allowed by a Final Order of the Court.

***Allowed Administrative Claim*** means an Administrative Claim that is an Allowed Claim.

***Allowed Claim or Allowed Interest*** means a Claim or Interest that is Allowed.

***Allowed Early Cash-Out Election Claim(s)*** means an Early Cash-Out Election Claim that is Allowed, and qualifies for treatment in Class 4.

***Allowed General Unsecured Claim*** means a General Unsecured Claim that is an Allowed Claim.

***Allowed Commercial Paper Account Claim(s)*** means a Commercial Paper Account Claim that is Allowed.

***Allowed Pingree Setoff Claim(s)*** shall have the meaning set forth in Section IV.A.1 of the Plan.

***Assets*** means (i) any and all real or personal property of the Debtor of any nature, including, without limitation, any Cash, real property, licenses, goods, materials, supplies, furniture, fixtures, equipment, works in process, accounts or loans receivable, tax refunds, chattel paper, deposit accounts, reserves, deposits, contractual rights, intellectual property rights, claims, Rights of Action, and any other general intangibles of any nature whatsoever; and (ii) proceeds, products, rents and profits of any and all of the foregoing.

***Assumed Contract Schedule*** shall have the meaning set forth in Section VI of the Plan.

***Available Cash*** means all Cash held by the Plan Administrator on and after the Effective Date available for distribution after payment of or reserve for Administrative Claims (including, without limitation, Professional Fee Claims), Priority Claims, the Disputed Claims Reserve, Plan Operating Expenses, Liquidation Expenses, the Early Cash-Out Election Claim Payment, the Post-Effective Date Plan Expense Reserve and other Plan Reserves. Available Cash shall not include the Cash in any of the Plan Reserve Accounts, pending the release thereof by the Plan Administrator pursuant to the Plan.

***Avoidance Action(s)*** means all avoiding powers, rights to seek subordination and all rights and remedies under Bankruptcy Code §§ 502(d), 506, 510, 542, 544, 545, 547, 548, 549, 550, 551, 552 or 553 or any fraudulent conveyance, fraudulent transfer, or preference laws under applicable state or other law.

***Ballot(s)*** means the ballot to vote to accept or reject the Plan.

***Ballot Deadline*** means the deadline established by the Court for the delivery of executed Ballots to the Debtor.

***Bank Stock Sales Procedures Motion*** means the *Motion of Debtor and Debtor in Possession, for an Order (1) Approving the Immediate Sale of 1,710 Shares of Stock of the Bank of San Francisco; (2) Subsequent Sales of Additional Stock; and (3) Approving Sales Procedures for All Such Sales of Stock*, filed by the Debtor on February 28, 2014 [Docket No. 70].

***Bankruptcy Code*** means the Bankruptcy Code, as codified in Title 11 of the United States Code, 11 U.S.C. Section 101 et seq., including all amendments thereto, to the extent such amendments are applicable to the Case.

***Bay Area*** means Bay Area Financial Corporation, the Debtor and Debtor in Possession.

***Biggs*** means Samuel R. Biggs of Biggs & Co.

***Biggs & Co.*** means Biggs & Co., accountants and financial advisors to the Debtor.

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

***Calle Laguna Property*** means the real property owned by the Debtor, commonly known as 1840 Calle Laguna, Arroyo Grande, California 93420.

***Case*** means the Chapter 11 proceeding commenced by the Debtor by voluntary petition and entitled *In re Bay Area Financial Corporation*, Case No. 2:13-bk-38974-TD, pending in the United States Bankruptcy Court, Central District of California.

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

***Claim*** means (a) right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured, or (b) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.

***Class*** means a class of Claims or Interests described in the Plan.

***Class 5 Deferred Plan Payment(s)*** shall have the meaning set forth in the Treatment of Class 5 under the Plan.

***Class 5 Final Plan Payment*** shall have the meaning set forth in the Treatment of Class 5 under the Plan.

***Classified Priority Claim(s)*** means an Allowed Claim entitled to priority against the Estate under Bankruptcy Code §§ 507(a)(1), 507(a)(4), 507(a)(5) and/or 507(a)(7), excluding any such claims incurred after the Petition Date.

***CMKF*** means Creim Macias Koenig & Frey LLP, Chapter 11 counsel to the Debtor.

***Commercial Lease Assumption Motion*** means the *Motion of Debtor and Debtor in Possession to Assume Nonresidential Lease Agreement*, filed by the Debtor on February 2, 2014 [Docket No. 69}, whereby the Debtor seeks to assume its nonresidential lease as modified by the Fifth Amendment to such lease, between Douglas Emmett Realty Fund 1995 and the Debtor for real property located at 12400 Wilshire Blvd, Suite 350, Los Angeles, California 90025.

***Commercial Paper Account Claim(s)*** means any and all Claims of any kind or nature held by the Commercial Paper Account Holders.

***Commercial Paper Account Holder(s)*** means any Holder of a commercial paper issued by the Debtor in exchange for certain amounts that were paid to the Debtor by such Holder to the extent not paid in full as of the Petition Date.

***Committee*** means the Official Committee of Unsecured Creditors, appointed in the Case.
Committee Counsel means SHB.

***Confirmation*** means the entry of the Confirmation Order.

***Confirmation Date*** means the date upon which the Court enters the Confirmation Order.

***Confirmation Hearing Date*** means the date on which the Court held a hearing on Confirmation of the Plan.

***Confirmation Order*** means the order of the Court confirming the Plan pursuant to Bankruptcy Code § 1129.

***Consummation*** means the occurrence of the Effective Date.

***Contracts*** means all agreements and contracts to which the Debtor is a party.

***Court*** means the United States Bankruptcy Court for the Central District of California, Los Angeles Division, or any other court that exercises jurisdiction over the Case.

***Creditor*** means the Holder of a Claim against the Debtor.

***Cure Obligations*** means all (a) amounts (or such lesser amount as may be agreed upon by the parties under an executory contract or unexpired lease) required to cure any monetary defaults and (b) other obligations required to cure any non-monetary defaults, if any, under any executory contract or unexpired lease that is to be assumed and assigned by the Debtor pursuant to Bankruptcy Code §§ 365 and 1123.

***DACA*** means DACA VI, LLC an entity that purports to be the transferee of a number of Commercial Paper Account Claims.

***Debtor*** means Bay Area Financial Corporation, the Debtor in this Case.

***Debtor's Accountants*** means Biggs & Co.

***Debtor's Counsel*** means CMKF.

***Disallowed Claim*** means a Claim, or any portion thereof, that: (a) is not listed on the Debtor's Schedules, or is listed therein as contingent, unliquidated, disputed, in an unknown amount, or in an amount equal to zero, and whose Holder has failed to timely File a Proof of Claim; or (b) the Court has disallowed pursuant to order of the Court. Disbursing Agent means the Plan Administrator, who is the Person responsible for making all Distributions to Claimants provided under the Plan.

***Disclosure Statement*** means the *First Amended Disclosure Statement Describing First Amended Plan of Reorganization/Liquidation Proposed by Debtor, Bay Area Financial Corporation,* and any and all amendments, modifications and exhibits thereto.

***Disputed Claim*** or ***Disputed Interest*** means a Claim or Interest as to which a Proof of Claim is filed or is deemed filed under FRBP 3003(b)(1) or a Proof of Interest was filed or deemed filed under FRBP 3003(b)(2); and

1. An objection: (a) has been timely filed; and (b) has not been denied by a Final Order or withdrawn; or,

2. The Claim or Interest is listed on the Debtor's Schedules as disputed, contingent or unliquidated.

***Disputed Claim Reserve*** means, for any Disputed Claim, the amount as estimated pursuant to (a) agreement among the Debtor, the Plan Administrator and the Holder of the Disputed Claim; (b) determination made by the Debtor and the Plan Administrator, in their

absolute and sole discretion; (c) determination made after the Effective Date by the Oversight Committee and the Plan Administrator, in their absolute and sole discretion; or (d) determination of the Court.

***Distribution*** means any transfer under the Plan of Cash or other property to a Holder of an Allowed Administrative Claim, a Holder of an Allowed Claim (including, without limitation, a Holder of an Allowed Commercial Paper Account Claim), or a Holder of an Interest.

***Early Cash-Out Election Claim*** means any Claim against the Debtor that would otherwise be an Allowed Commercial Paper Account Claim or Allowed General Unsecured Claim, so long as (a) the portion of such Holders' Allowed Commercial Paper Account Claim or Allowed General Unsecured Claim that represents the unpaid principal balance and accrued and unpaid interest as of the Petition Date, that would otherwise qualify for treatment in Class 5, is in an amount that is greater than $0 and less than or equal to $200,000 (or for which the Creditor elects (pursuant to the appropriate election on the Ballot for Class 4 or other written instrument submitted and satisfactory to the Debtor) to reduce such Allowed Claim to $200,000); (b) the Holder of such Allowed Claim elects on the Ballot to be treated in the Early Cash-Out Election Class in Class 4; and (c) waives any and all other Claims, including, those in Classes 5, 6 and 7, and any right to any further Distribution under the Plan; and, (d) *provided, however,* that each such Holder executes and delivers to the Debtor prior to the Ballot Deadline (i) a Ballot accepting the Plan, and (ii) the Release.

***Early Cash-Out Election Class*** shall have the meaning set forth in Section V.D., Class 4 of the Plan.

***Early Cash-Out Election Class Payment*** means the aggregate amount required to pay all Holders of the Early Cash-Out Election Claims, who timely and properly elect treatment in the Class 4, an amount equal to thirty-Five percent (35%) of their Early Cash-Out Election Claim on the Effective Date, pursuant to the provisions of Section V.D., Class 4 of the Plan.

***Effective Date*** means a date set by the Plan Administrator, which date shall be within sixty (60) days after the Confirmation Order becomes a Final Order.

***Effective Date Available Cash*** means cash held by the Debtor on the Effective Date which the Plan Administrator determines in his, hers or its discretion is reasonably available for distribution to Class 4, remaining after payment of, or reserve for, Administrative Claims (including, without limitation, Professional Fee Claims), Priority

Claims, any other Effective Date Payments, Claims in Classes 1, 2 and 3, the Disputed Claims Reserve, the Post-Effective Date Plan Expense Reserve, reserves for Plan Operating Expenses and Liquidation Expenses, other Plan Reserves, and any other amount that the Plan Administrator determines in his, hers or its discretion to be prudent, necessary or reasonable to hold back or reserve for.

***Effective Date Notice*** means a notice to be served on creditors by the Liquidation Debtor upon the occurrence of the Effective Date.

***Enjoined Claim*** shall have the meaning set forth in Section VII of the Plan.

***Estate*** means the estate in the Debtor's Case created pursuant to Bankruptcy Code § 541(a).

***Exculpated Parties*** means, collectively, the Debtor, the Committee, CMKF, SHB, Biggs & Co., Biggs, Lombardo, the Pingrees and each of their respective predecessors, successors and assigns, shareholders, affiliates and Insiders (determined as if such Entity were a debtor under the Bankruptcy Code), subsidiaries, principals, employees, agents, officers, directors, trustees, members, partners, professionals, consultants and advisors.

***Exculpation*** shall have the meaning set forth in Section VIII of the Plan.

***Exhibit Filing Date*** means the date that is at least 10 days prior to the date of the Confirmation Hearing.

***Fiorentino*** means Todd Fiorentino.

***Final Order*** means an order or judgment of a court of competent jurisdiction entered on such court's official docket the operation or effect of which (a) has not been reversed, rescinded, stayed, modified, or amended; (b) is in full force and effect; and (c) with respect to which: (i) the time to appeal or to seek review, remand, rehearing, or a *writ of certiorari* has expired and as to which no timely filed appeal or petition for review, rehearing, remand, or *writ of certiorari* is pending, or (ii) any such appeal or petition has been dismissed or resolved by the highest court to which the order or judgment was appealed or from which review, rehearing, remand, or a *writ of certiorari* was sought.

***FRBP*** means the Federal Rules of Bankruptcy Procedure as now in effect or hereafter amended and applicable to the Case.

***General Unsecured Claims*** means a Claim that is not an Administrative Claim, a Priority Claim, an Administrative Tax Claim, a Secured Claim, a Secured Tax Claim, an Early Cash-Out Election Claim or a Commercial Paper Account Claim.

***General Unsecured Creditor*** or ***General Unsecured Claimant*** means the Holder of a General Unsecured Claim.

***Governmental Unit*** means United States; State; Commonwealth; District; Territory; municipality; foreign state; department, agency, or instrumentality of the United States, a State, a Commonwealth, a District, a Territory, a municipality, or a foreign state, or other foreign or domestic government.

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

***Insider*** means all Persons who are "insiders" as that term is defined in Bankruptcy Code § 101 (31).

***Interest*** means any equity security holder of the Debtor as defined in Bankruptcy Code § 101(16).

***IRS*** means the Internal Revenue Service.

***LBR*** means the Local Bankruptcy Rules of the United States Bankruptcy Court for the Central District of California, including all amendments thereto, to the extent such amendments are applicable to the Case.

***Lien*** means any charge against or interest in property to secure payment or performance of a Claim, debt or obligation.

***Liquidation Agreement*** means the liquidation documents to be filed with the Bankruptcy Court on or before the Effective Date.

***Liquidation Analysis*** means the Liquidation Analysis prepared by the Debtor attached to the Disclosure Statement as ***Exhibit 7***.

***Liquidation Debtor*** means the Debtor on and after the Effective Date, after giving effect to the Plan.

***Liquidation Expense(s)*** means any and all fees, costs and/or expenses incurred or required to be paid in connection with the collection, preservation, liquidation, sale,

transfer, abandonment or disposition of any and all Assets, including, without limitation, (a) any and all secured claims against any of the Assets; (b) any and all usual and customary fees and expenses respecting the collection, preservation, liquidation, sale, transfer, abandonment or disposition of any of Assets, including, without limitation, escrow fees, title fees, title insurance fees, document preparation fees, legal fees and costs, financial advisory fees and costs, accounting fees and costs, fees for other services and any other fees and costs; (b) any and all broker's commission or other fees in connection with, or related to, the collection, preservation, liquidation sale, transfer, abandonment or disposition of any of Assets; (c) any and all other reasonable and customary costs respecting the collection, preservation, liquidation, sale, transfer, abandonment or disposition of any of Assets. (d) any and all property taxes, transfer taxes, uses taxes or other applicable tax due and owing to the applicable Governmental Unit in connection, or related to, collection, preservation, liquidation, sale, transfer, abandonment or disposition of any of Assets; (c) any and all other tax owed to the applicable Governmental Unit resulting from or in connection with the collection, preservation, liquidation, sale, transfer, abandonment or disposition of any of Assets; and, (d) any and all other charges, fees, costs and/or expenses of any kind or nature which the Plan Administrator and/or Liquidation Debtor determines in their discretion, is necessary or appropriate to be paid in connection, or related to, collection, preservation, liquidation, sale, transfer, abandonment or disposition of any of Assets or in order to conclude the sale and/or close escrow for any of the Assets.

***Liquidation Value*** means the aggregate dollar amount found by the Court (calculated without consideration of Rights of Action), which is equal to the lowest dollar amount necessary to fund payment to a Class in the manner provided under the Plan so that each Holder of an Allowed Claim would receive or retain property with a value as of the Effective Date at least equal to the amount such Holder would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code on the Effective Date.

***Loan Procedures Motion*** means the *First Day Emergency Motion of Debtor and Debtor in Possession for Order (1) Approving Payoff of Promissory Note at Compromised Amount; (2) Establishing Procedures for Compromise and Settlement of Promissory Notes in the Ordinary Course of Business*, filed by the Debtor, which was approved on an interim basis by the Bankruptcy Court by Order entered on December 20, 2013 [Docket No. 27] and on a final basis by Order entered on February 26, 2014 [Docket No.68].

***Lombardo*** means Vincent J. Lombardo of Lombardo & Safford, special counsel to the Debtor.

***McCauley Borrower*** shall have the meaning set forth in Section III.D.4 of the Disclosure Statement.

***McCauley Borrower Properties*** shall have the meaning set forth in Section III.D.4 of the Disclosure Statement.

***Ocean Drive Property*** means the real property owned by the Debtor, commonly known as 4145 Ocean Drive, Oxnard, CA 93035.

***Ostin Property*** means the real property owned by the Debtor, commonly known as 5734 Ostin Drive, Woodland Hills, CA 91367.

***Other Secured Claim*** means any Secured Claims that are not otherwise expressly classified under the Plan.

***Oversight Committee*** means a committee of Persons established pursuant to Section VI.I of the Plan to oversee the Plan Administrator/Liquidation Debtor's performance of their duties and otherwise serve the functions described in the Plan.

***Oversight Committee Conference Requirement*** means the requirement of the Plan Administrator/Liquidation Debtor to advise, confer, consult and obtain the consent of the Oversight Committee on the matter specified in the applicable Plan provision reasonably prior to the subject action of the Plan Administrator/Liquidation Debtor, and if the Oversight Committee objects or fails to consent to the particular action to be taken, the Plan Administrator shall have a reasonable opportunity (no less than three Business Days) to seek authorization from the Bankruptcy Court.

***PBCG*** means the Pension Benefit Guaranty Corporation, the independent government agency initially created by the Employee Retirement Income Security Act of 1974.

***Person*** means any individual or entity.

***Personal Property*** means all property owned by the Debtor now or hereafter which under applicable law is not real property, and includes all tangible and intangible personal property.

***Petition Date*** means December 9, 2013.

***Pingrees*** means collectively Kenneth J. Pingree Jr. and Patricia Pingree.

***Plan*** means the *First Amended Plan of Reorganization/Liquidation Proposed by the Debtor, Bay Area Financial Corporation*, as it may be amended or modified from time to time, and all exhibits thereto.

***Plan Administrator*** means Biggs for purposes of administering the Plan, liquidating the Assets, and representing and appearing in all proceedings (including, without limitation, any proceedings before any federal court, bankruptcy court and/or state court) on and after the Effective Date in accordance with the terms of the Plan.

***Plan Operating Expense(s)*** means any and all fees, costs and/or expenses incurred by the Plan Administrator and/or Liquidation Debtor following the Effective Date (including the fees and costs of the Plan Administrator, attorneys, advisors, other professionals and agents) for, in connection with, or related to, (i) operating expenses incurred by the Liquidation Debtor and/or Plan Administrator, including, without limitation, rent, offices expenses, salaries, parking expenses, taxes, insurance and any and all other expenses incurred after the Effective Date; (ii) prosecuting or otherwise attempting to collect or realize upon the Assets and/or Rights of Action; (iii) liquidating, selling, abandoning or collecting upon any of the Assets or otherwise incurred following the Effective Date in connection with generating Available Cash; (iv) resolving Disputed Claims and effectuating distributions to Creditors under the Plan; (v) prosecuting, litigating and/or otherwise participating in any court proceedings; or (vi) otherwise implementing the Plan, including, but not limited to post-Effective Date taxes (such as for income in the Plan Reserve Accounts) and wind-down expenses (such as records maintenance).

***Plan Participants*** has the meaning set forth in Section VIII of the Plan.

***Plan Proponent*** means the Debtor.

***Plan Reserve Account(s)*** means the segregated accounts to be established by the Plan Administrator to hold each of the various Plan Reserves as the Plan Administrator reasonably deems appropriate, subject to the terms of the Plan.

***Plan Release(s)*** means the general release of the Debtor and the Exculpated Parties set forth in the Plan.

***Plan Reserves*** means all reserves of the Assets to be established by the Plan Administrator on the Effective Date (or as soon as reasonably practicable thereafter), including, but not limited to, the Post-Effective Date Plan Expense Reserve, the Administrative Claim Reserve, the Indemnification Reserve, and separate reserves for payment of Disputed Administrative Claims and Disputed General Unsecured Claims as

of the date of any contemplated distribution. Each Plan Reserve shall be in an amount determined in the discretion of the Plan Administrator, and such amount(s) can be reduced, increased and/or replenished after the Effective Date by the Plan Administrator subject to the terms of the Plan.

***Plan Supplement*** means the compilation of documents and forms of documents, schedules, and exhibits to the Plan, to be Filed before the Confirmation Hearing (to the extent such document is in existence as of the time thereof), as amended, supplemented, or modified from time to time in accordance with the terms hereof, the Bankruptcy Code, and the FRBP.

***POC*** means Proof of Claim filed in the Case.

***POI*** means Proof of Interest filed in the Case.

***Post-Effective Date Litigation*** means all claims reserved under Section VII of the Plan, including, but not limited to: (a) Rights of Action; (b) any rights to object to, settle, compromise, or resolve Claims and (c) any rights of equitable subordination or disallowance.

***Post-Effective Date Plan Expense Reserve*** means a reserve of the Liquidation Debtor's Cash on hand in the initial amount(s) scheduled in the Reserve Notice, established and used by the Plan Administrator in its discretion to pay any and all Plan Operating Expenses including, without limitation, the fees and expenses of the Plan Administrator and its attorneys, advisors and other agents, and other expenses relating to the implementation of the Plan expected to arise after the Effective Date.

***Prause*** means James Prause, trustee for the James Prause Trust.

***Pre-Approved Loan Compromise Procedures*** shall have the meaning set forth in Section III.D.4 of the Disclosure Statement.

***Priority Claim(s)*** means an Allowed Claim entitled to priority against the Estate under Bankruptcy Code §§ 507(a)(1) through 507(a)(8), excluding any such claims incurred after the Petition Date.

***Priority Tax Claim(s)*** means certain unsecured tax claims based on income, employment and other taxes described by Bankruptcy Code § 507(a)(8), excluding any such claims incurred after the Petition Date.

***Priority Tax Claims Funding Amount*** shall have the meaning set forth it Section IV of the Plan.

***Priority Tax Claim Motion*** means the *Motion of Bay Area Financial Corporation the Debtor and Debtor in Possession for an Order from this Court Authorizing the Debtor to Pay Past-Due and Delinquent real Property Taxes*, filed by the Debtor on March 4, 2014 [Docket No. 74].

***Pro Rata*** means with respect to a particular Class of Claims or Interests, the ratio that the amount of a particular Allowed Claim or Allowed Interest in the Class bears to the total amount of Allowed Claims or Allowed Interests in the Class.

***Professionals*** means the professionals (including, without limitation, attorneys, accountants, and other advisors and agents) employed by the Debtor and the Committee.

***Professional Fee Claim*** means a claim under Bankruptcy Code §§ 327, 328, 330, 331, 503, or 1103 for compensation for professional services rendered or expenses incurred for which the Estate is liable for payment.

***PWMC*** means Properties West Management Company, acting property manager for the San Pedro Property in accordance with the PWMC Property Management Agreement.

***PWMC Property Management Agreement*** means that certain property management agreement between the Debtor and PWMC, and any and all amendments and modifications thereto, pursuant to which PWMC acts as property manager for the San Pedro Property.

***RCS*** means Residential Credit Solutions, holder of the senior secured lien against the Ostin Property.

***RCS Loan*** means that certain obligation in favor or RCS secured by a senior deed of trust in favor of RCS in the approximate amount of $371,902.17.

***Real Estate Assets*** means any and all real estate owned or acquired by the Debtor and/or Liquidation Debtor before, on or after the Effective Date.

***Real Estate Assets Estimated Value*** means the projected fair market value as of the Effective Date of the Real Estate Assets, which have not been sold as of the Effective Date, as estimated by the Liquidation Debtor or the Plan Administrator.

***Rejection Damage Claim*** means a Claim for any obligations or damages arising under an unexpired real-property or personal-property lease or executory contract that the Debtor rejects or is deemed rejected pursuant to the terms of the Plan.

***Rejection Schedule*** shall have the meaning set forth in Section VI of the Plan.

***Related Parties*** means with respect to any person or entity, all of such person's or entity's direct or indirect subsidiaries, partnerships, management companies, current or former corporations or trusts, staff, shareholders, legal representatives, attorneys, accountants, financial advisors, insurers, heirs, executors, administrators, partners, guarantors, investors, trustees, parents, successors, assigns, managers, affiliates, employees, members, contractors, consultants, agents, officers and directors, all and each in their respective personal and corporate capacities.

***Release(s)*** means the separate general release of the Debtor, the Pingrees and their Related Parties to be executed and delivered by the Holder of a Claim in order to qualify and be treated as an Early Cash-Out Election Claim in Class 4, and which will become effective only upon full payment of the distribution owed to such Holder of an Early Cash-Out Election Claim in Class 4.

***Remaining Loan Portfolio*** means the Debtor's remaining Loan Portfolio as described generally in the Disclosure Statement, and the proceeds, product and offspring thereof as of the Effective Date.

***REO(s)*** means any and all property owned by the Debtor as of the Petition Date, acquired by the Debtor after the Petition Date or acquired by the Liquidation Debtor after the Effective Date by means of a successful sale at a foreclosure auction.

***Rights of Action*** means any and all claims, demands, rights, actions, causes of action and suits of, held by or which could be asserted on behalf of the Estate, of any kind, nature or character whatsoever, known or unknown, suspected or unsuspected, whether arising prior to, on or after the Petition Date, in contract or in tort, at law or in equity or under any other theory of law, including, but not limited to (1) rights of setoff, counterclaim or recoupment, and claims on contracts or for breaches of duties imposed by law, (2) the right to object to Claims or Interests, (3) claims pursuant to Bankruptcy Code § 362, (4) such claims and defenses as fraud, mistake, duress, usury, (5) Avoidance Actions and, (6) errors and omissions claims involving officers and directors.

***Schedules*** means, collectively, the schedules of assets and liabilities, schedules of Executory Contracts and Unexpired Leases, and statement of financial affairs filed by

the Debtor pursuant to Bankruptcy Code § 521, as the same may have been amended, modified, or supplemented from time to time.

***Secured Claim*** means a Claim, including a Secured Tax Claim, which is secured by a lien on the Debtor's property, including any REO. A claim is a Secured Claim only to the extent of the value of the claimholder's interest in the collateral or to the extent of the amount subject to setoff, whichever is applicable, and as determined under Bankruptcy Code §506(a).

***Secured Tax Claim*** mean a governmental unit's Secured Claim for unpaid taxes arising before the Petition Date.
SHB means Shulman Hodges & Bastian LLP, Chapter 11 counsel for the Committee.

***Suite 350 Lease*** means Bay Area Financial corporate headquarters, located at 12400 Wilshire Blvd, Suite 350, Los Angeles, California 90025, pursuant that certain lease agreement between the Debtor, as lessee, and Douglas Emmett Realty Fund 1995, as lessor, and that certain Fifth Amendment to lease effective October 11, 2013, extending the lease term for an additional one year period, which was assumed by the Estate pursuant to the Commercial Lease Assumption Motion.

***Unclassified Priority Claim(s)*** means an Allowed Claim entitled to priority against the Estate under Bankruptcy Code §§ 507(a)(2), 507(a)(3) and/or 507(a)(8), excluding any such claims incurred after the Petition Date.

***UST*** means the Office of the United States Trustee for the Central District of California.

***UST Fees*** means fees or charges assessed against the Estate pursuant to 28 U.S.C. § 1930.

***Voting Deadline*** means the deadline established by the Debtor for receipt of Ballots voting to accept or reject the Plan and Plan Releases.

***West 8th Property*** means the real property owned by the Debtor, commonly known as 623-627 West 8th Street, Units 1-6, San Pedro, CA 90731.

**B. RULES OF CONSTRUCTION.**

The rules of construction in Bankruptcy Code §102 apply to the Disclosure Statement to the extent not inconsistent herewith.

The rules of construction in Bankruptcy Code §102 apply to the Plan to the extent not inconsistent herewith.

FRBP 9006(a) applies when computing any time period under the Plan.

A term that is used in the Plan and that is not defined in the Plan has the meaning attributed to that term, if any, in the Bankruptcy Code or the FRBP.

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.

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

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. No material change to the form or terms may be made after the Confirmation Date without the consent of any party materially negatively affected.

Any reference to an existing document means the document as it may be, amended or supplemented.

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.

Unless otherwise specified, all references to Sections are references to the Plan's sections.

Unless otherwise specified, all references to Exhibits are references to the Exhibits to the Plan.

The words "herein," "hereto," "hereunder," and other words of similar import refer to the Plan in its entirety rather than to only a particular portion hereof.

## III. GENERAL STATEMENT ABOUT CLASSIFICATION AND TREATMEAN OF NON-CONSENTING CLASSES

### A. General Statement About Classification Under The Plan

The Plan classifies Claims and Interests in various Classes according to their right to priority. The Plan states whether each Class of Claims or Interests is impaired or unimpaired. The Plan provides the treatment that each Class will receive. A Claim is classified in a particular Class only to the extent that the Claim falls within the Class description.

### B. Holders of Claims Entitled to Vote

Each Holder of an Allowed Claim that is impaired under the Plan is entitled to vote separately to accept or reject the Plan.

### C. General Statement Respecting the Treatment of Non-Consenting Classes

Even if all Classes do not consent to the proposed treatment of their Claims under the Plan, the Plan may nonetheless be confirmed if the dissenting Classes are treated in a manner prescribed by the Bankruptcy Code. The process by which dissenting Classes are forced to abide by the terms of a plan is commonly referred to as "cramdown." The Bankruptcy Code allows dissenting Classes to be crammed down if the Plan does not "discriminate unfairly" and is "fair and equitable."

## IV. CLASSIFICATION AND TREATMENT OF UNCLASSIFIED CLAIMS

### A. Unclassified Claims

Certain types of Claims are not placed into voting Classes; and instead they are referred to as "unclassified". Unclassified Claims are not considered impaired and are not entitled to vote on the Plan because such Claims are automatically entitled to specific treatment provided in the Bankruptcy Code. As such, the Debtor has not placed the following Claims into a Class.

#### *1. Administrative Expenses/Treatment under the Plan*

Administrative Expenses are Claims for costs or expenses of administering the Debtor's Chapter 11 Case which are Allowed under Bankruptcy Code §§503(b) and 507(a)(1), including, without limitation, (i) the actual, necessary costs and expenses

incurred after the commencement of the Debtor's Chapter 11 Case, including unpaid property tax and other tax Claims, and (ii) Professional Fee Claims, consisting of compensation for legal and other services and reimbursement of expenses awarded pursuant to Bankruptcy Code §§ 330(a), 331 or 1103.

The Bankruptcy Code requires that all Administrative Claims be paid on the Effective Date of the Plan, unless a particular claimant agrees to a different treatment. The aggregate amount of Cash required to satisfy in full all Administrative Claims is referred to hereinafter collectively as the "**Administrative Claims Funding Amount**".

> Unless otherwise agreed by the Liquidation Debtor and Plan Administrator and the claimant, the Holders of the Allowed Administrative Expenses Claims shall receive the full amount of their Allowed Claims in Cash on the Effective Date or as soon as such claims are Allowed.

Notwithstanding the foregoing, the accrued and unpaid Administrative Claim of the Pingrees for Insider Compensation shall be treated as follows:

> On the Effective Date, the right to payment from the Estate on account of the Allowed Claims of Kenneth J. Pingree Jr. and Patricia Pingree for Insider Compensation shall be waived; and, in exchange for such waiver, Kenneth J. Pingree Jr. and Patricia Pingree shall each receive and be entitled to an ***Allowed Pingree Setoff Claim*** in an amount that is equal to each of their respective Claims for Insider Compensation for the period commencing on the Petition Date through the Effective Date, calculated at the rate of $4,166.67 semi-monthly for Ken Pingree and $3,125.00 semi-monthly for Patricia Pingree, which Allowed Pingree Setoff Claims may only be asserted by each of them against any damage claim against them, and each of them, resulting from, in connection with, or related to, any Right of Action or other litigation initiated against either of them by, or on behalf of, the Debtor, the Estate, the Liquidation Debtor, the Committee and/or any Creditor in the Case, and in no event shall result in any monetary payment to Kenneth J. Pingree Jr. and Patricia Pingree in this case.

[*See*, analysis in the Disclosure Statement for the calculation of the Setoff Claim]

a. Court Approval of Fees Required

The Court must rule on Professional Fee Claims before such fees and expenses will be Allowed. All requests for professional compensation for professionals employed

pursuant to Bankruptcy Code § 327 must be requested by applications for final allowance of compensation and reimbursement of expenses. Only the amount of fees and expenses approved by the Court will be Allowed and required to be paid under the Plan. Any objection to Administrative Claims for professional compensation for professionals employed pursuant to Bankruptcy Code § 327 shall be filed on or before the date specified in the application for final compensation and reimbursement of expenses.

Professional fees and expenses incurred after the Effective Date will not require Court approval, and may be billed and paid by the Liquidation Debtor at any time during the course of liquidation.

b. Allowance of Other Administrative Claims

Pursuant to the Plan, the Administrative Claims Bar Date is a date set forth in the Confirmation Order. All Administrative Claims (excluding professional compensation for professionals employed pursuant to Bankruptcy Code § 327) must have been asserted by the filing of a POC (i) designated as a request for payment of Administrative Expenses, (ii) asserting that such claim is allowable pursuant to Bankruptcy Code § 503(b), (iii) stating the amount of such claim, (iv) stating the basis of such claim, and (v) attaching documentation in support of such claim.

Any objection to any Administrative Claim (excluding those to professional compensation for professionals employed pursuant to Bankruptcy Code § 327) must be filed within one-hundred and twenty (120) days from the date such Administrative Claim is filed.

HOLDERS OF ADMINISTRATIVE CLAIMS (INCLUDING, WITHOUT LIMITATION, PROFESSIONALS) REQUESTING COMPENSATION OR REIMBURSEMENT OF EXPENSES THAT DO NOT FILE SUCH REQUESTS BY THE ADMINISTRATIVE CLAIMS BAR DATE SHALL BE FOREVER BARRED FROM ASSERTING SUCH CLAIMS AGAINST THE DEBTOR, THE DEBTOR'S ESTATE, LIQUIDATION DEBTOR OR PROPERTY OF LIQUIDATION DEBTOR OR ASSETS OR PROCEEDS HELD BY THE PLAN ADMINISTRATOR.

*2. Unclassified Priority Claims/Treatment under the Plan*

Priority Claims are certain types of Claims entitled to priority under the Bankruptcy Code. Certain types of Priority Claims are unclassified. Unclassified Priority

Claims are not entitled to vote because such claims are not placed in Classes and they are required to receive certain treatment specified by the Bankruptcy Code.

Unclassified Priority Claims include Priority Tax Claims. Priority Tax Claims are certain unsecured claims of governmental entities for taxes, based on income, employment and other taxes described by Bankruptcy Code § 507(a)(8). The Bankruptcy Code requires that each Holder of such a Section 507(a)(8) Priority Tax Claim receive the present value of such Claim in deferred Cash payments, over a period not exceeding five (5) years from the Petition Date.

A list of all of the Debtor's known Unclassified Priority Claims is set forth in the Disclosure Statement. Unclassified Priority Claims shall be treated as follows:

> Unless otherwise agreed by the Liquidation Debtor and Plan Administrator and the claimant, the Holder of the Allowed Unclassified Priority Claims shall receive the full amount of its Allowed Claim in Cash on the Effective Date or as soon as practical thereafter.

## V. TREATMENT OF CLASSIFIED CLAIMS AND INTERESTS

The treatment in the Plan is in full and complete satisfaction of all of the legal, contractual, and equitable rights that each Holder of an Allowed Claim or Interest may have in or against the Debtor. This treatment supersedes and replaces any agreements or rights those Holders have in or against the Debtor and the Assets. All Distributions under the Plan will be tendered to the entity holding the Allowed Claim.

> **NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE PLAN, NO DISTRIBUTION WILL BE MADE AND NO RIGHTS WILL BE RETAINED ON ACCOUNT OF ANY CLAIM THAT IS NOT AN ALLOWED CLAIM.**

### A. CLASS 1 – CLASSIFICATION AND TREATMENT OF SECURED TAX CLAIMS.

Class 1 consists of Allowed Secured Tax Claims. Each such Allowed Secured Claim shall be deemed and treated as a separate sub-class of Class 1 (e.g. Class 1A, 1B, 1C etc). Class 1 is unimpaired under the Plan. Each Holder of an Allowed Secured Tax Claim will be paid in respect of such Allowed Secured Tax Claim one of the following:

> **Alternative 1:** The full amount thereof, without post-petition interest or penalty, (less any and all amounts paid after the Petition Date and prior to the

Effective Date) in Cash, as soon as practicable after the later of (i) the Effective Date or (ii) ten (10) Business Days after the date on which such Secured Tax Claim becomes an Allowed Secured Tax Claim, or

**Alternative 2:** A lesser amount as agreed to by the Holder of an Allowed Secured Tax Claim and the Debtor (after reasonable consultation with the Committee) prior to the Effective Date, or, after the Effective Date, by the Holder of an Allowed Secured Tax Claim, and the Plan Administrator and Liquidation Debtor, or

**Alternative 3:** At the election of the Plan Administrator and Liquidation Debtor, in accordance with Bankruptcy Code § 1129(a)(9)(C), equal quarterly installments paid over a period ending no later than the fifth (5th) year anniversary of the Petition Date (and in such event, interest shall be paid on the unpaid portion of such Allowed Secured Tax Claims at a rate to be agreed to by the Plan Administrator, Liquidation Debtor and the appropriate Governmental Unit (or, if they are unable to agree, as determined by the Bankruptcy Court).

**Reservation of Defenses/Objections/Counterclaims and Other Rights**. Any defenses, objections, counterclaims, rights, rights of offset or recoupment of the Debtor or the Estate with respect to any Allowed Secured Tax Claim shall vest in and inure to the benefit of the Liquidation Debtor.

**Further Assurances**. The Holders of the Allowed Secured Tax Claims shall promptly execute and deliver any and all documents and take such other or further actions as are reasonably necessary, appropriate or requested by the Plan Administrator and/or Liquidation Debtor to effectuate the provisions of the Plan.

**B. CLASS 2 – CLASSIFICATION AND TREATMENT OF THE SECURED CLAIM OF RCS.**

Class 2 consists of the Allowed Secured Claim of RCS, the Holder of the first lien against the Ostin Property. Class 2 is unimpaired under the Plan, and the legal, equitable, and contractual rights of the Holder of the Allowed Class 2 Secured Claim is unaltered by the Plan. Except to the extent that the Holder of the Allowed Class 2 Secured Claim agrees to a less favorable treatment to such Holder, on the Effective Date, the Allowed Class 2 Secured Claim shall be treated as follows:

**Unimpaired Treatment.** The Holder of the Allowed Class 2 Secured Claim shall be treated in a manner such that the Allowed Class 2 Secured Claim shall

be rendered unimpaired on the later of the Effective Date and the date on which such Class 2 Secured Claim becomes an Allowed Claim or as soon as reasonably practicable thereafter have its Allowed Class 2 Secured Claim be reinstated in accordance with Bankruptcy Code § 1124, which treatment may include the assumption of such Allowed Class 2 Secured Claim by a purchaser of the Ostin Property, provided, however, that such assumption is permitted under the applicable loan documents.

**Payment in Full.** Upon sale of the Ostin Property, the Holder of the Allowed Class 2 Secured Claim shall receive Cash in an amount equal to such Allowed Class 2 Secured Claim as soon as practical following close of escrow for the sale of the Ostin Property.

**Retention of Lien Rights.** The lien to which the Holder of the Allowed Class 2 Secured Claim is entitled shall remain in place and unaltered by the Plan.

**Reservation of Defenses/Objections/Counterclaims and Other Rights**. Any defenses, objections, counterclaims, rights, rights of offset or recoupment of the Debtor or the Estate with respect to such Claim shall vest in and inure to the benefit of the Liquidation Debtor.

**Further Assurances**. The Holder of the Allowed Class 2 Secured Claim shall promptly execute and deliver any and all documents and take such other or further actions as are reasonably necessary, appropriate or requested by the Plan Administrator and/or Liquidation Debtor to effectuate the provisions of the Plan.

## C. CLASS 3 - CLASSIFICATION AND TREATMENT OF OTHER SECURED CLAIMS, INCLUDING AGAINST ANY REO'S (EXCLUDING THE SECURED CLAIM IN CLASS 1 AND 2).

Class 3 consists of all Other Secured Claims against any of the Assets, excluding those set forth in Classes 1 and 2. Each such Allowed Secured Claim shall be deemed and treated as a separate sub-class of Class 3 (e.g. Class 3A, 3B, 3C etc). Class 3 is unimpaired under the Plan.

Unless the Holder of an Allowed Class 3 Claim in a particular Class 3 subclass agrees to other treatment, on or as reasonably practical after the Effective Date, such Holder shall receive, at the Liquidation Debtor's option:

**Alternative 1:** Cash in the Allowed amount of such Holder's Allowed Class 3 Secured Claim;

**Alternative 2:** The return of the collateral securing such Allowed Class 3 Secured Claim; or,

**Alternative 3:** (a) The cure of any default, other than a default of the kind specified in Bankruptcy Code § 365(b)(2) that Bankruptcy Code § 1124(2) requires to be cured, with respect to such Holder's Allowed Class 3 Claim, without recognition of any default rate of interest or similar penalty or charge, and upon such cure, no default shall exist; (b) the reinstatement of the maturity of such Allowed Class 3 Claim as the maturity existed before any default, without recognition of any default rate of interest or similar penalty or charge; and, (c) its unaltered legal, equitable, and contractual rights with respect to such Allowed Class 3 Claim.

**Reservation of Defenses/Objections/Counterclaims and Other Rights**. Any defenses, objections, counterclaims, rights, rights of offset or recoupment of the Debtor or the Estate with respect to such Claim shall vest in and inure to the benefit of the Liquidation Debtor.

**Further Assurances**. Each Holder of an Allowed Class 3 Secured Claim shall promptly execute and deliver any and all documents and take such other or further actions as are reasonably necessary, appropriate or requested by the Plan Administrator and/or Liquidation Debtor to effectuate the provisions of the Plan.

**D. CLASS 4 - CLASSIFICATION AND TREATMENT OF EARLY CASH-OUT ELECTION CLASS.**

Class 4 is an Early Cash-Out Election Class created for any Holder of Allowed Commercial Paper Account Claim or Allowed General Unsecured Claim whose unpaid principal balance and accrued and unpaid interest as of the Petition Date is greater than $0 and less than or equal to $200,000 (or for which the Creditor elects, pursuant to the appropriate election on the Ballot for Class 4 or other written instrument submitted and satisfactory to the Debtor to reduce such Allowed Claim to $200,000), and who would rather accept a discounted payoff on the Effective Date, rather than accepting deferred payments and waiting for the orderly liquidation to be completed. The election to opt into the Early Cash-Out Election Class is available to any Holder of an Allowed Commercial Paper Account Claim and/or Allowed General Unsecured Claim whose unpaid principal balance and accrued and unpaid interest as of the Petition Date is in an amount that is greater than $0 and less than or equal to $200,000, and who voluntarily elects to opt into

Class 4 (in the manner and on the conditions set forth below) and be treated as a Holder of an Early Cash-Out Election Claim. In the absence of timely election and compliance with each of the conditions, the Holders of Allowed Commercial Paper Account Claims and/or Allowed General Unsecured Claims will automatically be treated in Classes 5, 6 and/or 7, as applicable.

In order for any Holder an Allowed Commercial Paper Account Claim or Allowed General Unsecured Claim to opt into Class 4 and receive the treatment provided in Class 4 (a) the portion of such Holder's Commercial Paper Account Claim or General Unsecured Claim representing the unpaid principal balance and accrued and unpaid interest as of the Petition Date must be Allowed in an amount that is greater than $0 and less than or equal to $200,000 (or reduced to $200,000); (b) each such Holder must voluntarily elect on the Ballot (or other written instrument submitted and satisfactory to the Debtor) to be treated as an Early Cash-Out Election Claim in Class 4; and, (c) each such Holder must execute and deliver to the Debtor prior to the Ballot Deadline (i) a Ballot accepting the Plan, and (ii) the Release.

Any Holder an Allowed Commercial Paper Account Claim or Allowed General Unsecured Claim qualifying and electing treatment in Class 4, in exchange for the treatment provided in Class 4, waives as of the Effective Date, any and all other Claims of any kind or nature, including, without limitation, those qualifying for treatment in Classes 5, 6 and/or 7, and also waives any further right to participate in, or receive, any further Distribution under, or in connection with, the Plan.

Any Holder of an Allowed Commercial Paper Account Claim or Allowed General Unsecured Claim that fails to timely comply with (a), (b) and (c)(i) and (c)(ii) above, will automatically have their Allowed Claims treated in Classes 5, 6 and/or 7, as applicable.

The Holders of Claims in this Class are impaired under the Plan and entitled to vote on the Plan. However, to qualify for treatment in Class 4, the Holder must vote to accept the Plan. In the event that any Holder rejects the Plan, such Holder will be deemed not to have made a timely election to opt into Class 4, and such Holder's Commercial Paper Account Claim or General Unsecured Claim (as applicable) will be treated in Classes 5, 6 and/or 7, as applicable.

Each Holder of an Allowed Early Cash-Out Election Claim that elects and qualifies for treatment in Class 4 will receive, as soon as practical after the later of (i) the Effective Date or (ii) ten (10) Business Days after the date on which such Claim is determined to qualify as an Allowed Early Cash-Out Election Claim, in full, final and

complete satisfaction of any and all of its Allowed Claims, including without limitation, its Allowed Claims in Classes 5, 6, and 7, one of the following Alternative Treatments at the election of the Debtor:

**Alternative 1:** If seventy percent (70%) of Effective Date Available Cash on hand as of the Effective Date is sufficient to permit the Plan Administrator to make the entire Early Cash-Out Election Claim Payment on the Effective Date, each Holder of an Allowed Early Cash-Out Election Claim will receive one Cash payment on the Effective Date in an amount that is equal to **thirty-five percent (35%)** of its Allowed Early Cash-Out Election Claim in full, final and complete satisfaction of any and all Claims of any kind or nature whatsoever, including, without limitation, its Allowed Commercial Paper Account Claims in Classes 5, 6, and/or 7 and/or Allowed General Unsecured Claims in Class 5, and such Holder will not be entitled to any future Distribution whatsoever under the Plan.

**Alternative 2:** Alternatively, in the event that seventy percent (70%) of the Effective Date Available Cash on hand as of the Effective Date is **not** sufficient to permit the Plan Administrator to make the entire Early Cash-Out Election Claim Payment on the Effective Date, each Holder of an Allowed Early Cash-Out Election Claim will receive the following:

(i) One payment on the Effective Date from seventy percent (70%) (or more in the discretion of the Plan Administrator) of Effective Date Available Cash, distributed Pro Rata among the other Holders of Allowed Early Cash-Out Election Claims electing treatment in this Class; and,

(ii) A second payment as soon as practicable after the Plan Administrator has accumulated sufficient Available Cash after the Effective Date to make a further Distribution in such amount so that the payment received by such Holder on the Effective Date under paragraph (i) above, and the additional payment received from seventy percent (70%) of Available Cash after the Effective Date under this paragraph (ii), are equal to an aggregate of **thirty-five percent (35%)** of each Holders Allowed Early Cash-Out Election Claim; plus, simple interest calculated at the rate of five percent (5%) per annum, on the unpaid difference between (x) the payment received by such Holder on the Effective Date under paragraph (i) above, and (y) thirty-five percent (35%) of each Holders Allowed Early Cash-Out Election Claim, which interest shall accrue commencing on a date which is the first Business Day of the first full month following the Effective Date

through the date which is five Business Days prior to the date on which the Plan Administrator delivers the second payment under paragraph (ii) (delivery effective upon mailing).

Pursuant to Alternative 2, once each Holder of the Allowed Early Cash-Out Election Claim receives payment under paragraphs (i) and (ii) in an amount that is equal to **thirty-five percent (35%)** of its Allowed Early Cash-Out Election Claim (plus any accrued interest under paragraph (ii)(y) above), such Distribution shall be in full, final and complete satisfaction of any and all Claims of any kind or nature whatsoever, including, without limitation, its Allowed Commercial Paper Account Claims in Classes 5, 6, and/or 7 and/or Allowed General Unsecured Claims in Class 5, and such Holder will not be entitled to any future Distribution whatsoever under the Plan

The Debtor shall file a Plan Supplement with the Bankruptcy Court on or before the Exhibit Filing Date, which shall specify the number of Early Cash-Out Election Claims and the amount of such claims electing to be treated in Class 4, and whether the Plan Administrator must adopt Alternative 1 or 2 treatment above. Such Plan Supplement shall be served on the Committee, UST and Holders of the Early Cash-Out Election Claims.

**E. CLASS 5 - CLASSIFICATION AND TREATMENT OF ALLOWED CLAIMS OF THE HOLDERS OF GENERAL UNSECURED CLAIMS AND COMMERCIAL PAPER ACCOUNT CLAIMS FOR UNPAID PRINCIPAL AND ACCRUED AND/OR UNPAID INTEREST THROUGH THE PETITION DATE, BUT EXCLUDING (A) INTEREST ACCRUED AFTER THE PETITION DATE, (B) PENALTIES, FEES, ATTORNEY'S FEES, COSTS, AND ANY OTHER CHARGES OR EXPENSES WHENEVER ACCRUED OR INCURRED, (C) ALLOWED CLAIMS WHICH TIMELY AND PROPERLY ELECT TREATMENT UNDER CLASS 4, AND (D) ANY CLAIMS THAT QUALIFY FOR TREATMENT IN CLASSES 1, 2, 3, 6 AND/OR 7.**

Class 5 consists of the Allowed Claims of the Holders of General Unsecured Claims and Commercial Paper Account Claims for principal and accrued and/or unpaid interest through the Petition Date (that do not elect to be treated in the Early Cash-Out Election Class in Class 4), excluding (a) interest accrued after the Petition Date, (b) penalties, fees, attorney's fees, costs, and any other charges or expenses whenever accrued or incurred, (c) Allowed Claims which timely and properly elect treatment under Class 4, and (d) , and (D) any Claims that qualify for treatment in Classes 1, 2, 3, 6 and/or 7.

The Holders of Claims in this Class are impaired under the Plan and entitled to vote on the Plan.

After the Effective Date, each Holder of an Allowed Class 5 Claim shall receive in full, final and complete satisfaction of its Allowed Claim, the following:

**Class 5 Deferred Plan Payment(s)**. After payment in full of the Early Cash-Out Election Claims in Class 4, the Plan Administrator shall distribute to the Holders of Allowed Claims in Class 5 quarterly payments of seventy percent (70%) of Available Cash (or more in his discretion), if any, on each January 5th, April 5th, July 5th and October 5th, (or the first Business Day thereafter), commencing on the first such date which is at least 90 days after payment in full of the Early Cash-Out Election Claims in Class 4, until such date as the Assets having been fully liquidated and administered by the Liquidation Debtor; each Class 5 Deferred Plan Payment shall be distributed to each Holder of an Allowed Claim in this Class and to the Disputed Claims Reserve (if required) on a Pro Rata basis (referred to individually as a "**Class 5 Deferred Plan Payment**", and referred to collectively as the "**Class 5 Deferred Plan Payments**").

**Class 5 Final Payment**. On a date to be determined by the Plan Administrator with the consent of the Oversight Committee, a Final Payment of (i) Available Cash (remaining after payment in full of the Early Cash-Out Election Claims in Class 4), (ii) proceeds of Rights of Action, if any, and (iii) the proceeds of the Plan Reserves ("**Class 5 Final Plan Payment**").

**Discount/Interest Rate from the Effective Date.** The applicable rate to be applied to the General Unsecured Claims and Commercial Paper Account Claims in Class 5 shall be simple interest calculated at the rate of 3.75% per annum from and after the Effective Date on the Allowed Commercial Paper Account Claims in Class 5. However, interest shall only be paid by the Disbursing Agent in the event and after all Allowed Commercial Paper Account Claims in Class 5 are paid in full.

**Reservation of Defenses/Objections/Counterclaims and Other Rights**. Any defenses, objections, counterclaims, rights, rights of offset or recoupment of the Debtor or the Estate with respect to such Claims shall vest in and inure to the benefit of the Liquidation Debtor.

**Further Assurances**. The Holders of the Allowed Class 5 Claims shall promptly execute and deliver any and all documents and take such other or further actions as are reasonably necessary, appropriate or requested by the Liquidation Debtor and/or Plan Administrator to effectuate the provisions of the Plan.

**Maximum Distribution**. In no event shall the aggregate Distributions to be made under the Plan to each Holder of a Class 5 Allowed Claim exceed such Holders Allowed Class 5 Claim (plus interest, if any, due pursuant to the Plan).

**F. CLASS 6 - CLASSIFICATION AND TREATMENT OF ALLOWED CLAIMS FOR PENALTIES, FEES, ATTORNEY'S FEES, COSTS, AND ANY OTHER CHARGES OR EXPENSES, INCLUDING, WITHOUT LIMITATION, THOSE HELD BY THE HOLDERS OF COMMERCIAL PAPER ACCOUNT CLAIMS (EXCLUDING ANY AND ALL CLAIMS THAT QUALIFY FOR TREATMENT IN CLASSES 1, 2, 3, 4, 5 AND/OR 7).**

Class 6 consists of the Allowed Claims (that are not Early Cash-Out Election Claims) for penalties, fees, attorney's fees, costs, and any other charges or expenses whenever accrued or incurred, including, without limitation, those held by the Holders of the Commercial Paper Account Claims.

The Holders of Claims in this Class are impaired, and entitled to vote on the Plan. No interest will accrue or be paid after the Effective Date on account of the Allowed Claims in this Class.

After the Effective Date, each Holder of an Allowed Class 6 Claim shall receive in full, final and complete satisfaction of its Allowed Claim:

> A Pro Rata distribution of the balance, if any, of Available Cash, proceeds of Rights of Action, if any, and the proceeds of the Plan Reserves remaining after payment in full all of the following: (a) Plan Operating Expenses and Liquidation Expenses, (b) Administrative Expenses (including, without limitation, Professional Fees, accrued and/or billed before or after the Effective Date), (c) Priority Claims, (d) Allowed Claims in Classes 1, 2, 3, 4, and 5, and (e) any and all other claims, expenses, costs or charges of any kind or nature incurred by the Liquidation Debtor or Plan Administrator before or after the Effective Date, or in connection with, or related to, the liquidation of the Assets, administration of the Case, administration of, consummation of, or Distribution under, the Plan, the closing of the Case, or the dissolution of the Liquidation Debtor.

**G. CLASS 7 - CLASSIFICATION AND TREATMENT OF ALLOWED CLAIMS OF THE HOLDERS OF COMMERCIAL PAPER ACCOUNT CLAIMS FOR INTEREST ACCRUED OR OWING AFTER THE PETITION DATE AND PRIOR TO THE EFFECTIVE DATE (EXCLUDING ANY AND ALL CLAIMS THAT QUALIFY FOR, OR ELECT, TREATMENT IN CLASSES 1, 2, 3, 4, 5 AND/OR 6.**

Class 7 consists of Allowed Claims of the Holders of Commercial Paper Account Claims for interest accrued or owing after the Petition Date and prior to the Effective Date to the Holders (that are not Early Cash-Out Election Claims), excluding, any and all Claims that qualify for treatment in Classes 1, 2, 3, 4, 5 and 6.

The Holders of Claims in this Class are impaired and entitled to vote on the Plan. No interest will accrue or be paid after the Effective Date on account of the Claims in this Class.

After the Effective Date, each Holder of an Allowed Class 7 Claim shall receive in full, final and complete satisfaction of its Allowed Claim:

> A Pro Rata distribution of the balance, if any, of Available Cash, proceeds of Rights of Action, if any, and the proceeds of the Plan Reserves remaining after payment in full all of the following: (a) Plan Operating Expenses and Liquidation Expenses, (b) Administrative Expenses (including, without limitation, Professional Fees, accrued and/or billed before or after the Effective Date), (c) Priority Claims, (d) Allowed Claims in Classes 1, 2, 3, 4, 5 and 6, and (e) any and all other claims, expenses, costs or charges of any kind or nature incurred by the Liquidation Debtor or Plan Administrator before or after the Effective Date, or in connection with, or related to, the liquidation of the Assets, administration of the Case, administration of, consummation of, or Distribution under, the Plan, the closing of the Case, or the dissolution of the Liquidation Debtor.

## H. CLASS 8 - CLASSIFICATION AND TREATMENT OF THE HOLDERS OF ALLOWED EQUITY INTEREST

Class 8 consists of the Holders of the Allowed Equity Interests in the Debtor. Each such Interest for purposes of voting and distribution shall be deemed to be a separate subclass (e.g., Class 8A, Class 8B, Class 8C, etc.). The Holders of Interests in this Class (and in each subclass created hereunder) shall retain such Interests pending dissolution of Bay Area subject to the terms and conditions of the Plan (including, without limitation, the provisions of Section VI.G), but shall receive no Distribution under the Plan on account of such Interests. Without limiting the generality of the foregoing, the Interest Holders shall not vote their shares after the Effective Date in any manner that would directly or indirectly modify, amend or alter the terms of the Plan.

# VI. MEANS OF EFFECTUATING THE PLAN

## A. SOURCES OF DISTRIBUTION

*1. The source of all Distributions and payments under the Plan will as follows:*

a. Available Cash

The Plan Administrator shall receive and collect all Available Cash as of the Effective Date after payment in full of (a) Plan Operating Expenses and Liquidation Expenses, (b) Administrative Expenses (including, without limitation, Professional Fee Claims), and, (c) Priority Claims.

b. Net Sale Proceeds of the Real Estate Assets

On the Effective Date and after the Effective Date, the Real Estate Assets which have not been sold prior to the Effective Date shall be marketed for sale by the Liquidation Debtor in accordance with the terms of the Plan, and the Net Sale Proceeds of the Real Estate Assets shall be delivered to the Liquidation Debtor to be distributed in accordance with the terms of the Plan.

c. Plan Reserves

The Plan Administrator shall maintain Plan Reserves, including (a) the Post-Effective Date Plan Expense Reserve, (b) the Administrative Claim Reserve (including, without limitation, reserves for Professional Fee Claims), (c) the Indemnification Reserve, (d) separate reserves for payment of Disputed Administrative Claims, Allowed General Unsecured Claims and Disputed General Unsecured Claims, and (e) such other reserves as may be determined to be appropriate or desirable by the Plan Administrator after reasonable consultation with the Oversight Committee. Each Plan Reserve shall be in an amount (as of the Effective Date) no less than that scheduled for it in the Reserve Notice to be served no later than sixty (60) days after the Effective Date, and such amount(s) can be reduced, increased and/or replenished from time to time after the Effective Date as determined by the Plan Administrator and the Liquidation Debtor in their discretion.

## B. MANAGEMENT OF THE LIQUIDATION DEBTOR.

On and after the Effective Date, subject to the powers and duties of the Plan Administrator, the Oversight Committee shall manage the affairs and liquidation of the

Liquidation Debtor. On and after the Effective Date, the Oversight Committee shall exercise the powers and duties of the board of directors of the Liquidation Debtor, subject to, as limited by, and to extent not inconsistent with, the terms of the Plan and the limitations provided in the Plan.

On the Effective Date, a Plan Administrator shall be appointed. On and after the Effective Date, the Plan Administer shall act as liquidating agent, and may take any actions and execute any documents on behalf of, and in the name of, the Liquidation Debtor (as more specifically set forth below), subject to the powers and duties of the Oversight Committee, subject to, as limited by, and to extent not inconsistent with, the terms of the Plan.

**C. THE OVERSIGHT COMMITTEE.**

On the Effective Date, the Oversight Committee will be established pursuant to the terms of the Plan. On and after the Effective Date, the Oversight Committee will manage the Liquidation Debtor, after reasonable consultation with, and advice from, the Plan Administrator as set forth in the Plan or as the Plan Administrator may request from time to time after the Effective Date. However, the Oversight Committee's right, power, standing and authority to manage the Liquidation Debtor, cause the Liquidation Debtor to take actions and to direct the Plan Administrator are limited by the Plan and by the terms of Plan, including, without limitation, being subject to Section VI.E of the Plan respecting the limitation on its right, power, standing or authority to modify, alter and/or amend the Plan or any of its terms.

On and after the Effective Date, the Oversight Committee shall consist of three members. On and after the Effective Date, the initial three members appointed to the Oversight Committee shall be as follows: (a) Fiorentino; (b) Prause; and (c) Lombardo (or, should he decline to accept, one member selected by the Debtor, in its sole and absolute discretion).

Each member of the Oversight Committee shall have one vote. However, nothing in the Plan or in any document or instrument created pursuant to the Plan shall prohibit any member of the Oversight Committee from providing a proxy for such member's vote on Oversight Committee matters to any other member of the Oversight Committee.

Approval of a majority of the members of such Oversight Committee shall be required for the Oversight Committee to act and shall bind all members as well as the Liquidation Debtor, *except* for removal of the Plan Administrator (which requires

unanimous vote, or Court approval for cause shown after majority vote) or as otherwise specified in the Plan.

The identities of the final three members of the Oversight Committee (including the member selected by the Debtor) shall be set forth in the Effective Date Notice filed with the Bankruptcy Court within five (5) Business Days after the Effective Date, and, thereafter, supplemented within five (5) Business Days after any change in its membership.

After the Effective Date, the Oversight Committee is prohibited from expanding the number of its members. In the event that one of the two members of the Oversight Committee originally selected by the Committee resigns after the Effective Date, the remaining Oversight Committee member originally selected by the Committee shall select a successor to serve in the place of the resigning member. In the event that the member of the Oversight Committee originally selected by the Debtor resigns after the Effective Date, the Plan Administrator shall select a successor to serve in the place of the resigning member originally selected by the Debtor.

Neither the Plan Administrator nor any successor Plan Administrator may be appointed as member of the Oversight Committee to fill any vacancy.

The Oversight Committee shall have the right to remove the Plan Administrator and any successor Plan Administrator only in the manner expressly set forth in Section VI.D.4 of the Plan.

The Oversight Committee may adopt by-laws with respect to its operation so long as such by-laws are consistent with the terms of the Plan and the Confirmation Order.

Except for reimbursement of reasonable expenses and indemnification, the members of the Oversight Committee shall receive no other compensation or other payment for the performance of their duties hereunder.

The duties, responsibilities and powers of the Oversight Committee shall terminate after all Assets have been liquidated, abandoned, distributed or otherwise disposed of, and after the Liquidation Debtor seeks and obtains an order for a final decree in the Case.

*1. Limitation on the Liability of the Members of the Oversight Committee*

Except as provided below, the members of the Oversight Committee shall not be personally liable for any Claim asserted against the Debtor whatsoever. The members of

the Oversight Committee shall neither have, nor incur, any liability to any person or entity for any post-petition act taken or omitted to be taken in connection with, or related to, the Plan, including, without limitation, implementing, effecting or consummating the Plan, the marketing or sale of any Assets or Real Estate Assets, the collection or failure to collect any loan or note or foreclose on any collateral in the Remaining Loan Portfolio, the decision to sell or not sell to a potential buyer, any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or the sale of any Assets, Real Estate Assets or REOs, the compromise or failure to compromise any loan, note or claim against any borrower respecting the Remaining Loan Portfolio, the failure to assert or notify of any claim which may be covered by an applicable insurance policy, or any other post-petition act taken or omitted to be taken in connection with or in contemplation of the administration of the Liquidation Debtor, liquidation of any of its Assets, or for any act taken or omitted to be taken as members of the Oversight Committee or in connection with the liquidation or Distribution under the Plan; *provided* that the foregoing shall have no effect on the liability of any of the members of the Oversight Committee that results from any such act or omission that is determined in a Final Order to have constituted gross negligence, willful misconduct, fraud, breach of fiduciary duty or intentional misrepresentation; and, *provided, further*, that the members of the Oversight Committee shall be entitled to rely upon the advice of counsel concerning his, her, or its duties pursuant to, or in connection with, the Plan any of the foregoing or any other related document, instrument, or agreement.

## D. THE PLAN ADMINISTRATOR

### *1. Appointment of the Plan Administrator*

On the Effective Date, a Plan Administrator shall be appointed. On the Effective Date, Biggs shall be appointed as the Plan Administrator. The Plan Administrator may, in his, her or its discretion, obtain a bond in an amount equal to the reasonable value of the Assets to be liquidated under the Plan or other insurance, as determined by the Plan Administrator in his, her or its discretion, after reasonable consultation with the Oversight Committee. The Plan Administrator may pay for such bond or insurance as a Plan Operating Expense from the Asset, the proceeds thereof or any other Cash held by the Liquidation Debtor or Disbursing Agent.

As of the Effective Date, the Plan Administrator shall assist in the administration of the liquidation, and in such capacity, may exercise rights, power and authority consistent with the Plan and applicable laws. The Plan Administrator shall serve in such capacity through the later of the date that Bay Area is dissolved in accordance with the Plan or the date of the last Distribution to Allowed Claims under the Plan, unless such Plan

Administrator resigns, is terminated or otherwise unable to serve; *provided, however*, that any successor Plan Administrator appointed pursuant to the Plan shall serve in such capacity after the effective date of such person's appointment as Plan Administrator.

2. *Powers and Authority of Plan Administrator*

On or after the Effective Date, subject to the power and authority of the Oversight Committee as set forth in the Plan, the powers and authority of the Plan Administrator shall include, but not be limited to, advising, assisting, taking any action, filing or causing to be filed any proceeding, instituting and prosecuting any litigation, executing any document, entering into any compromise or settlement, or taking any such other actions consistent with the Plan, all in the name of the Liquidation Debtor, in connection with, consist with, or related to, (i) the Plan, (ii) liquidation and sale of the Assets, (iii) collection of loans and notes in the Remaining Loan Portfolio and the enforcement of the Liquidation Debtor's rights in respect thereof (including, without limitation, foreclosing on any collateral for such loans), (iv) determination, allowability, classification or priority of any Claims, (v) the extent, validity and priority of any lien, (vi) construing, administering or enforcing the terms of the Plan, the Confirmation Order and any other order of the Court, (vii) implementation, execution, performance, and consummation of the Plan and the Confirmation Order, and all matters referred to in the Plan and the Confirmation Order, (viii) the opening or closing of any account which the Plan Administrator determines is reasonable, necessary or required under the Plan, and making any withdrawals or deposits in connection therewith, (ix) reviewing, approving or opposing any and all applications or requests for compensation and reimbursement of expenses of any Professionals, which are submitted or brought after the Effective Date (regardless of the date of such services), (x) filing, prosecuting, compromising or settling Rights of Action or other litigation reserved under the Plan, (xi) any applications, motions, adversary proceedings, contested matters and any other litigated matters instituted before, on or after the Effective Date, including, without limitation, any and all claims, causes of action, setoffs, recoupments and the determination of any other rights; (xii) modifying the Plan under Bankruptcy Code § 1127 in order to remedy any apparent defect or omission in the Plan, or to reconcile any inconsistency in the Plan so as to carry out its intent and purpose, or implement any settlement reached (which shall be within the Plan Administrators, sole and exclusive power, right and authority), (xiii) seeking any injunctions, judgment or orders or taking such other actions as may be necessary or appropriate to restrain interference with the Plan or the Confirmation Order, (xiv) to aid of consummation of the Plan or the Confirmation Order, (xv) the sale, collection, transfer or disposition of any of the Assets and Real Estate Assets and all related transactions, (xvi) administration of the Case and the Plan, including, without limitation, retaining, hiring, terminating any employee or staff, (xvii) preparing,

executing and filing of any tax return, and (xviii) closing of the Case and dissolution of the Liquidation Debtor, including, without limitation, obtaining a final decree.

On and after the Effective Date, the Plan Administrator shall be authorized and empowered to execute, do and perform, in the name and on behalf of the Liquidation Debtor, such acts and to prepare, execute, acknowledge, verify, file, deliver and cause to be published such certificates, agreements, notices, reports, applications, declarations, instruments and documents, under the corporate seal of Bay Area as Liquidation Debtor or otherwise, as the Plan Administrator may deem necessary, appropriate or desirable in his, her or its discretion, to carry into effect the decisions of the Liquidation Debtor, the terms and provisions of the Plan, the directions of the Oversight Committee and/or in connection with any of the matters set forth above or in the Plan. The Plan Administrator's performance of any such actions and execution and delivery of any such documents shall constitute conclusive evidence of such authority and determination.

Without limiting the generality of the foregoing, on and after the Effective Date, the Plan Administrator is authorized and empowered to execute, do and perform, in the name and on behalf of the Liquidation Debtor, such acts and to prepare, execute, acknowledge, verify, file, deliver and cause to be published any and all certificates, agreements, notices, notice of default, trustees' sale notices, reports, applications, declarations, instruments, notes, deeds, reconveyances, transfer documents, sale agreements, and any and all other documents of any kind or nature on behalf of, and in the name of, the Liquidation Debtor, including, without limitation, those reasonable, necessary, required, requested or appropriate in order to (i) sell, operate, convey, transfer, hypothecate, assign, alienate, dispose of, take possession of, and/or abandon any of the Assets, Real Estate Assets and/or REOs, (ii) collect or enforce the Liquidation Debtor's rights respecting, or in connection with, any loans, (iii) foreclose and take possession of on any Assets, Real Estate Assets and/or REOs, (iv) file, prosecute, enforce or collect any Claims and/or Rights of Action, (v) carry-out the terms and intent of the Plan and/or directions of the Oversight Committee, and (vi) administer the Plan and the Case. The Plan Administrator's performance of any such actions and execution and delivery of any such documents shall constitute conclusive evidence of such authority and determination.

In the discretion of the Liquidation Debtor and the Plan Administrator, the powers and duties of the Plan Administrator may be further delineated, refined and expanded upon in the Liquidation Agreement or by majority vote of the Oversight Committee; but may not be limited in any way.

*3. Expenses of the Liquidation Debtor and/or Plan Administrator*

The Plan Administrator and the Liquidation Debtor may pay all Administrative Expenses. Plan Operating Expenses and/or Liquidation Expenses arising under, in connection with, related to, or necessary for implementation, execution, performance, and consummation of the Plan and the Confirmation Order, the sale, transfer, disposition, distribution or administration of any Assets, and all matters referred to in the Plan and the Confirmation Order. Without limiting the generality of the foregoing or the general definition of Plan Operating Expenses, Plan Operating Expenses shall include, but not limited to, any and all operating or other expenses of any kind or nature incurred by the Plan Administrator and/or the Liquidation Debtor, including, without limitation, his, hers or its fees and expenses, rent, operating expenses, offices expenses, salaries and any and all other expenses incurred in the ordinary course of the liquidation.

Without limiting the generality of the foregoing, the Plan Administrator will receive in connection with its duties under the Plan compensation at its then prevailing hourly rates, and reimbursement of fees and expenses incurred by it. The Plan Administrator shall be entitled to reimbursement for actual out-of-pocket expenses incurred by the Plan Administrator.

To the extent there are sufficient available funds, the Plan Administrator shall include in the reserve created for Post-Effective Date Plan Expenses reasonably sufficient monies to cover the foreseeable compensation and expenses of the Plan Administrator incurred, or to be incurred, after the Effective Date.

*4. Removal of the Plan Administrator*

The Plan Administrator, including any successor Plan Administrator, may be removed as the Plan Administrator only in the following manner: (a) by affirmative unanimous vote of all of the three members of the Oversight Committee, or (b) by majority vote of two members of the Oversight Committee and following entry of a Final Order of the Court, upon good cause shown by clear and convincing evidence, resulting from an evidentiary hearing held on properly noticed motion filed on behalf of the Oversight Committee, with opportunity for objection, after providing at least thirty (30) days written notice to the Plan Administrator, the dissenting member of the Oversight Committee, the twenty largest Holders of Allowed Commercial Paper Account Claims, CMKF, SHB and the UST, each of which shall have standing to object.

*5. Successor Plan Administrator*

In the event that the Plan Administrator is removed, resigns or otherwise ceases to serve as the Plan Administrator, the Liquidation Debtor shall select a successor Plan Administrator within thirty (30) Business Days of such resignation or cessation of service by the incumbent Plan Administrator. Any successor Plan Administrator shall be subject to the same general qualifications and shall have the same rights, powers, duties and discretion, and otherwise be in the same position, as the originally named Plan Administrator. Any successor Plan Administrator may not be a past or current member of the Oversight Committee.

If the Plan Administrator ceases to act as Plan Administrator for any reason whatsoever, such Plan Administrator shall turn over to any successor Plan Administrator, upon written request, any and all Assets, property and record, within twenty (20) days of the receipt of such written request. References herein to the Plan Administrator shall be deemed to refer to the successor Plan Administrator acting hereunder.

*6. Records*

The Plan Administrator shall maintain good and sufficient books and records of account relating to the liquidation of the Assets; Available Cash and the management thereof; all post-Effective Date transactions undertaken and transfers made by the Plan Administrator; all expenses incurred by the Plan Administrator in connection with the implementation of the Plan after the Effective Date; and all distributions contemplated or effectuated under the Plan. Upon final disposition of the Assets and final distribution of Available Cash pursuant to the Plan, the Plan Administrator may destroy or otherwise dispose of all records maintained by it. Notwithstanding anything to the contrary, the Plan Administrator may destroy any documents that it reasonably believes are no longer required to effectuate the terms and conditions of the Plan.

*7. Liability of the Plan Administrator*

The Plan Administrator and its Related Parties shall not be personally liable for any Claim asserted against the Debtor whatsoever. The Plan Administrator shall neither have, nor incur, any liability to any person or entity for any post-petition act taken or omitted to be taken in connection with, or related to, the Plan, including, without limitation, implementing, effecting or consummating the Plan, the marketing or sale of any Assets or Real Estate Assets, the collection or failure to collect any loan or note or foreclose on any collateral in the Remaining Loan Portfolio, the decision to sell or not sell to a potential buyer, any contract, instrument, release or other agreement or document created or entered

into in connection with the Plan or the sale of any Assets, Real Estate Assets or REOs, the compromise or failure to compromise any loan, note or claim against any borrower respecting the Remaining Loan Portfolio, the failure to assert or notify of any claim which may be covered by an applicable insurance policy, or any other post-petition act taken or omitted to be taken in connection with or in contemplation of the administration of the Liquidation Debtor, liquidation of any of its Assets, or for any act taken or omitted to be taken as Plan Administrator or in connection with the liquidation or Distribution under the Plan; *provided* that the foregoing shall have no effect on the liability of any of the Plan Administrator that results from any such act or omission that is determined in a Final Order to have constituted gross negligence, willful misconduct, fraud, breach of fiduciary duty or intentional misrepresentation; and, *provided, further*, that the Plan Administrator shall be entitled to rely upon the advice of counsel concerning his, her, or its duties pursuant to, or in connection with, the Plan any of the foregoing or any other related document, instrument, or agreement.

**E. LIMITATIONS ON THE RIGHTS OF THE OVERSIGHT COMMITTEE.**

Notwithstanding anything in the Plan express or implied to the contrary, the Oversight Committee does not have the right, power, standing or authority, whether directly or indirectly, to take any action, take any vote, seek, conspire, direct or cause, the Liquidation Debtor, the Oversight Committee, the Plan Administrator or any other person or entity, to alter, amend, supplement, or modify under Bankruptcy Code § 1127, the Plan or any of its terms. The Oversight Committee does not have the right, power, standing and/or authority, whether directly or indirectly, to take any action, vote, seek, conspire, direct or cause the Liquidation Debtor, the Oversight Committee, the Plan Administrator or any other person or entity to take any action or file any proceeding, pleading or document inconsistent with the terms of the Plan.

The Plan Administrator, in his sole and absolute discretion, shall have the sole and exclusive right, power, standing and authority to seek a modification of the Plan under Bankruptcy Code § 1127, or an order to alter, amend or supplement the Plan, or to resolve or remedy any apparent defect or omission in the Plan, or to reconcile any inconsistency. The foregoing right, power, standing and authority of the Plan Administrator may not be revoked for any reason. Furthermore, the Oversight Committee does not have the right, power, standing or authority, whether directly or indirectly, to take any action, take any vote, seek, conspire, direct or cause, the Liquidation Debtor, the Oversight Committee, the Plan Administrator or any other person or entity, to revoke, limit, modify or alter the exclusive right of the Plan Administrator in this regard. (The sole and exclusive remedy of the Oversight Committee in this regard is to seek removal of the Plan Administrator in accordance with Section VI.D.4 of the Plan.)

Notwithstanding the foregoing limitation on the right and power of the Oversight Committee to modify the Plan, after unanimous vote by the Oversight Committee, the Oversight Committee may make demand on the Plan Administrator to modify the Plan at any time after the Effective Date consistent with applicable Bankruptcy Law, including, without limitation, the provisions of Bankruptcy Code § 1127. In the event that the Plan Administrator fails or refuses to file such modification after unanimous vote of the Oversight Committee, the Oversight Committee may file a motion with the Court on at least twenty-four (24) days' notice to compel the Plan Administrator to modify the Plan. In such event, the Plan Administrator may, in his absolute and sole discretion, retain independent counsel at the expense of the Liquidation Debtor to represent him in opposing such motion. Upon entry of a Final Order of the Court granting the motion of the Oversight Committee, the Plan Administrator shall promptly file and serve the proposed modification in manner consistent with applicable Bankruptcy law.

On the Effective Date, the corporate bylaws of Bay Area shall be deemed amended and modified consistent with the Plan, including, without limitation, Sections VI. C, D and E of the Plan.

**F. TERMINATION/RESIGNATION OF CURRENT MANAGEMENT.**

On the Effective Date, Kenneth J. Pingree Jr. shall resign as president and chief executive officer of the Liquidation Debtor; Lombardo shall resign as secretary; and, Patricia Pingree shall resign as assistant secretary of the Debtor. The Plan Administrator shall assume the powers and duties previously exercised by the president, subject to the powers and duties of the Oversight Committee as set forth in the Plan.

On and after the Effective Date, the Oversight Committee shall exercise the powers and duties of the board of directors of the Liquidation Debtor, subject to, as limited by, and to extent not inconsistent with, the terms of the Plan. On and after the Effective Date, the Plan Administrator shall serve exercise the powers and duties of the president of the Liquidation Debtor, subject to, as limited by, and to extent not inconsistent with, the terms of the Plan.

**G. ULTIMATE DISSOLUTION OF BAY AREA**

Once the Liquidation Debtor has sold the Assets and Real Estate Assets, the Plan Administrator has fully performed its duties and made all Distributions under the Plan, Bay Area may be dissolved for all purposes, without the necessity for any other or further actions to be taken by or on its behalf or payments to be made in connection therewith; *provided, however*, without the need of any further approval, the Plan Administrator may

execute and file documents and take all other actions deemed appropriate relating to the dissolution of Bay Area under applicable state laws, and in such event, all applicable regulatory or governmental agencies shall take all steps necessary to allow and effect the prompt dissolution of Bay Area as provided herein, without the payment of any fee, tax, or charge and without need for the filing of reports or certificates.

## H. PHYSICAL LOCATION OF THE LIQUIDATION DEBTOR ON AND AFTER THE EFFECTIVE DATE.

On and after the Effective Date until the current termination date pursuant to the Suite 350 Lease, the Liquidation Debtor shall continue to conduct its day to day operations/liquidation from the Bay Area Financial corporate headquarters, located at 12400 Wilshire Blvd, Suite 350, Los Angeles, California 90025. Upon termination of the Suite 350 Lease in or about October 2014, such Suite 350 Lease shall not be renewed by the Liquidation Debtor (unless instructed otherwise by the Oversight Committee pursuant to majority vote). Upon termination of the Suite 350 Lease, the Liquidation Debtor may relocate to 3250 Ocean Park Blvd., Suite 350, Santa Monica, California 90405 until such time as the Plan Administrator resigns, is removed in accordance with the Plan or otherwise decides not to offer space to the Liquidation Debtor (as determined in the Plan Administrator's sole and absolute discretion). In the event the Liquidation Debtor must again relocate for any reason, the Plan Administrator shall select a suitable location with the approval of the Oversight Committee.

## I. TERMINATION OF SERVICES OF THE DEBTOR'S EMPLOYEES.

On the Effective Date, if still employed by the Debtor as of the Effective Date, the Debtor shall provide employee, Elsa Raigoza, thirty (30) days written notice of termination of her employment effective on the 31st day following the Effective Date. On the Effective Date, if still employed by the Debtor as of the Effective Date, the Debtor shall provide employee, Kimberly Wizer, thirty (30) days written notice of termination of her employment effective on the 31st day following the Effective Date.

On and after the Effective Date, the Plan Administrator may elect to cause the Liquidation Debtor to hire an employee selected by the Plan Administrator on reasonable terms, at the expense of the Liquidation Debtor for a period of one year following the Effective Date. Thereafter, the Plan Administrator may, in his, hers or its discretion, continue to employee such employee selected by the Plan Administrator, until the Oversight Committee votes to direct the Plan Administrator to terminate such employee after reasonable consultation with the Plan Administrator and after giving reasonable deference to his, her or its view.

## J. TERMINATION OF DUTIES/CLOSING OF THE CASE

The duties, responsibilities and powers of the Plan Administrator, Liquidation Debtor. the Oversight Committee and Disbursing Agent shall terminate after all Assets have been liquidated, abandoned, distributed or otherwise disposed of, and after the final Distribution under the Plan as determined in the Plan Administrators absolute and sole discretion, with the consent of the Oversight Committee.

Notwithstanding any other provision herein, the Liquidation Debtor may move to close the Case at any time after the Effective Date, even if any Assets remain to be liquidated, funds remain to be distributed or Plan Reserve(s) remain on deposit.

## K. TREATMENT OF DISPUTED CLAIMS

On and after the Effective Date, the Liquidation Debtor shall have the right to take actions to pursue any and all disputes respecting any and all Claims asserted against the Debtor with respect to which the liability is disputed in whole or in part. All disputes may be litigated to Final Order; provided, however, that the Liquidation Debtor may compromise and settle any disputes respecting Claims. At such time as a Disputed Claim is resolved by Final Order and is Allowed or is settled by the Liquidation Debtor, the Holder thereof will receive, as soon as practicable thereafter, the distributions to which such Holder is then entitled under the Plan.

## L. DISTRIBUTION OF PROPERTY UNDER THE PLAN

### *1. Manner of Cash Payments*

Payments to domestic Holders of Allowed Claims will be denominated in U.S. dollars and will be made by checks drawn on a domestic bank selected by the Plan Administrator or, at the Plan Administrator's option, by wire transfer from a domestic bank. Payments to foreign Holders of Allowed Claims, if any, may be paid, at the Plan Administrator's option, either in the same manner as payments to domestic entities or in any funds and by any means that are necessary or customary in the particular foreign jurisdiction, but in accordance with all financial reporting, payment and tax withholding laws and regulations of Federal and State jurisdictions under which payments fall.

### *2. Setoff and Recoupment*

Notwithstanding anything to the contrary in the Plan, the Liquidation Debtor may setoff, recoup, or withhold against the distributions to be made on account of any Allowed

Claim, any Claims that the Debtor may have against the entity holding a Claim. The Liquidation Debtor will not waive or release any Claim against those entities by failing to effect such setoff or recoupment; by allowing any Claim against the Debtor; or by making a distribution on account of an Allowed Claim.

*3. No De Minimis Distributions*

Notwithstanding anything to the contrary in the Plan, no Cash payment of less than $50 will be made to any Holder of an Allowed Claim. No consideration will be provided in lieu of the *de minimis* distributions that are not made under this Section. Allowed Claims that are entitled to a Pro Rata distribution of less than $50 shall continue to accrue until such time as the Pro Rata distribution on account of such Allowed Claim will be $50 or more.

*4. No Distributions With Respect to Disputed Claims*

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 becomes an Allowed Claim or is deemed to be an Allowed Claim for Distribution purposes.

*5. Undeliverable, Unclaimed Non-Negotiated Distributions*

Distributions to Holders of Allowed Claims will initially be made by mail to the address, if any, set forth on the books and records of the Debtor as amended by any written notice of address change received by the Plan Administrator no later than ten (10) Business Days prior to the date of any Distribution.

If no address is available through any of the foregoing means, the Distribution will be deemed to be undeliverable. If a Distribution is returned to the Plan Administrator as an undeliverable Distribution or is deemed to be an undeliverable Distribution, the Plan Administrator shall make no further Distribution to the entity holding the Claim on which the Distribution is being made unless and until the Plan Administrator is timely notified in writing of that entity's current address. Subject to the following paragraph, until they become deliverable, the Plan Administrator will create one or more reserves for undeliverable Distributions for the benefit of the entities entitled to the Distributions. These entities will not be entitled to any interest on account of the undeliverable Distributions.

Any Holder of an Allowed Claim that is otherwise entitled to an undeliverable Distribution and that does not, within ninety (90) days after a Distribution is returned to

the Plan Administrator as undeliverable, or is deemed to be an undeliverable Distribution, provide the Plan Administrator with a written notice asserting his, her or its claim to that undeliverable Distribution and setting forth a current, deliverable address, will be deemed to waive any claim to such undeliverable Distribution and will be forever barred from receiving such undeliverable Distribution or asserting any Claim against the Debtor, Liquidation Debtor, Plan Administrator and/or the Exculpated Parties. Any undeliverable Distributions that are not claimed under this Section will become Available Cash. Nothing in the Plan requires the Plan Administrator, the Liquidation Debtor or the Oversight Committee to attempt to locate any entity holding an Allowed Claim and whose Distribution is undeliverable.

If an instrument delivered as a Distribution to a Holder of an Allowed Claim is not negotiated within one hundred and twenty (120) days after such instrument was sent to the Holder of the Allowed Claim, then the instrument shall be null and void, the Holder of an Allowed Claim shall be deemed to have waived such Distribution, and it shall become Available Cash.

**M. EXECUTORY CONTRACTS AND UNEXPIRED LEASES.**

The Debtor will assume certain executory contracts and unexpired leases. A specific list of all executory contracts and/or unexpired leases to be assumed by the Debtor under the Plan ("**Assumed Contract Schedule**") will be filed with the Court and served on the other party to such contract or lease by the Exhibit Filing Date.

On the Effective Date, each of the unexpired leases and executory contracts listed on the Assumed Contract Schedule shall be assumed as obligations of the Liquidation Debtor. The Confirmation Order shall constitute an order approving the assumption of each lease and contract to be identified on the Assumed Contract Schedule. If a party to a lease or contract to be assumed objects to the assumption of his, her or its lease or contract, such party must file and serve his, her or its objection to the proposed assumption of his, her or its lease or contract within the deadline for objecting to the Confirmation of the Plan.

In addition, to the extent not already assumed by Final Order prior to the Effective Date, the Suite 350 Lease is hereby assumed under the Plan as of the Effective Date through the current expiration date.

The Debtor will reject certain pre-petition leases and executory contracts of Debtor. A specific list of all executory contracts and/or unexpired leases to be rejected by the Debtor under the Plan ("**Rejection Schedule**") will be filed with the Court and served on the other party to such contract or lease by the Exhibit Filing Date.

In addition, all executory contracts and unexpired leases that have not been specifically assumed will be deemed rejected on the Effective Date, despite not being included on the Rejection Schedule. The Confirmation Order shall constitute an order approving the rejection of the lease or contracts not specifically assumed.

**THE BAR DATE FOR FILING A POC BASED ON A CLAIM ARISING FROM THE REJECTION OF A LEASE OR CONTRACT IS THIRTY (30) DAYS AFTER THE ENTRY OF AN ORDER CONFIRMING THE PLAN.**

Any claim based on the rejection of a contract or lease will be barred if the POC is not timely filed, unless the Court later orders otherwise.

### N. REGULATORY APPROVAL NOT REQUIRED.

The Debtor is not subject to governmental regulatory commission approval of its rates.

## VII. LITIGATION

On the Effective Date, the Liquidation Debtor shall retain, and may exclusively enforce, any and all such claims, rights or Rights of Action, whether arising before or after the Effective Date, in any court or other tribunal. The Liquidation Debtor shall have the exclusive right, authority, and discretion to institute, prosecute, abandon, settle, or compromise any and all such claims, rights and Rights of Action, after reasonable consultation with the Plan Administrator.

On and after the Effective Date, with respect to any matter affecting any Assets, the Liquidation Debtor may take such actions in the name of Bay Area.

Unless a claim or Right of Action against a person or entity is expressly waived, relinquished, released, compromised, or settled in the Plan or any Final Order, the Liquidation Debtor expressly reserves such claim or cause of action for later adjudication (including, without limitation, claims and Rights of Action which the Liquidation Debtor may presently be unaware, or which may arise or exist by reason of additional facts or circumstances unknown at this time, or facts or circumstances which may change or be different from those now believed to exist) and, therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable, or otherwise), or laches shall apply to such claims or Rights of Action upon, or after, the consent to or

consummation of the Plan, except where such claims or Rights of Action have been released in the Plan or other Final Order.

On and after the Effective Date, the Liquidation Debtor and the Plan Administrator will make the decision of whether or not to pursue any Right of Action, claims or causes of action and/or to settle or not settle any Rights of Action, claims or causes of action, and this decision will be based upon the Liquidation Debtor's and the Plan Administrator's review of the merits of the various Rights of Action as well as the costs required to prosecute such Rights of Action. The Plan Administrator may seek to retain counsel and/or other advisors to prosecute some or all of such Rights of Action on behalf of, and in the name of, the Liquidation Debtor, may seek to finance any costs relating to the prosecution of such litigation or may decide not to pursue such Rights of Action at all. The Plan Administrator with the consent of the Oversight Committee, in their absolute and sole discretion, may settle such actions on behalf of the Liquidation Debtor following the Effective Date without further notice or hearing, except as otherwise provided in the Plan.

Notwithstanding the foregoing, should the Plan Administrator refuse to consent to file or pursue any Right of Action requested by the Oversight Committee after a vote by 2/3rds of the Oversight Committee in favor of filing and pursuing such Right of Action at any time after the Effective Date, the Oversight Committee may make demand on the Plan Administrator to commence or pursue such Right of Action in the name of the Liquidation Debtor; and, should the Plan Administrator fail or refuse to file and pursue such Right of Action, the Oversight Committee may file a motion with the Court on at least twenty-four (24) days' notice to compel the Plan Administrator to file and pursue such Right of Action. If the Oversight Committee files such motion, the Plan Administrator may, in his absolute and sole discretion, retain independent counsel at the expense of the Liquidation Debtor to represent him in opposing such motion. Upon entry of a Final Order of the Court granting the motion of the Oversight Committee, the Plan Administrator shall promptly file and pursue in the name of the Liquidation Debtor such Right of Action in manner consistent with the Court's order.

The Liquidation Debtor and/or the Plan Administrator and their respective Related Parties shall not have any liability arising out of the good faith determinations of the Liquidation Debtor and the Plan Administrator of whether or not to pursue prosecution of and/or settle the foregoing Rights of Action.

The Liquidation Debtor and the Plan Administrator, in their absolute and sole discretion, reserve the right to supplement any at any time before or after the Effective Date, the reserved litigation to include actions, causes of action, claims, avoidance actions,

declaratory relief actions and lawsuits, of any kind or nature, whether in law or in equity, that the Debtor may have against any Claimant or any other person or entity by filing with the Bankruptcy Court ***Schedule I***; upon such filing, Schedule I shall be deemed to be incorporated as part of the Disclosure Statement, Plan and Confirmation Order as of the Effective Date without further order of the Bankruptcy Court; and, none of the Disclosure Statement, Plan and/or Confirmation Order shall act as bar against the filing and/or prosecution of any such actions, causes of action, claims, avoidance actions, declaratory relief actions and lawsuits, and/or the enforcement of any judgment obtained with respect thereto.

## VIII. EFFECT OF CONFIRMATION OF THE PLAN AND RELATED PROVISIONS

### A. INJUNCTION.

The Confirmation Order shall operate as an injunction against the commencement or continuation of any act relating to the collection or enforcement of any Claim ("**Enjoined Claim**") against the Debtor and the Liquidation Debtor. The Confirmation Order shall provide, among other things, that except as otherwise provided in the Plan, all Persons who have held, hold or may hold Claims against or Interests in the Debtor are enjoined from and after the Effective Date in respect of the treatment of the Claims of Creditors under the Plan, from: (i) commencing or continuing in any manner any action or proceeding of any kind with respect to such Claim against the Debtor and/or the Liquidation Debtor, including, without limitation based upon any guaranty; (ii) enforcing, attaching, collecting or recovering by any manner or means any judgment, award, decree or order against the Debtor and/or the Liquidation Debtor or the property of any such parties or property of their respective affiliates with respect to any such Claim; and (iii) creating, perfecting or enforcing any encumbrances of any kind against the Debtor and/or the Liquidation Debtor or against the property of any such parties, with respect to any such Claim or Interest.

### B. VESTING OF PROPERTY IN THE LIQUIDATION DEBTOR.

The Confirmation of the Plan vests all of the property of the Estate, including, without limitation, the Assets, Real Estate Assets, REOs, all assets of the Loan Portfolio, and Rights of Action in the Liquidation Debtor free and clear of all claims, liens, interests and encumbrances, *except* with respect to the Ostin Property which shall remain subject to the Secured Claim of RCS as expressly provided in the Plan.

On and after the Effective Date, the Liquidation Debtor may sell, assign, transfer, convey, hypothecate, pledge, alienate, dispose of, take possession of, encumber any and all of the Assets, Real Estate Assets, REOs, personal property, assets of the Loan Portfolio and any other property, without further Court order or approval. As provided under the Plan, the Plan Administrator is authorized and empowered without further Court Order to execute, do and perform, in the name and on behalf of the Liquidation Debtor, such acts and to prepare, execute, acknowledge, verify, file, deliver and cause to be published any and all certificates, agreements, notices, notice of default, trustees' sale notices, reports, applications, declarations, instruments, notes, deeds, reconveyances, transfer documents, sale agreements, and any and all other documents of any kind or nature to accomplish any of the foregoing.

**C. EXCULPATION.**

The Exculpated Parties shall neither have, nor incur, any liability to any entity or to any Holder of a Claim or Interest for any act taken or omitted to be taken on or after the Petition Date in connection with, related to, or arising out of the Case, the pursuit of confirmation of the Plan, the consummation or administration of the Plan, or property to be distributed under the Plan, including, without limitation, formulating, negotiating, soliciting, preparing, disseminating, implementing, entering, effecting or consummating the Plan; the marketing, sale and liquidation of any Assets, Real Estate Assets, REOs, personal property and/or assets of the Loan Portfolio; collection of any loans; any contract, instrument, release, or other agreement or document created or entered into in connection with the Plan; provided that the foregoing "**Exculpation**" shall not include and shall not apply to the following (i) the liability of any of the Exculpated Parties that results from any such act or omission that is determined in a Final Order to have constituted gross negligence, willful misconduct, fraud, breach of fiduciary duty or intentional misrepresentation, and (ii) any claims for errors and omissions against officers and directors (including, without limitation, the Pingrees) as set forth in *Exhibit 1* attached to the Disclosure Statement; provided, further, that each Exculpated Party shall be entitled to rely upon the advice of counsel concerning his, her, or its duties pursuant to, or in connection with, the Plan or any other related document, instrument, or agreement.

*1. Injunction Prohibiting Actions against the Exculpated Parties.*

All Persons voting in favor of the Plan or receiving and accepting any distribution pursuant thereto are permanently enjoined from commencing, or continuing in any manner, any action or proceeding against the Exculpated Parties, whether directly, derivatively, on account of or respecting any claim, debt, right, or cause of action based in whole or in part upon the conduct of the Exculpated Parties set forth and/or included in any of the

Exculpation provisions set forth in this Plan. In the event the Exculpated Parties and/or any of them are injured by any willful violation of the injunctions provided in the Plan, such aggrieved party shall recover from the willful violator actual damages (including costs and attorneys' fees) and, in appropriate circumstances, punitive damages.

2. *Indemnification of the Exculpated Parties.*

From and after the Effective Date, Debtor, the Exculpated Parties shall be, and hereby are, indemnified by the Liquidation Debtor, to the fullest extent permissible by applicable law, from and against any and all claims, debts, dues, accounts, actions, suits, causes of action, bonds, covenants, judgments, damages, attorneys' fees and defense costs and other assertions of liability directly or indirectly relating to the conduct of the Exculpated Parties set forth and/or included in any of the Exculpation provisions set forth in the Plan.

Subject to the terms hereof, the Plan Administrator may advance or pay promptly out of Available Cash or the Indemnification Reserve(s), on behalf of the Exculpated Parties reasonable attorneys' fees and other expenses and disbursements which they would be entitled to receive pursuant to the foregoing indemnification obligation; provided, however, that any of the Exculpated Parties receiving any such advance shall execute a written undertaking to repay such advance amounts if a court of competent jurisdiction ultimately determines that such party is not entitled to indemnification hereunder due to the fraud, gross negligence or willful misconduct of such party.

The Plan Administrator is authorized, but not required, to obtain and purchase (by using Available Cash) insurance coverage, to the extent available, with respect to the indemnification obligations hereunder. Any person entitled to indemnification hereunder shall have the right to employ such person's own separate counsel reasonably acceptable to the Plan Administrator, in any such action, as a Plan Operating Expense, subject to the terms and conditions of this Plan.

## IX. OTHER PLAN PROVISIONS

### A. RECOURSE

No Person entitled to receive a payment or Distribution under the Plan will have any recourse against the Debtor, the Liquidation Debtor, the Plan Administrator or their respective Related Parties other than the right to receive Distributions in accordance with the terms of the Plan.

**B. NO ADMISSIONS**

Notwithstanding anything to the contrary in the Plan, if the Plan is not consented to, is revoked or otherwise the Effective Date does not' occur, the Plan will be null and void, and nothing contained in the Plan will: (1) be deemed to be an admission by the Debtor with respect to any matter discussed in the Plan, including liability on any Claim or the propriety of any Claim's classification; (2) constitute a waiver, acknowledgement, or release of any Claims; or (3) prejudice in any manner the rights of the Debtor or any other person in any further proceedings.

**C. REVOCATION OF THE PLAN**

The Debtor reserves the right to withdraw the Plan before the Effective Date.

**D. SEVERABILITY OF PLAN PROVISIONS**

If, before the Effective Date, any court holds that any Plan term or provision is invalid, void, or unenforceable, the 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, except if such term or provision is inconsistent with the intent of the Debtor, in which case the Plan may be unilaterally withdrawn by it. 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.

**E. CONFIRMATION REQUEST.**

In the event that all of the applicable requirements of Bankruptcy Code §1129 (a) are met other than paragraph (8), the Plan Proponent requests Confirmation of the Plan notwithstanding the requirements of such paragraph under Bankruptcy Code §1129(b).

**F. GOVERNING LAW**

Unless a rule of law or procedure is supplied by (a) federal law (including the Bankruptcy Code and FRBPs), or (b) an express choice of law provision in any agreement, contract, instrument, or document provided for, or executed in connection with, the Plan, the rights and obligations arising under the Plan and any agreements, contracts, documents, and instruments executed in connection with the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of California without giving effect to the principles of conflict of laws thereof, except as otherwise expressly stated therein.

## G. Successors and Assigns

Unless otherwise specified in the Plan, the rights, benefits, and obligations of any entity referred to in this Plan will be binding on, and will inure to the benefit of, any heir, executor, administrator, successor, or assign of that entity.

## H. Saturday, Sunday, or Legal Holiday

If any payment or act under the Plan should be required to 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.

## I. Headings

The headings used in the Plan are inserted for convenience only and do not constitute a portion of the Plan or in any manner affect the provisions of the Plan or their meaning.

## J. Other Assurances

The Creditors and Holders of Interests shall execute and deliver such documents and perform such other acts as may be reasonably requested by the Debtor, the Liquidation Debtor and/or the Plan Administrator to implement and carry out the terms and/or intent of the Plan, and any notes or other documents issued pursuant hereto.

## K. Modification of Plan

The Debtor may modify, alter or amend the Plan at any time before the Effective Date. The Plan Administrator reserve the right to modify, alter or amend the Plan at any time after the Effective Date to correct any ambiguity or mistake.

## L. Rounding.

Whenever 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, with one-half cent being rounded up to the nearest whole cent.

**M. CLAIMS ESTIMATION.**

Under the Plan, the Debtor has the right to file motions seeking to estimate Claims, including, without limitation, Secured Claims in accordance with Bankruptcy Code § 502(c)(1). Through such motions, the Debtor can seek a ruling from the Court estimating any Claim in a fixed amount for the purpose of voting, allowance and distributions under the Plan. Once Claims have been estimated and allowed for purposes of distribution at a fixed amount, Claims will be treated and distribution reserved based on such fixed amount, subject to any further order upon motion under Bankruptcy Code § 502(j) to reconsider the fixed amount allowed. Until Claims are finally Allowed: (a) such Claims shall not receive any Distribution; and (b) such Claims shall be reserved in the amount estimated.

**N. SETOFF, RECOUPMENT AND OTHER RIGHTS.**

Notwithstanding anything to the contrary contained in the Plan, the Liquidation Debtor may, but shall not be required to, setoff, recoup, assert counterclaims or withhold against the Distributions to be made pursuant to the Plan on account of any claims that the Debtor, the Estate, or the Liquidation Debtor may have against the entity holding an Allowed Claim; provided, however, that neither the failure to effect such a setoff or recoupment, nor the allowance of any Claim against the Debtor or the Liquidation Debtor, nor any partial or full payment during the Case or after the Effective Date in respect of any Allowed Claim, shall constitute a waiver or release by the Debtor, the Estate or the Liquidation Debtor of any claim that they may possess against such Holder.

**O. RETENTION OF JURISDICTION**

After Confirmation of the Plan and after the Effective Date, in addition to jurisdiction which exists in any other court, the Court will retain such jurisdiction as is legally permissible including for the following purposes:

**a.** To resolve any and all disputes regarding the operation and interpretation of the Plan and the Confirmation Order;

**b.** To determine the allowability, classification or priority of Claims and Interests upon objection by the Debtor, or by other parties in interest with standing to bring such objection or proceeding;

**c.** To determine the extent, validity and priority of any lien asserted against the property of the Liquidation Debtor or property of the Debtor's Estate, including, without limitation, the lien rights, if any, asserted by the Holders of Claims;

**d.** To (i) construe and take action to enforce the Plan, the Confirmation Order and any other order of the Court, (ii) issue such orders as may be necessary for the implementation, execution, performance, and consummation of the Plan and the Confirmation Order, and all matters referred to in the Plan and the Confirmation Order, and (iii) determine all matters that may be pending before the Court in the Case on or before the Effective Date with respect to any Person or entity;

**e.** To determine (to the extent necessary) any and all applications for allowance of compensation and reimbursement of expenses of professionals for the period before, on and after the Effective Date;

**f.** To determine any requests for payment of Administrative Expenses;

**g.** To resolve any dispute regarding the implementation, execution, performance, consummation or interpretation of the Plan or the Confirmation Order;

**h.** To determine motions for the rejection, assumption or assignment of executory contracts or unexpired leases filed before the Effective Date and the allowance of any Claims resulting therefrom;

**i.** To determine all applications, motions, adversary proceedings, contested matters and any other litigated matters instituted during the Case whether before, on or after the Effective Date, including, without limitation, any and all claims, causes of action, setoffs, recoupments and the determination of any other rights;

**j.** To determine such other matters and for such other purposes as may be provided in the Confirmation Order;

**k.** To modify the Plan under Bankruptcy Code § 1127 in order to remedy any apparent defect or omission in the Plan, or to reconcile any inconsistency in the Plan so as to carry out its intent and purpose, or implement any settlement reached;

**l.** Except as otherwise provided in the Plan or the Confirmation Order, to issue injunctions to take such other actions or make such other orders as may be necessary or appropriate to restrain interference with the Plan or the Confirmation Order, or to restrain the execution or implementation by any Person of the Plan or the Confirmation Order;

**m.** To issue such orders in aid of consummation of the Plan or the Confirmation Order, notwithstanding any otherwise applicable non-bankruptcy laws, with respect to any Person, to the fullest extent authorized by the Bankruptcy Code or FRBP;

**n.** To enter any order approving, in connection with, or related to, the sale, collection, transfer or disposition of any of the Assets, Real Estate Assets, REOs, personal property, assets of the Loan Portfolio, collection of the loans and all related transactions; and

**o.** To enter a final decree closing this Case.

**P. POST CONFIRMATION UST FEES AND IDENTITY OF THE ESTATE REPRESENTATIVE.**

The Liquidation Debtor shall timely pay all UST Fees incurred after Confirmation until the entry of a final decree closing the Case. The Liquidation Debtor shall be the Estate representative for purposes of complying with the Debtor's reporting requirements to the Court and the UST and for obtaining a final decree closing the Case.

**Q. EXEMPTION FROM CERTAIN TRANSFER TAX.**

In accordance with Bankruptcy Code § 1146(c), the issuance, transfer or exchange of a security, or the making or delivery of an instrument of transfer under the Plan, including the recording of any mortgage or liens or amendments thereto, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, or other similar tax or governmental assessment. The Confirmation Order shall direct all governmental officials and agents to forego the assessment and collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instrument or other documents without payment of such tax or other governmental assessment.

**R. APPLICABILITY OF LBR 3020(B).**

In accordance with LBR 3020-1(b), within 120 days of the entry of the Confirmation Order, the Liquidation Debtor shall file a status report explaining what progress has been made toward consummation of the confirmed Plan. The Liquidation Debtor shall serve such report on the UST, the 20 largest unsecured creditors, and those parties who have requested special notice.

**S. FINAL DECREE.**

Once the Effective Date has occurred, the Liquidation Debtor, Plan Administrator or other party as the Court shall designate in the Confirmation Order, may file a motion with the Court to obtain a final decree to close the Case. Upon entry of the final decree or applicable order of the Court, the obligation to pay UST Fees shall cease and terminate.

DATED: July 2, 2014

**BAY AREA FINANCIAL CORPORATION,**
Plan Proponent

_____

By: **Kenneth J. Pingree**
Its: President

Respectfully submitted,

CREIM MACIAS KOENIG & FREY LLP

By: /s/ Sandford L. Frey
SANDFORD L. FREY
Chapter 11 Attorneys for Bay Area Financial Corporation,
Debtor and Debtor in Possession

**EXHIBIT "E"**

Sandford L. Frey (SBN 117058)
**CREIM MACIAS KOENIG & FREY LLP**
633 West Fifth Street, 51st Floor
Los Angeles, CA 90071
Telephone: (213) 614-1944
Facsimile: (213) 614-1961
sfrey@cmkllp.com

Reorganization Attorneys for Bay Area Financial Corporation, Debtor and Debtor in Possession

DRAFT

**UNITED STATES BANKRUPTCY COURT**

**CENTRAL DISTRICT OF CALIFORNIA**

**[LOS ANGELES DIVISION]**

In re

**BAY AREA FINANCIAL CORPORATION,**

Debtor and Debtor in Possession.

CASE NO.: 2:13-bk-38974-TD

Chapter 11

**ORDER AUTHORIZING AND APPROVING: (1) THE MOTION FOR ORDER AUTHORIZING AND APPROVING FIRST AMENDED DISCLOSURE STATEMENT DESCRIBING FIRST AMENDED PLAN OF REORGANIZATION/LIQUIDATION PROPOSED BY DEBTOR, BAY AREA FINANCIAL CORPORATION; (2) THE ADEQUACY OF THE FIRST AMENDED DISCLOSURE STATEMENT DESCRIBING FIRST AMENDED PLAN OF REORGANIZATION/LIQUIDATION PROPOSED BY DEBTOR; (3) THE FORM, SCOPE, AND NATURE OF SOLICITATION, BALLOTING, TABULATION, AND NOTICE WITH RESPECT THERETO; AND (4) RELATED CONFIRMATION DATES, PROCEDURES, DEADLINES AND NOTICES**

**Disclosure Statement Hearing held on:**
DATE: June 18, 2014
TIME: 10:00 a.m.
CTRM: 1345

**Confirmation Hearing to be held on:**
DATE: August 20, 2014
TIME: 10:00 a.m.
CTRM: 1345

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

A hearing was held on June 18, 2014, at 10:00 a.m. ("***Jun. 18th Hearing***") before the Honorable Thomas B. Donovan, United States Bankruptcy Judge, in the above-captioned Courtroom to consider: (1) the adequacy of the *Fist Amended Disclosure Statement Describing First Amended Plan of Reorganization/Liquidation Proposed by Debtor, Bay Area Financial Corporation* [Docket No's . 167 and 168], as modified on June 12, 2014 [Docket No's 180 and 181] ("***First Amended Disclosure Statement***"), and further modified pursuant to this Order (the First Amended Disclosure Statement as further modified by this Order, the final version of which is attached to the "Solicitation Package", is referred to collectively as the "***Disclosure Statement***"); and, (2) the *Motion for Order Authorizing and Approving: (A) the Adequacy of the Disclosure Statement Describing Plan of Reorganization/Liquidation Proposed by Bay Area Financial Corporation; (B) the Form, Scope, and Nature of Solicitation, Balloting, Tabulation, and Notice with Respect Thereto; and (C) Related Confirmation Procedures, Deadlines and Notices* [Docket No. 115] ("***Disclosure Statement Motion***").

Sandford L. Frey of Creim Macias Koenig & Frey LLP appeared on behalf of the Debtor, Bay Area Financial Corporation ("***Debtor***"). James Bastian of Shulman Hodges & Bastian LLP appeared on behalf of the Official Committee of Unsecured Creditors ("***Committee***"). Queenie K. Ng appeared on behalf of the Office of the United States Trustee ("***US Trustee***"). The Debtor's accountant and financial advisor, Samuel R. Biggs of Biggs & Co. appeared on behalf of the Debtor. No other appearances were made.

On April 8, 2014, the Debtor initially filed its (a) *Plan of Reorganization/Liquidation Proposed by Bay Area Financial Corporation* [Docket No 114] ("***Proposed Plan***"), and (b) *Disclosure Statement Describing Plan of Reorganization/Liquidation Proposed by Bay Area Financial Corporation* [Docket No 115] ("***Proposed Disclosure Statement***"). The Proposed Plan and Proposed Disclosure Statement were timely filed by the Debtor within the Debtor's initial 120 day exclusive period within which only the Debtor may file its plan, thereby preserving the Debtor's exclusive right to file a plan through June 9, 2014, which was later extended through August 11, 2014 by order entered on June 6, 2014 [Docket No. 176].

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

A hearing was initially set for May 14, 2014 to consider the adequacy of the Proposed Disclosure Statement. An Objection was filed on April 30, 2014 by the US Trustee to the adequacy of the Proposed Disclosure Statement [Docket No. 134] ("***UST Objection***"). A Response was also filed on April 30, 2014 by the Committee respecting the adequacy of the Proposed Disclosure Statement [Docket No. 135], which raised certain concerns expressed by the Committee ("***Committee Response***" and together with the UST Objection, collectively referred to as the "***Proposed Disclosure Statement Objections***"). No other objections were filed to the Proposed Disclosure Statement. The Debtor filed its Reply to the Proposed Disclosure Statement Objections [Docket No. 149].

The Court continued the initial May 14, 2014 to the June 18th Hearing date, and parties in interest were notified of the June 18th Hearing by notice served and filed on May 13, 2014 [Docket No. 152].

Thereafter, after additional negotiations among the US Trustee, the Committee and the Debtor, the Debtor filed its First Amended Disclosure Statement and its *First Amended Plan of Reorganization/Liquidation Proposed by Debtor, Bay Area Financial Corporation* [Docket No. 169], which was further modified on June 12, 2014 [Docket No's 182 and 183] ("***First Amended Plan***"), and which is further modified by this Order (the First Amended Plan as modified by this Order, the final version of which is attached to the "Solicitation Package", is referred to as the "***Plan***").

The final form of Disclosure Statement and Plan (which are attached to the "Solicitation Package") resolve the Proposed Disclosure Statement Objections. The US Trustee and the Committee have no further opposition and/or objection to approval of the Disclosure Statement.

Filed contemporaneously with this Order is a pleading entitled ***"Submission of Solicitation Package"*** consisting of the "Solicitation Package" which the Debtor proposes to serve on creditors. The "Solicitation Package" consists of (1) a Solicitation Package Cover letter; (2) a Committee Support Letter; (3) the final form of Disclosure Statement and Exhibits thereto; (4) the final form of Plan; (5) a copy of this Order; (6) Notice of the Confirmation Hearing; and, (7) the form of Ballot(s) (collectively "***Solicitation Package***").

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

At the June 18th Hearing, the Court approved the First Amended Disclosure Statement as modified by this Order, which modifications are incorporated into the final version of the Disclosure Statement which is attached to the Solicitation Package.

This Court has reviewed and considered, among other things: the Disclosure Statement; the Disclosure Statement Motion; all exhibits to the Disclosure Statement; the Ballot(s); the Proposed Disclosure Statement Objections; the Debtor's Reply; the modifications to the Disclosure Statement and Plan filed by the Debtor; the Solicitation Package; all other pleadings, exhibits, documents and other evidence submitted in respect of the Disclosure Statement; the record in this case; and, having heard the arguments and representations of counsel.

Based upon that review and consideration, the Court determines that:

A. Notice of the hearing for approval of the Disclosure Statement constitutes adequate and appropriate notice under the circumstances and complies with the applicable provisions of the Bankruptcy Code, Federal Rules of Bankruptcy Procedure ("***FRBP***") and Local Bankruptcy Rules of the United States Bankruptcy Court for the Central District of California ("***LBR***"), and no other or further notice for approval of the Disclosure Statement need be given.

B. The Court has jurisdiction to grant the relief requested herein in accordance with 28 U.S.C. §§ 157 and 1334.

C. This is a core proceeding pursuant to 28 U.S.C. § 157(b).

D. The Disclosure Statement contains "adequate information" within the meaning of, and as prescribed by, Bankruptcy Code§ 1125(a)(1).

E. The solicitation, balloting, tabulation and confirmation procedures, the form of notice attached to the Solicitation Package; and the deadlines and other relief requested by the Debtor in the Disclosure Statement Motion and/or set forth in this Order are fair, reasonable, and appropriate, authorized by the applicable provisions of the Bankruptcy Code, FRBP, and the LBR, and in the best interests of the Debtor's estate.

**BASED UPON THE FOREGOING AND GOOD CAUSE APPEARING THEREFORE, IT IS HEREBY**:

**ORDERED** that the Disclosure Statement contains "adequate information" within the meaning of, and as prescribed by, Bankruptcy Code§ 1125(a)(1), and that the Disclosure Statement is **APPROVED**; it is further,

**ORDERED** that, pursuant to agreement between the Debtor and the Committee, the Debtor is hereby authorized to modify Section IV.A.1 of the First Amended Plan respecting the treatment of the Administrative Claim of the Pingrees for Insider Compensation as set forth in the Plan filed as part of the Solicitation Package, which provision of the Plan has been modified as follows:

> On the Effective Date, the right to payment from the Estate on account of the Allowed Claims of Kenneth J. Pingree Jr. and Patricia Pingree for Insider Compensation shall be waived; and, in exchange for such waiver, Kenneth J. Pingree Jr. and Patricia Pingree shall each receive and be entitled to an Allowed Pingree Setoff Claim in an amount that is equal to each of their respective Claims for Insider Compensation for the period commencing on the Petition Date through the Effective Date, calculated at the rate of $4,166.67 semi-monthly for Ken Pingree and $3,125.00 semi-monthly for Patricia Pingree, which Allowed Pingree Setoff Claims may only be asserted by each of them as a set-off against any damage claim against them, and each of them, resulting from, in connection with, or related to, any Right of Action or other litigation initiated against either of them by, or on behalf of, the Debtor, the Estate, the Liquidation Debtor, the Committee and/or any Creditor in the Case, and in no event shall result in any monetary payment to Kenneth J. Pingree Jr. and Patricia Pingree in this case.

it is further,

**ORDERED** that, pursuant to agreement between the Debtor and the Committee, the Debtor is hereby authorized to modify Section IV.B.1 of the First Amended Disclosure Statement respecting the treatment of the Administrative Claim of the Pingrees for Insider Compensation as set forth in the Disclosure Statement filed as part of the Solicitation Package, which modification is consistent with the modification of the First Amended Plan set forth in the preceding paragraph; it is further,

**ORDERED** that any and all objections to the Disclosure Statement, to the extent not previously withdrawn, resolved or waived, are hereby **OVERRULED**; it is further,

**ORDERED** that the Debtor is authorized to solicit votes and elections with respect to the Plan; it is further,

**ORDERED** that, in accordance with the procedures established by this Order, the Debtor is authorized to disseminate the following materials contained in the Solicitation Package, the form and content of which are hereby **APPROVED**:

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1. Solicitation Package Cover letter;

2. The Committee Support Letter;

3. The Disclosure Statement [attached to the Solicitation Package filed contemporaneously with this Order];

4. The Plan [attached to the Solicitation Package filed contemporaneously with this Order];

5. A copy of this Order approving the adequacy of the Disclosure Statement, which includes (i) the Scheduled hearing regarding confirmation of the Plan ("***Confirmation Hearing***"), and (ii) the deadline for voting, filing objections, and submitting evidence in connection therewith;

6. Notice of the Confirmation Hearing [substantially in the form of the proposed notice attached to the Solicitation Package ("***Confirmation Hearing Notice***");

7. With respect to those entities that are entitled to vote on the Plan, an appropriate ballot or ballots for the applicable Class [substantially the form of the proposed Ballots attached to the Solicitation Package]; and,

8. The Release required to make the Class 4 Election;

it is further,

**ORDERED** that the Debtor shall serve (or cause to be served) a Solicitation Package on the following entities:

1. All known creditors, including, Commercial Paper Account Holders (as defined in the Plan) (a) that have filed a proof of claim in the Debtor's case (other than claims that have been disallowed, waived, or withdrawn by order of the Court, stipulation, or otherwise), or (b) if no such proof of claim has been filed, on whose behalf the Debtor scheduled as holding a claim in its Schedules of Assets and Liabilities ("***Schedules***") which is not listed as a contingent, unliquidated or disputed claim;

2. All non-debtor parties to unexpired leases and executory contracts as of the Petition Date;

3. All parties to any pending pre-petition lawsuits;

4. All parties who have requested special notice in this case (collectively "***Special Notice Parties***");

5. The US Trustee;

6. The governmental entities enumerated in FRBP 2002(j); and,

7. Equity holder of the Debtor; and,

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

it is further,

**ORDERED** that the Debtor is authorized, in its discretion, to serve the Disclosure Statement and Plan by CD in lieu of paper copy, so long as it makes a paper copy available to any interested party upon request; it is further,

**ORDERED** that the Confirmation Hearing shall be held on **AUGUST 20, 2014 at 10:00 a.m.** (*Pacific Time*) before the United States Bankruptcy Court for the Central District of California, Los Angeles Division, the **Honorable Thomas B. Donovan**, presiding, in **Courtroom 1345, Edward R. Roybal Federal Building and U.S. Courthouse, 255 East Temple Street, Los Angeles, California 90012**; it is further,

**ORDERED** that the deadline by which Ballots to accept or reject the Plan must be received by the Ballot Tabulator (designated in the Disclosure Statement and defined below) shall be **August 8, 2014 at 5:00 p.m.** (*Pacific Time*) ("***Balloting Deadline***"). All Ballots must be returned to and actually received by the Ballot Tabulator on or before the Balloting Deadline in order to be counted; it is further,

**ORDERED** that **August 8, 2014** ("***Objection Deadline***") shall be the deadline by which any party objecting to Confirmation of the Plan must file and serve its objection and evidence in support thereof. Any objection must be in writing; specify the name and address of the party objecting; set forth the amount of the objecting party's claim(s) and any other grounds giving the objector standing to object; set forth grounds for the objection; and be accompanied by the objecting party's evidentiary support for its objection, including declarations made under penalty of perjury and other admissible documentary evidence. The objection and evidence in support thereof shall be served on the Debtor, counsel for the Debtor, Counsel for the Committee, the US Trustee, and the Special Notice Parties; it is further,

**ORDERED** that the deadline by which the Debtor's memorandum and evidence in support of confirmation of the Plan and reply to any objection to Confirmation of the Plan must be filed and served is on or before **August 14, 2014**; such memorandum, evidence and/or reply shall be served only on the US Trustee, Counsel for the Committee, the Special Notice Parties; and the objecting parties, if any; it is further,

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(213) 614-1944

**ORDERED** that the Debtor may file its Plan Ballot Summary on or after **August 14, 2014** in accordance with LBR 3018-1(a)(2). The Plan Ballot Summary shall be served on the US Trustee, Counsel for the Committee, the Special Notice Parties, and any party that has filed an objection to the Plan; it is further,

**ORDERED** that, consistent with the provisions of Section II.B.4 of the Disclosure Statement, the following procedures will apply to balloting and the tabulation of ballots with respect to the Plan unless subsequently ordered by the Court otherwise:

1. The amount of a Claim or Interest for purposes of Ballot tabulation will be:

   A. For a Claim or Interest identified in the Schedules as not contingent, not unliquidated, and not disputed, and that has not been disallowed, waived, or withdrawn by order of the Bankruptcy Court, stipulation, or otherwise, prior to the Balloting Deadline (as defined in the Disclosure Statement Order), and for which no proof of claim has been timely filed, the Claim or Interest amount, as identified in the Schedules ("**Scheduled Amount**");

   B. For a timely proof of claim or proof of interest that is filed in a specified liquidated amount and that is not the subject of an objection filed before the Balloting Deadline, or that has not been disallowed, waived, or withdrawn by order of the Bankruptcy Court, stipulation, or otherwise prior to the Balloting Deadline, the specified liquidated amount in such proof of claim or proof of interest ("**POC Amount**");

   C. For a Claim or Interest that is the subject of an objection in whole or in part before the Confirmation Hearing, only the undisputed amount, if any, of such Claim or Interest, unless such Claim or Interest is temporarily Allowed under FRBP 3018(a) ("**Disputed/Estimated Amount**");

   D. For a Claim that is offered an option under the Plan to have its Claim Allowed for voting purposes upon the timely election of certain options, and which claimant is in compliance with the procedures set forth in the Plan for such election, the stipulated amount specified in the Plan ("**Stipulated Amount**");

2. If an entity submits a Ballot for a Claim or Interest (i) for which there is no timely proof of claim or proof of interest filed and, for which there is no corresponding Scheduled Amount, or (ii) which is the subject of an

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(213) 614-1944

unresolved objection filed prior to the Confirmation Hearing, such Ballot will not be counted, unless ordered by the Bankruptcy Court;

3. Creditors that have Claims in more than one voting Class under the Plan must submit a separate Ballot for voting their Claims in each such Class; any creditor that requires additional copies of a Ballot may either photocopy the original Ballot or obtain an additional Ballot pursuant to the instructions set forth in the Confirmation Hearing Notice and the proposed Ballot. **If a creditor uses the same Ballot to vote Claims in more than one class, such combined Ballot will NOT be counted unless the Court order's otherwise**;

4. If an entity casts more than one eligible Ballot with respect to the same Claim or Interest before the Balloting Deadline, the last Ballot received prior such deadline shall supersede any prior Ballot(s) by such entity with respect to such Claim or Interest in the Class in which the Ballot is submitted; and,

5. Any Ballot that is incomplete or that is not received by the applicable deadline shall NOT be counted.

it is further,

**ORDERED** that **August 8, 2014** (at least 10 days prior to the Confirmation Hearing as set forth in Section I of the Disclosure Statement and Plan) shall be the deadline by which the Debtor must file and serve any exhibits to the Plan required to be filed on the ***Exhibit Filing Date*** (as defined and set forth in the Plan); it is further,

**ORDERED** that **August 8, 2014** shall be the deadline by which the Debtor must file and serve on the US Trustee, Counsel for the Committee, the Special Notice Parties and the non-debtor parties to its executory contracts and leases (a) a schedule of executory contracts and leases to be assumed under the Plan ("***Assumed Contract Schedule***"), and, (b) a schedule of executory contracts and leases to be rejected under the Plan ("***Rejection Schedule***"); it is further,

**ORDERED** that **August 15, 2014** shall be the deadline by which the non-debtor parties on the Assumed Contract Schedule must file and serve objections to assumption of the applicable assumed agreement and/or confirmation of the Plan; it is further,

**ORDERED** that any objection not timely filed and served may be deemed to be waived and to be consent to the Court's entry of an order confirming the Plan; and, it is further,

**ORDERED** that any evidence that is not timely filed and served may be stricken from the record and may not be considered in determining any contested matter at the Confirmation Hearing.

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

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CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

**Presented by:**

Creim Macias Koenig & Frey LLP

By: /s/ Sandford L. Frey
Sandford L. Frey
Reorganization Attorneys for Bay Area Financial Corporation, Debtor and Debtor in Possession

**Approved as to form and content:**

Shulman Hodges & Bastian LLP

By: _____
James C. Bastian, Jr.
Melissa Davis Lowe
Attorneys for the Official Committee of Unsecured Creditors

Office of the United States Trustee

By: _____
Queenie K. Ng
Attorney for the Office of the United States Trustee

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

**Presented by:**

Creim Macias Koenig & Frey LLP

By: /s/ Sandford L. Frey
Sandford L. Frey
Reorganization Attorneys for Bay Area Financial Corporation, Debtor and Debtor in Possession

**Approved as to form and content:**

Shulman Hodges & Bastian LLP

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James C. Bastian, Jr.
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Attorneys for the Official Committee of Unsecured Creditors

Office of the United States Trustee

By: _____
Queenie K. Ng
Attorney for the Office of the United States Trustee

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633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

**EXHIBIT "F"**

| | |
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| In re<br><br>**BAY AREA FINANCIAL CORPORATION,**<br><br>Debtor | CASE NO.: 2:13-bk-38974-TD<br>Chapter 11<br><br>**Confirmation Hearing to be held on:**<br>Date: August 20, 2014<br>Time: 10:00 a.m.<br>Ctrm: 1345 |

**NOTICE OF HEARING ON CONFIRMATION OF FIRST AMENDED PLAN OF REORGANIZATION/LIQUIDATION PROPOSED BY DEBTOR, BAY AREA FINANCIAL CORPORATION**

**PLEASE TAKE NOTICE** that on **AUGUST 20, 2014 at 10:00 a.m.** (Pacific Time), in **Courtroom "1345"**, located at the **Edward R. Roybal Federal Building and Courthouse, 255 E. Temple Street, Los Angeles, California 90012**, before the **Honorable Thomas B. Donovan**, United States Bankruptcy Judge, a hearing will be held to consider confirmation of the *First Amended Plan of Reorganization/Liquidation Proposed by the Debtor, Bay Area Financial Corporation* ("Debtor") in the above captioned case.

**PLEASE TAKE FURTHER NOTICE** that the deadline by which Ballots to accept or reject the Plan must be received by the Ballot Tabulator (Kelli Nielsen) is **August 8, 2014 at 5:00 p.m.** (Pacific Time). In order to be counted, all Ballots must be returned to the Ballot Tabulator by email, facsimile or US Mail, so long as they are actually received by the Ballot Tabulator on or before the Balloting Deadline as follows: .

**Kelli Nielsen,**
**Creim Macias Koenig & Frey LLP;**
**633 W. Fifth Street, 51st Floor;**
**Los Angeles, California 90071;**
**Facsimile - (213) 614-1961;**
**Email address - knielsen@cmkllp.com**

**PLEASE TAKE FURTHER NOTICE** that **August 8, 2014** is the deadline by which any party objecting to confirmation of the Plan must file and serve its objection and evidence in support thereof (except with regard to parties to the Assumed Agreements, who should refer to the Order Approving the Disclosure Statement for such applicable deadline). Any objection must be in writing; specify

the name and address of the party objecting; set forth the amount of the objecting party's claims and any other grounds giving the objector standing to object; set forth grounds for the objection; and be accompanied by the objecting party's evidentiary support for its objection, including declarations made under penalty of perjury and other admissible documentary evidence. The objection and evidence in support thereof shall be served on the Debtor, counsel for the Debtor, the United States Trustee, Counsel for the Official Committee of Unsecured Creditors and the Special Notice Parties.

**PLEASE TAKE FURTHER NOTICE** that other applicable deadlines and dates are set forth in the *Order Authorizing and Approving: (1) the Motion for Order Authorizing and Approving First Amended Disclosure Statement Describing First Amended Plan of Reorganization/Liquidation Proposed by Debtor, Bay Area Financial Corporation; (2) the Adequacy of the First Amended Disclosure Statement Describing First Amended Plan Of Reorganization/Liquidation Proposed by Debtor; (3) the Form, Scope, and Nature of Solicitation, Balloting, Tabulation, and Notice with Respect Thereto; and (4) Related Confirmation Dates, Procedures, Deadlines and Notices*.

**PLEASE TAKE FURTHER NOTICE** that if the Court enters an order confirming the Plan, the Plan shall be binding on all creditors and parties-in-interest.

**PLEASE TAKE FURTHER NOTICE** that any party wishing further information regarding confirmation of the Plan, including deadlines and procedures for filing objections thereto, may contact

Counsel for the Debtor:

Sandford L. Frey or Marta Wade of Creim Macias Koenig & Frey LLP, 633 West Fifth Street, 51st Floor, Los Angeles, California 90071; Facsimile (213) 614-1961; email addresses: Sandford Frey - sfrey@cmkllp.com or Marta Wade - mwade@cmkllp.com

or,

Counsel for the Committee:

James C. Bastian Jr. or Melissa Davis Lowe of Shulman Hodges & Bastian LLP, 8105 Irvine Center Drive, Suite 600, Irvine, CA 92618, Facsimile (949) 340-3000; email addresses - Jim Bastian - JBastian@shbllp.com or Melissa Davis Lowe - MLowe@shbllp.com

Creim Macias Koenig & Frey LLP

By: /s/ Sandford L. Frey
Reorganization Attorneys for Bay Area Financial Corporation
Debtor and Debtor in Possession

**EXHIBIT "G"**

**UNITED STATES BANKRUPTCY COURT**
**CENTRAL DISTRICT OF CALIFORNIA**
**LOS ANGELES DIVISION**

| | |
|---|---|
| IN RE:<br><br>BAY AREA FINANCIAL CORPORATION,<br><br>DEBTOR AND DEBTOR IN POSSESSION. | CASE NO.: 2:13-BK-38974-TD<br><br>CHAPTER 11 |

**BALLOT FOR CLASS 5**

FOR **ACCEPTING** OR **REJECTING**

*FIRST AMENDED PLAN OF REORGANIZATION/LIQUIDATION PROPOSED BY DEBTOR, BAY AREA FINANCIAL CORPORATION ("PLAN")*

AND

FOR **ELECTING ALTERNATIVE EARLY CASH-OUT ELECTION PAYMENT UNDER CLASS 4 IN LIEU OF CLASS 5 TREATMENT**

**STEP 1.** **AMOUNT OF CLAIM.** THE UNDERSIGNED ENTITY HOLDS A CLASS 5 COMMERCIAL PAPER ACCOUNT CLAIM OR GENERAL UNSECURED CLAIM AGAINST BAY AREA FINANCIAL CORPORATION ("DEBTOR") IN THE AMOUNT OF $_____.

**STEP 2.** **VOTING.** WITH RESPECT TO THE PLAN, AND THE CLASS 5 CLAIM, SUCH CLAIMANT HEREBY VOTES TO:

☐ **ACCEPT THE PLAN** ☐ **REJECT THE PLAN**

***YOU MAY CHECK ONLY ONE BOX IN STEP 2. YOUR VOTE WILL BE DEEMED TO ACCEPT THE PLAN IF YOU DO NOT CHECK A BOX OR IF YOU CHECK BOTH BOXES.***

**STEP 3.** **CREDITOR INFORMATION AND SIGNATURE.** BY SIGNING THIS BALLOT, YOU ACKNOWLEDGE THAT YOU RECEIVED A COPY OF THE PLAN AND THE *DISCLOSURE STATEMENT PROPOSED THE DEBTOR*.

SIGNATURE:

_____

IF BY AUTHORIZED AGENT, NAME AND TITLE:

_____

***(PRINT OR TYPE NAME)***

DATE COMPLETED: AUGUST , 2014

**STEP 4.** **SUBMISSION OF BALLOT.** YOU MUST RETURN THIS BALLOT TO THE BALLOT TABULATOR BY US MAIL, EMAIL OR FACSIMILE SO THAT IT IS RECEIVED BY NO LATER THAN **5:00 P.M. PACIFIC TIME ON AUGUST 8, 2014** TO: CREIM MACIAS KOENIG & FREY LLP, ATTN: KELLI NIELSEN, BALLOT TABULATOR, 633 WEST FIFTH STREET, 51ST FLOOR, LOS ANGELES, CALIFORNIA 90071, FACSIMILE (213) 614-1961.

***(CLASS 4 OPTIONAL ELECTION ON NEXT PAGE)***

**ELECTION FOR TREATEMENT FOR EARLY CASH-OUT ELECTION PAYMENT UNDER CLASS 4 IN LIEU OF CLASS 5 TREATMENT**

**CLASS 4** IS AN ***EARLY CASH-OUT ELECTION CLASS*** CREATED FOR ANY HOLDER OF ALLOWED COMMERCIAL PAPER ACCOUNT CLAIM OR ALLOWED GENERAL UNSECURED CLAIM WHOSE UNPAID PRINCIPAL BALANCE AND ACCRUED AND UNPAID INTEREST AS OF THE PETITION DATE IS GREATER THAN **$0** AND LESS THAN OR EQUAL TO **$200,000**, OR FOR WHICH THE CREDITOR ELECTS PURSUANT TO THE APPROPRIATE ELECTION ON THE BALLOT FOR CLASS 4 (OR OTHER WRITTEN INSTRUMENT SUBMITTED AND SATISFACTORY TO THE DEBTOR) TO REDUCE SUCH ALLOWED CLAIM TO $200,000, AND WHO WOULD RATHER ACCEPT A DISCOUNTED PAYOFF ON THE EFFECTIVE DATE, RATHER THAN ACCEPTING DEFERRED PAYMENTS AND WAITING FOR THE ORDERLY LIQUIDATION TO BE COMPLETED.

IN ORDER TO ELECT AND QUALIFY TO BE TREATED IN CLASS 4 AND RECEIVE AN EARLY CASH-OUT ELECTION PAYMENT, YOU MUST DO ALL OF THE FOLLOWING:

**(1) CHECK ONE OF THE CLAIM AMOUNT BOXES BELOW;**
**(2) CHECK THE ELECTION BOX BELOW; AND,**
**(3) EXECUTE AND DELIVER TO THE DEBTOR PRIOR TO THE BALLOT DEADLINE BOTH OF THE FOLLOWING**
**(A) THIS BALLOT ACCEPTING THE PLAN (WITH THE PROPER ELECTION BOXES CHECKED), AND**
**(B) A FULLY EXECUTED RELEASE (WHICH IS INCLUDED WITH THE SOLICITATION PACKAGE).**

***STEP 1***

☐ I HOLD A COMMERCIAL PAPER ACCOUNT CLAIM OF **LESS THAN OR EQUAL TO $200,000**; OR

☐ I HOLD A COMMERCIAL PAPER ACCOUNT CLAIM GREATER THAN **$200,000, BUT HEREBY VOLUNTARILY ELECT TO REDUCE SUCH ALLOWED CLAIM TO $200,000**

***(YOU MAY CHECK ONLY ONE BOX ABOVE)***

***STEP 2***

☐ **I VOLUNTARILY ELECT TO BE TREATED IN CLASS 4 AND ACCEPT THE PLAN**, AND RELEASE AND WAIVE ANY OTHER RIGHT TO DISTRIBUTION UNDER THE PLAN, INCLUDING, WITHOUT LIMITATION, UNDER CLASSES 5, 6 AND 7.

**STEP 3**

**EXECUTE AND DELIVER THE ENCLOSED RELEASE TO THE DEBTOR PRIOR TO THE BALLOT DEADLINE.**

*IN THE ABSENCE OF TIMELY ELECTION AND COMPLIANCE WITH EACH OF THE CONDITIONS SET FORTH ABOVE, YOU WILL AUTOMATICALLY BE TREATED IN CLASSES 5, 6 AND/OR 7, AS APPLICABLE.*

**ANY HOLDER AN ALLOWED COMMERCIAL PAPER ACCOUNT CLAIM OR ALLOWED GENERAL UNSECURED CLAIM QUALIFYING AND ELECTING TREATMENT IN CLASS 4, IN EXCHANGE FOR THE TREATMENT PROVIDED IN CLASS 4, WAIVES AS OF THE EFFECTIVE DATE, ANY AND ALL OTHER CLAIMS OF ANY KIND OR NATURE, INCLUDING, WITHOUT LIMITATION, THOSE QUALIFYING FOR TREATMENT IN CLASSES 5, 6 AND/OR 7, AND ALSO WAIVES ANY FURTHER RIGHT TO PARTICIPATE IN, OR RECEIVE, ANY FURTHER DISTRIBUTION UNDER, OR IN CONNECTION WITH, THE PLAN.**

SIGNATURE:

_____

IF BY AUTHORIZED AGENT, NAME AND TITLE:

_____

***(PRINT OR TYPE NAME)***

DATE COMPLETED: AUGUST , 2014

***(INSTRUCTIONS CONTINUE ON NEXT PAGE)***

## VOTING INFORMATION AND ADDITIONAL INSTRUCTIONS

**PLAN CONFIRMATION.** ENCLOSED IS THE DISCLOSURE STATEMENT AND PLAN PROPOSED THE DEBTOR. THE BANKRUPTCY COURT MAY CONFIRM THE PLAN IF, AMONG OTHER THINGS, IT IS ACCEPTED BY (A) CREDITORS HOLDING CLAIMS TOTALING AT LEAST TWO-THIRDS IN AMOUNT AND A MAJORITY IN NUMBER OF ALL CLAIMS IN EACH CLASS VOTING ON THE PLAN AND (B) HOLDERS OF EQUITY INTERESTS HOLDING AT LEAST TWO-THIRDS IN AMOUNT OF THE ALLOWED INTERESTS ACTUALLY VOTING IN THAT CLASS VOTE TO ACCEPT THE PLAN. EVEN IF ALL CLASSES DO NOT ACCEPT THE PLAN, THE BANKRUPTCY COURT MAY CONFIRM THE PLAN IF THE TREATMENT AFFORDED THE CLASS OR CLASSES REJECTING THE PLAN SATISFIES THE BANKRUPTCY CODE SECTION 1129(B) STANDARD FOR NONCONSENSUAL CONFIRMATION. IF THE BANKRUPTCY COURT CONFIRMS THE PLAN, IT WILL BE BINDING ON YOU.

**VOTING PROCEDURE.**

IF YOU HOLD A CLASS 5 CLAIM UNDER THE PLAN AND WISH TO VOTE TO ACCEPT OR REJECT THE PLAN, YOU MUST COMPLETE THIS BALLOT AND RETURN IT TO THE BALLOT TABULATOR BY FIRST-CLASS MAIL, OVERNIGHT DELIVERY OR FACSIMILE. WHEN RETURNING YOUR BALLOT, PLEASE CAREFULLY FOLLOW THE INSTRUCTIONS SET FORTH IN STEP 4 OF THE BALLOT.

**FOR YOUR VOTE TO BE COUNTED AS VOTING FOR OR AGAINST THE PLAN, YOU MUST FULLY COMPLETE THE BALLOT, INDICATE EITHER ACCEPTANCE OR REJECTION OF THE PLAN IN THE APPROPRIATE SPACE ON THE FIRST PAGE, AND SIGN AND RETURN THIS BALLOT TO KELLI NIELSEN AT CREIM MACIAS KOENIG & FREY LLP, 633 WEST FIFTH STREET, 51ST FLOOR, LOS ANGELES, CALIFORNIA 90071, FACSIMILE (213) 614-1961, SO THAT IT IS RECEIVED NO LATER THAN 5:00 P.M. PACIFIC TIME ON AUGUST 8, 2014. BALLOTS RECEIVED LATE WILL NOT BE COUNTED.**

EXCEPT AS OTHERWISE SET FORTH IN STEP 2 ON THE FIRST PAGE, IF A BALLOT IS NOT COMPLETED IN ITS ENTIRETY SO THAT ALL THE REQUIRED INFORMATION AND SIGNATURES ARE PROVIDED, THE BALLOT WILL NOT BE COUNTED UNLESS THE BANKRUPTCY COURT ORDERS OTHERWISE. IF YOU HOLD CLAIMS IN MORE THAN ONE CLASS UNDER THE PLAN, YOU SHOULD RECEIVE A DIFFERENT BALLOT FOR EACH CLASS IN WHICH YOU HOLD A CLAIM. EACH BALLOT MAY BE USED ONLY FOR THE CLASS OF CLAIMS INDICATED ON THE BALLOT. IF MORE THAN ONE BALLOT IS RECEIVED FROM YOU FOR THE SAME CLASS, THE LATEST BALLOT RECEIVED PRIOR TO THE BALLOTING DEADLINE WILL BE COUNTED, BY REFERENCE FIRST TO THE DATE OF THE BALLOTS, AND IF EITHER BALLOT IS UNDATED, BY REFERENCE TO THE POSTMARK OR OTHER INDICIA OF THE DATE OF TRANSMISSION.

**DISCLAIMER.** BEFORE CASTING YOUR VOTE, YOU SHOULD REVIEW THE ENCLOSED PLAN AND DISCLOSURE STATEMENT, WHICH THE BANKRUPTCY COURT HAS APPROVED FOR DISTRIBUTION. YOU MAY WISH TO SEEK LEGAL OR OTHER ADVICE CONCERNING THE PLAN AND THE CLASSIFICATION AND TREATMENT OF YOUR CLAIM UNDER THE PLAN. YOUR CLAIM, IF ANY, HAS BEEN PLACED IN CLASS 5 UNDER THE PLAN. PLEASE REFER TO THE PLAN AND DISCLOSURE STATEMENT FOR FURTHER INFORMATION. IF YOU DO NOT HAVE A PLAN AND DISCLOSURE STATEMENT, YOU MAY OBTAIN A COPY FROM CREIM MACIAS KOENIG & FREY LLP, ATTN: KELLI NIELSEN, 633 WEST FIFTH STREET, 51ST FLOOR, LOS ANGELES, CALIFORNIA 90071, FACSIMILE (213) 614-1961.

**BALLOT DOES NOT CONSTITUTE A CLAIM.** THIS BALLOT DOES NOT CONSTITUTE A PROOF OF CLAIM, AN AMENDMENT TO A PROOF OF CLAIM, OR A WAIVER OF ANY BAR DATE OR DEADLINE TO FILE A PROOF OF CLAIM.

**NO ENCLOSURES.** DO NOT ENCLOSE ANY CORRESPONDENCE, SECURITIES, INSTRUMENTS, OR OTHER DOCUMENTS WITH THIS BALLOT.

**QUESTIONS.** IF YOUR BALLOT IS DAMAGED, IF YOU NEED ADDITIONAL BALLOTS, OR IF YOU HAVE ANY QUESTIONS ABOUT VOTING PROCEDURES, YOU SHOULD CONTACT KELLI NIELSEN, BALLOT TABULATOR, AT CREIM MACIAS KOENIG & FREY LLP, 633 WEST FIFTH STREET, 51ST FLOOR, LOS ANGELES, CALIFORNIA 90071, FACSIMILE (213) 614-1961.

**UNITED STATES BANKRUPTCY COURT**
**CENTRAL DISTRICT OF CALIFORNIA**
**LOS ANGELES DIVISION**

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| IN RE:<br><br>BAY AREA FINANCIAL CORPORATION,<br><br>DEBTOR AND DEBTOR IN POSSESSION. | CASE NO.: 2:13-BK-38974-TD<br><br>CHAPTER 11 |

**BALLOT FOR CLASS 6**

FOR **ACCEPTING** OR **REJECTING**

*FIRST AMENDED PLAN OF REORGANIZATION/LIQUIDATION PROPOSED BY DEBTOR, BAY AREA FINANCIAL CORPORATION ("PLAN")*

AND

**STEP 1.** **AMOUNT OF CLAIM.** THE UNDERSIGNED ENTITY HOLDS A CLASS 6 COMMERCIAL PAPER ACCOUNT CLAIM AGAINST BAY AREA FINANCIAL CORPORATION ("DEBTOR") IN THE AMOUNT OF $_____.

**STEP 2.** **VOTING.** WITH RESPECT TO THE PLAN, AND THE CLASS 6 CLAIM, SUCH CLAIMANT HEREBY VOTES TO:

☐ **ACCEPT THE PLAN** ☐ **REJECT THE PLAN**

***YOU MAY CHECK ONLY ONE BOX IN STEP 2. YOUR VOTE WILL BE DEEMED TO ACCEPT THE PLAN IF YOU DO NOT CHECK A BOX OR IF YOU CHECK BOTH BOXES.***

**STEP 3.** **CREDITOR INFORMATION AND SIGNATURE.** BY SIGNING THIS BALLOT, YOU ACKNOWLEDGE THAT YOU RECEIVED A COPY OF THE PLAN AND THE *DISCLOSURE STATEMENT PROPOSED THE DEBTOR.*

SIGNATURE:

_____

IF BY AUTHORIZED AGENT, NAME AND TITLE:

_____
***(PRINT OR TYPE NAME)***

DATE COMPLETED: _____AUGUST_, 2014

**STEP 4.** **SUBMISSION OF BALLOT.** YOU MUST RETURN THIS BALLOT TO THE BALLOT TABULATOR BY US MAIL, EMAIL OR FACSIMILE SO THAT IT IS RECEIVED BY NO LATER THAN **5:00 P.M. PACIFIC TIME ON AUGUST 8, 2014** TO: CREIM MACIAS KOENIG & FREY LLP, ATTN: KELLI NIELSEN, BALLOT TABULATOR, 633 WEST FIFTH STREET, 51ST FLOOR, LOS ANGELES, CALIFORNIA 90071, FACSIMILE (213) 614-1961.

***(INSTRUCTIONS CONTINUE ON NEXT PAGE)***

## VOTING INFORMATION AND ADDITIONAL INSTRUCTIONS

**PLAN CONFIRMATION.** ENCLOSED IS THE DISCLOSURE STATEMENT AND PLAN PROPOSED THE DEBTOR. THE BANKRUPTCY COURT MAY CONFIRM THE PLAN IF, AMONG OTHER THINGS, IT IS ACCEPTED BY (A) CREDITORS HOLDING CLAIMS TOTALING AT LEAST TWO-THIRDS IN AMOUNT AND A MAJORITY IN NUMBER OF ALL CLAIMS IN EACH CLASS VOTING ON THE PLAN AND (B) HOLDERS OF EQUITY INTERESTS HOLDING AT LEAST TWO-THIRDS IN AMOUNT OF THE ALLOWED INTERESTS ACTUALLY VOTING IN THAT CLASS VOTE TO ACCEPT THE PLAN. EVEN IF ALL CLASSES DO NOT ACCEPT THE PLAN, THE BANKRUPTCY COURT MAY CONFIRM THE PLAN IF THE TREATMENT AFFORDED THE CLASS OR CLASSES REJECTING THE PLAN SATISFIES THE BANKRUPTCY CODE SECTION 1129(B) STANDARD FOR NONCONSENSUAL CONFIRMATION. IF THE BANKRUPTCY COURT CONFIRMS THE PLAN, IT WILL BE BINDING ON YOU.

**VOTING PROCEDURE.**

IF YOU HOLD A CLASS 6 CLAIM UNDER THE PLAN AND WISH TO VOTE TO ACCEPT OR REJECT THE PLAN, YOU MUST COMPLETE THIS BALLOT AND RETURN IT TO THE BALLOT TABULATOR BY FIRST-CLASS MAIL, OVERNIGHT DELIVERY OR FACSIMILE. WHEN RETURNING YOUR BALLOT, PLEASE CAREFULLY FOLLOW THE INSTRUCTIONS SET FORTH IN STEP 4 OF THE BALLOT.

**FOR YOUR VOTE TO BE COUNTED AS VOTING FOR OR AGAINST THE PLAN, YOU MUST FULLY COMPLETE THE BALLOT, INDICATE EITHER ACCEPTANCE OR REJECTION OF THE PLAN IN THE APPROPRIATE SPACE ON THE FIRST PAGE, AND SIGN AND RETURN THIS BALLOT TO KELLI NIELSEN AT CREIM MACIAS KOENIG & FREY LLP, 633 WEST FIFTH STREET, 51ST FLOOR, LOS ANGELES, CALIFORNIA 90071, FACSIMILE (213) 614-1961, SO THAT IT IS RECEIVED NO LATER THAN 5:00 P.M. PACIFIC TIME ON AUGUST 8, 2014. BALLOTS RECEIVED LATE WILL NOT BE COUNTED.**

EXCEPT AS OTHERWISE SET FORTH IN STEP 2 ON THE FIRST PAGE, IF A BALLOT IS NOT COMPLETED IN ITS ENTIRETY SO THAT ALL THE REQUIRED INFORMATION AND SIGNATURES ARE PROVIDED, THE BALLOT WILL NOT BE COUNTED UNLESS THE BANKRUPTCY COURT ORDERS OTHERWISE. IF YOU HOLD CLAIMS IN MORE THAN ONE CLASS UNDER THE PLAN, YOU SHOULD RECEIVE A DIFFERENT BALLOT FOR EACH CLASS IN WHICH YOU HOLD A CLAIM. EACH BALLOT MAY BE USED ONLY FOR THE CLASS OF CLAIMS INDICATED ON THE BALLOT. IF MORE THAN ONE BALLOT IS RECEIVED FROM YOU FOR THE SAME CLASS, THE LATEST BALLOT RECEIVED PRIOR TO THE BALLOTING DEADLINE WILL BE COUNTED, BY REFERENCE FIRST TO THE DATE OF THE BALLOTS, AND IF EITHER BALLOT IS UNDATED, BY REFERENCE TO THE POSTMARK OR OTHER INDICIA OF THE DATE OF TRANSMISSION.

**DISCLAIMER.** BEFORE CASTING YOUR VOTE, YOU SHOULD REVIEW THE ENCLOSED PLAN AND DISCLOSURE STATEMENT, WHICH THE BANKRUPTCY COURT HAS APPROVED FOR DISTRIBUTION. YOU MAY WISH TO SEEK LEGAL OR OTHER ADVICE CONCERNING THE PLAN AND THE CLASSIFICATION AND TREATMENT OF YOUR CLAIM UNDER THE PLAN. YOUR CLAIM, IF ANY, HAS BEEN PLACED IN CLASS 6 UNDER THE PLAN. PLEASE REFER TO THE PLAN AND DISCLOSURE STATEMENT FOR FURTHER INFORMATION. IF YOU DO NOT HAVE A PLAN AND DISCLOSURE STATEMENT, YOU MAY OBTAIN A COPY FROM CREIM MACIAS KOENIG & FREY LLP, ATTN: KELLI NIELSEN, 633 WEST FIFTH STREET, 51ST FLOOR, LOS ANGELES, CALIFORNIA 90071, FACSIMILE (213) 614-1961.

**BALLOT DOES NOT CONSTITUTE A CLAIM.** THIS BALLOT DOES NOT CONSTITUTE A PROOF OF CLAIM, AN AMENDMENT TO A PROOF OF CLAIM, OR A WAIVER OF ANY BAR DATE OR DEADLINE TO FILE A PROOF OF CLAIM.

**NO ENCLOSURES.** DO NOT ENCLOSE ANY CORRESPONDENCE, SECURITIES, INSTRUMENTS, OR OTHER DOCUMENTS WITH THIS BALLOT.

**QUESTIONS.** IF YOUR BALLOT IS DAMAGED, IF YOU NEED ADDITIONAL BALLOTS, OR IF YOU HAVE ANY QUESTIONS ABOUT VOTING PROCEDURES, YOU SHOULD CONTACT KELLI NIELSEN, BALLOT TABULATOR, AT CREIM MACIAS KOENIG & FREY LLP, 633 WEST FIFTH STREET, 51ST FLOOR, LOS ANGELES, CALIFORNIA 90071, FACSIMILE (213) 614-1961.

**UNITED STATES BANKRUPTCY COURT**
**CENTRAL DISTRICT OF CALIFORNIA**
**LOS ANGELES DIVISION**

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| IN RE:<br><br>BAY AREA FINANCIAL CORPORATION,<br><br>DEBTOR AND DEBTOR IN POSSESSION. | CASE NO.: 2:13-BK-38974-TD<br><br>CHAPTER 11 |

**BALLOT FOR CLASS 7**

FOR **ACCEPTING** OR **REJECTING**

*FIRST AMENDED PLAN OF REORGANIZATION/LIQUIDATION PROPOSED BY DEBTOR, BAY AREA FINANCIAL CORPORATION ("PLAN")*

AND

**STEP 1.** **AMOUNT OF CLAIM.** THE UNDERSIGNED ENTITY HOLDS A CLASS 7 COMMERCIAL PAPER ACCOUNT CLAIM AGAINST BAY AREA FINANCIAL CORPORATION ("DEBTOR") IN THE AMOUNT OF $_____.

**STEP 2.** **VOTING.** WITH RESPECT TO THE PLAN, AND THE CLASS 7 CLAIM, SUCH CLAIMANT HEREBY VOTES TO:

☐ **ACCEPT THE PLAN** ☐ **REJECT THE PLAN**

***YOU MAY CHECK ONLY ONE BOX IN STEP 2. YOUR VOTE WILL BE DEEMED TO ACCEPT THE PLAN IF YOU DO NOT CHECK A BOX OR IF YOU CHECK BOTH BOXES.***

**STEP 3.** **CREDITOR INFORMATION AND SIGNATURE.** BY SIGNING THIS BALLOT, YOU ACKNOWLEDGE THAT YOU RECEIVED A COPY OF THE PLAN AND THE *DISCLOSURE STATEMENT PROPOSED THE DEBTOR.*

SIGNATURE:

_____

IF BY AUTHORIZED AGENT, NAME AND TITLE:

_____
***(PRINT OR TYPE NAME)***

DATE COMPLETED: AUGUST _, 2014

**STEP 4.** **SUBMISSION OF BALLOT.** YOU MUST RETURN THIS BALLOT TO THE BALLOT TABULATOR BY US MAIL, EMAIL OR FACSIMILE SO THAT IT IS RECEIVED BY NO LATER THAN **5:00 P.M. PACIFIC TIME ON AUGUST 8, 2014** TO: CREIM MACIAS KOENIG & FREY LLP, ATTN: KELLI NIELSEN, BALLOT TABULATOR, 633 WEST FIFTH STREET, 51ST FLOOR, LOS ANGELES, CALIFORNIA 90071, FACSIMILE (213) 614-1961.

***(INSTRUCTIONS CONTINUE ON NEXT PAGE)***

## VOTING INFORMATION AND ADDITIONAL INSTRUCTIONS

**PLAN CONFIRMATION.** ENCLOSED IS THE DISCLOSURE STATEMENT AND PLAN PROPOSED THE DEBTOR. THE BANKRUPTCY COURT MAY CONFIRM THE PLAN IF, AMONG OTHER THINGS, IT IS ACCEPTED BY (A) CREDITORS HOLDING CLAIMS TOTALING AT LEAST TWO-THIRDS IN AMOUNT AND A MAJORITY IN NUMBER OF ALL CLAIMS IN EACH CLASS VOTING ON THE PLAN AND (B) HOLDERS OF EQUITY INTERESTS HOLDING AT LEAST TWO-THIRDS IN AMOUNT OF THE ALLOWED INTERESTS ACTUALLY VOTING IN THAT CLASS VOTE TO ACCEPT THE PLAN. EVEN IF ALL CLASSES DO NOT ACCEPT THE PLAN, THE BANKRUPTCY COURT MAY CONFIRM THE PLAN IF THE TREATMENT AFFORDED THE CLASS OR CLASSES REJECTING THE PLAN SATISFIES THE BANKRUPTCY CODE SECTION 1129(B) STANDARD FOR NONCONSENSUAL CONFIRMATION. IF THE BANKRUPTCY COURT CONFIRMS THE PLAN, IT WILL BE BINDING ON YOU.

**VOTING PROCEDURE.**

IF YOU HOLD A CLASS 7 CLAIM UNDER THE PLAN AND WISH TO VOTE TO ACCEPT OR REJECT THE PLAN, YOU MUST COMPLETE THIS BALLOT AND RETURN IT TO THE BALLOT TABULATOR BY FIRST-CLASS MAIL, OVERNIGHT DELIVERY OR FACSIMILE. WHEN RETURNING YOUR BALLOT, PLEASE CAREFULLY FOLLOW THE INSTRUCTIONS SET FORTH IN STEP 4 OF THE BALLOT.

**FOR YOUR VOTE TO BE COUNTED AS VOTING FOR OR AGAINST THE PLAN, YOU MUST FULLY COMPLETE THE BALLOT, INDICATE EITHER ACCEPTANCE OR REJECTION OF THE PLAN IN THE APPROPRIATE SPACE ON THE FIRST PAGE, AND SIGN AND RETURN THIS BALLOT TO KELLI NIELSEN AT CREIM MACIAS KOENIG & FREY LLP, 633 WEST FIFTH STREET, 51ST FLOOR, LOS ANGELES, CALIFORNIA 90071, FACSIMILE (213) 614-1961, SO THAT IT IS RECEIVED NO LATER THAN 5:00 P.M. PACIFIC TIME ON AUGUST 8, 2014. BALLOTS RECEIVED LATE WILL NOT BE COUNTED.**

EXCEPT AS OTHERWISE SET FORTH IN STEP 2 ON THE FIRST PAGE, IF A BALLOT IS NOT COMPLETED IN ITS ENTIRETY SO THAT ALL THE REQUIRED INFORMATION AND SIGNATURES ARE PROVIDED, THE BALLOT WILL NOT BE COUNTED UNLESS THE BANKRUPTCY COURT ORDERS OTHERWISE. IF YOU HOLD CLAIMS IN MORE THAN ONE CLASS UNDER THE PLAN, YOU SHOULD RECEIVE A DIFFERENT BALLOT FOR EACH CLASS IN WHICH YOU HOLD A CLAIM. EACH BALLOT MAY BE USED ONLY FOR THE CLASS OF CLAIMS INDICATED ON THE BALLOT. IF MORE THAN ONE BALLOT IS RECEIVED FROM YOU FOR THE SAME CLASS, THE LATEST BALLOT RECEIVED PRIOR TO THE BALLOTING DEADLINE WILL BE COUNTED, BY REFERENCE FIRST TO THE DATE OF THE BALLOTS, AND IF EITHER BALLOT IS UNDATED, BY REFERENCE TO THE POSTMARK OR OTHER INDICIA OF THE DATE OF TRANSMISSION.

**DISCLAIMER.** BEFORE CASTING YOUR VOTE, YOU SHOULD REVIEW THE ENCLOSED PLAN AND DISCLOSURE STATEMENT, WHICH THE BANKRUPTCY COURT HAS APPROVED FOR DISTRIBUTION. YOU MAY WISH TO SEEK LEGAL OR OTHER ADVICE CONCERNING THE PLAN AND THE CLASSIFICATION AND TREATMENT OF YOUR CLAIM UNDER THE PLAN. YOUR CLAIM, IF ANY, HAS BEEN PLACED IN CLASS 7 UNDER THE PLAN. PLEASE REFER TO THE PLAN AND DISCLOSURE STATEMENT FOR FURTHER INFORMATION. IF YOU DO NOT HAVE A PLAN AND DISCLOSURE STATEMENT, YOU MAY OBTAIN A COPY FROM CREIM MACIAS KOENIG & FREY LLP, ATTN: KELLI NIELSEN, 633 WEST FIFTH STREET, 51ST FLOOR, LOS ANGELES, CALIFORNIA 90071, FACSIMILE (213) 614-1961.

**BALLOT DOES NOT CONSTITUTE A CLAIM.** THIS BALLOT DOES NOT CONSTITUTE A PROOF OF CLAIM, AN AMENDMENT TO A PROOF OF CLAIM, OR A WAIVER OF ANY BAR DATE OR DEADLINE TO FILE A PROOF OF CLAIM.

**NO ENCLOSURES.** DO NOT ENCLOSE ANY CORRESPONDENCE, SECURITIES, INSTRUMENTS, OR OTHER DOCUMENTS WITH THIS BALLOT.

**QUESTIONS.** IF YOUR BALLOT IS DAMAGED, IF YOU NEED ADDITIONAL BALLOTS, OR IF YOU HAVE ANY QUESTIONS ABOUT VOTING PROCEDURES, YOU SHOULD CONTACT KELLI NIELSEN, BALLOT TABULATOR, AT CREIM MACIAS KOENIG & FREY LLP, 633 WEST FIFTH STREET, 51ST FLOOR, LOS ANGELES, CALIFORNIA 90071, FACSIMILE (213) 614-1961.

**UNITED STATES BANKRUPTCY COURT**
**CENTRAL DISTRICT OF CALIFORNIA**
**LOS ANGELES DIVISION**

| | |
|---|---|
| IN RE:<br><br>BAY AREA FINANCIAL CORPORATION,<br><br>DEBTOR AND DEBTOR IN POSSESSION. | CASE NO.: 2:13-BK-38974-TD<br><br>CHAPTER 11 |

**BALLOT FOR CLASS 8**

FOR **ACCEPTING** OR **REJECTING**

*FIRST AMENDED PLAN OF REORGANIZATION/LIQUIDATION PROPOSED BY DEBTOR, BAY AREA FINANCIAL CORPORATION ("PLAN")*

AND

**STEP 1.** **AMOUNT OF INTEREST.** THE UNDERSIGNED HOLDS A __% EQUITY INTEREST IN CLASS 8 IN BAY AREA FINANCIAL CORPORATION ("DEBTOR").

**STEP 2.** **VOTING.** WITH RESPECT TO THE PLAN, AND THE CLASS 8 INTEREST, SUCH HOLDER HEREBY VOTES TO:

☐ **ACCEPT THE PLAN** ☐ **REJECT THE PLAN**

***YOU MAY CHECK ONLY ONE BOX IN STEP 2. YOUR VOTE WILL BE DEEMED TO ACCEPT THE PLAN IF YOU DO NOT CHECK A BOX OR IF YOU CHECK BOTH BOXES.***

**STEP 3.** **INTEREST HOLDER INFORMATION AND SIGNATURE.** BY SIGNING THIS BALLOT, YOU ACKNOWLEDGE THAT YOU RECEIVED A COPY OF THE PLAN AND THE *DISCLOSURE STATEMENT PROPOSED THE DEBTOR.*

SIGNATURE:

_____

IF BY AUTHORIZED AGENT, NAME AND TITLE:

_____
***(PRINT OR TYPE NAME)***

DATE COMPLETED: AUGUST __, 2014

**STEP 4.** **SUBMISSION OF BALLOT.** YOU MUST RETURN THIS BALLOT TO THE BALLOT TABULATOR BY US MAIL, EMAIL OR FACSIMILE AT THE FOLLOWING ADDRESS SO THAT IT IS RECEIVED BY NO LATER THAN **5:00 P.M. PACIFIC TIME ON AUGUST 8, 2014** TO: CREIM MACIAS KOENIG & FREY LLP, ATTN: KELLI NIELSEN, BALLOT TABULATOR, 633 WEST FIFTH STREET, 51ST FLOOR, LOS ANGELES, CALIFORNIA 90071, FACSIMILE (213) 614-1961.

***(INSTRUCTIONS CONTINUE ON NEXT PAGE)***

## VOTING INFORMATION AND ADDITIONAL INSTRUCTIONS

**PLAN CONFIRMATION.** ENCLOSED IS THE DISCLOSURE STATEMENT AND PLAN PROPOSED THE DEBTOR. .

**VOTING PROCEDURE.**

IF YOU HOLD A CLASS 8 INTEREST UNDER THE PLAN AND WISH TO VOTE TO ACCEPT OR REJECT THE PLAN, YOU MUST COMPLETE THIS BALLOT AND RETURN IT TO THE BALLOT TABULATOR BY FIRST-CLASS MAIL, OVERNIGHT DELIVERY OR FACSIMILE. WHEN RETURNING YOUR BALLOT, PLEASE CAREFULLY FOLLOW THE INSTRUCTIONS SET FORTH IN STEP 4 OF THE BALLOT.

**FOR YOUR VOTE TO BE COUNTED AS VOTING FOR OR AGAINST THE PLAN, YOU MUST FULLY COMPLETE THE BALLOT, INDICATE EITHER ACCEPTANCE OR REJECTION OF THE PLAN IN THE APPROPRIATE SPACE ON THE FIRST PAGE, AND SIGN AND RETURN THIS BALLOT TO KELLI NIELSEN AT CREIM MACIAS KOENIG & FREY LLP, 633 WEST FIFTH STREET, 51ST FLOOR, LOS ANGELES, CALIFORNIA 90071, FACSIMILE (213) 614-1961, SO THAT IT IS RECEIVED NO LATER THAN 5:00 P.M. PACIFIC TIME ON AUGUST 8, 2014. BALLOTS RECEIVED LATE WILL NOT BE COUNTED.**

EXCEPT AS OTHERWISE SET FORTH IN STEP 2 ON THE FIRST PAGE, IF A BALLOT IS NOT COMPLETED IN ITS ENTIRETY SO THAT ALL THE REQUIRED INFORMATION AND SIGNATURES ARE PROVIDED, THE BALLOT WILL NOT BE COUNTED UNLESS THE BANKRUPTCY COURT ORDERS OTHERWISE. EACH BALLOT MAY BE USED ONLY FOR THE CLASS OF INTEREST INDICATED ON THE BALLOT. IF MORE THAN ONE BALLOT IS RECEIVED FROM YOU FOR THE SAME CLASS, THE LATEST BALLOT RECEIVED PRIOR TO THE BALLOTING DEADLINE WILL BE COUNTED, BY REFERENCE FIRST TO THE DATE OF THE BALLOTS, AND IF EITHER BALLOT IS UNDATED, BY REFERENCE TO THE POSTMARK OR OTHER INDICIA OF THE DATE OF TRANSMISSION.

**DISCLAIMER.** BEFORE CASTING YOUR VOTE, YOU SHOULD REVIEW THE ENCLOSED PLAN AND DISCLOSURE STATEMENT, WHICH THE BANKRUPTCY COURT HAS APPROVED FOR DISTRIBUTION. YOU MAY WISH TO SEEK LEGAL OR OTHER ADVICE CONCERNING THE PLAN AND THE CLASSIFICATION AND TREATMENT OF YOUR INTEREST UNDER THE PLAN. YOUR INTEREST, IF ANY, HAS BEEN PLACED IN CLASS 8 UNDER THE PLAN. PLEASE REFER TO THE PLAN AND DISCLOSURE STATEMENT FOR FURTHER INFORMATION. IF YOU DO NOT HAVE A PLAN AND DISCLOSURE STATEMENT, YOU MAY OBTAIN A COPY FROM CREIM MACIAS KOENIG & FREY LLP, ATTN: KELLI NIELSEN, 633 WEST FIFTH STREET, 51ST FLOOR, LOS ANGELES, CALIFORNIA 90071, FACSIMILE (213) 614-1961.

**BALLOT DOES NOT CONSTITUTE A CLAIM OR INTEREST.** THIS BALLOT DOES NOT CONSTITUTE A PROOF OF CLAIM OR INTEREST, AN AMENDMENT TO A PROOF OF CLAIM OR INTEREST, OR A WAIVER OF ANY BAR DATE OR DEADLINE TO FILE A PROOF OF CLAIM OR INTEREST.

**NO ENCLOSURES.** DO NOT ENCLOSE ANY CORRESPONDENCE, SECURITIES, INSTRUMENTS, OR OTHER DOCUMENTS WITH THIS BALLOT.

**QUESTIONS.** IF YOUR BALLOT IS DAMAGED, IF YOU NEED ADDITIONAL BALLOTS, OR IF YOU HAVE ANY QUESTIONS ABOUT VOTING PROCEDURES, YOU SHOULD CONTACT KELLI NIELSEN, BALLOT TABULATOR, AT CREIM MACIAS KOENIG & FREY LLP, 633 WEST FIFTH STREET, 51ST FLOOR, LOS ANGELES, CALIFORNIA 90071, FACSIMILE (213) 614-1961.

**EXHIBIT "H"**

| | |
|---|---|
| In re<br><br>**BAY AREA FINANCIAL CORPORATION,**<br><br>Debtor and Debtor-In-Possession ("Debtor") | CASE NO.: 2:13-bk-38974-TD<br><br>Chapter 11<br><br>**Confirmation Hearing to be held on**:<br>Date: August 20, 2014<br>Time: 10:00 a.m.<br>Ctrm: 1345 |

**RELEASE FOR CLASS 4 EARLY CASH-OUT ELECTION PAYMENT RESPECTING FIRST AMENDED PLAN OF REORGANIZATION/LIQUIDATION PROPOSED BY DEBTOR**

***WHEREAS***, a hearing was held on June 18, 2014, at 10:00 a.m. ("*June 18th Hearing*") before the Honorable Thomas B. Donovan, United States Bankruptcy Judge, to consider the adequacy of the *First Amended Disclosure Statement Describing First Amended Plan of Reorganization Proposed by Debtor, Bay Area Financial Corporation* ("Disclosure Statement"). At the June 18th Hearing, the Court approved the Disclosure Statement.

***WHEREAS***, pursuant to the *First Amended Plan of Reorganization/Liquidation Proposed by Debtor, Bay Area Financial Corporation* ("Plan") which has been served on all parties required to be served, along with the Disclosure Statement, the Holders of Commercial Paper Account Claims are treated in Class 5.

***WHEREAS***, pursuant to the *Plan,* Holders of Commercial Paper Account Claims treated in Class 5 are given an option to elect into the treatment of Class 4. Class 4 is an ***Early Cash-Out Election Class*** created for Holders of Allowed Commercial Paper Account Claims whose unpaid principal balance and accrued and unpaid interest as of the Petition Date is greater than **$0** and less than or equal to **$200,000** (or for which the Creditor elects pursuant to the appropriate election on the Ballot for Class 5 to reduce such Allowed Claim to $200,000), and who would rather accept a discounted payoff on the Effective Date, rather than accepting deferred payments and waiting for the orderly liquidation to be completed.

***WHEREAS***, the undersigned Holder of a Commercial Paper Account Claim (hereinafter referred to as the "Class 4 Claimant") has elected to be treated in Class 4.

***WHEREFORE*, FOR FAIR AND ADEQUATE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH IS ACKNOWLEDGED, THE UNDERSIGNED CLASS 4 CLAIMANT HEREBY EXECUTES AND DELIVERS THE FOLLOWING RELEASE PURSUANT TO THE TREATMENT OF CLASS 4 UNDER THE PLAN.**

Except as expressly provided in Class 4 of the Plan, the Class 4 Claimant on behalf of himself, herself or its-self and his, her or its respective Related Parties (as defined below) (collectively the "*Class 4 Releasing Parties*") shall and do hereby, release and forever discharge Bay Area Financial Corporation, Debtor and Debtor in Possession ("*Debtor*"), the Debtor's Bankruptcy Estate, Kenneth J. Pingree Jr., Patricia Pingree and each of their respective Related Parties (as defined below) (collectively "Debtor Released Parties") from any and all Commercial Paper Account Claims (as defined in the Plan), and any and all other Claims (as defined in the Plan), demands, losses, costs (including attorney's fees), damages, actions, causes of action (whether at law or in equity), suits, judgments, executions, attachments, debts, contracts, accounts,

agreements, promises, liabilities and obligations of every kind and nature whatsoever, whether now known or unknown, whether suspected or unsuspected, whether fixed or contingent, and whether or not heretofore asserted, which exist among them of any kind or nature, including, without limitation, in any way arising out of, related to, in connection with, or existing by virtue of the Commercial Paper Account Claim or any other Claim of any kind or nature. Without in any way limiting the scope of the foregoing release, the Class 4 Releasing Parties, and each of them, covenant, represent and agree, that they will forever refrain from instituting, pursuing, or in any way asserting or threatening to assert in any jurisdiction, federal, state or local, foreign or domestic, any Claims of any kind or nature against the Debtor Released Parties, whatsoever, which are the subject of this Release. This Release shall constitute a full and complete defense to any such released Claims, and any other proceeding which may be brought by or on behalf of any of them concerning the released Claims.

Waiver of California Civil Code § 1542. By this Release, the Class 4 Releasing Parties, and each of them, expressly waive and relinquish any and all protections provided under section 1542 of the California Civil Code and any all similar rights, rules, regulations, and provisions of the laws of other state and federal jurisdictions. Each of the Class 4 Releasing Parties represents, acknowledges and agrees that it has been advised by its legal counsel of, and is familiar with, and understands the effect of section 1542 of the California Civil Code, which provides as follows:

> A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Each of the Class 4 Releasing Parties is aware that hereafter it may discover claims presently unknown or undisclosed to it, facts in addition to or different from those which it now knows or believes to be true, and/or claims in its favor of which such Class 4 Releasing Party currently is unaware. Nevertheless, by this Release, each of the Class 4 Releasing Parties (i) expressly intends for all of such Claims, if any, to be included within the scope of the foregoing releases and such releases to constitute a full, complete, voluntary, absolute, and general release of all such Claims; and (ii) expressly acknowledges that its waiver and relinquishment of rights under section 1542 of the California Civil Code and all similar rights, rules, regulations, and provisions is an essential element of the consideration provided to the Class 4 Releasing Parties, and that without such waiver and relinquishment, the Debtor would not have provided for the Early Cash-Out Release Payment set forth in Class 4 of the Plan.

As used in this Release, ***Related Parties*** means with respect to any person or entity, all of such person's or entity's direct or indirect subsidiaries, partnerships, management companies, current or former corporations or trusts, staff, shareholders, legal representatives, attorneys, accountants, financial advisors, insurers, heirs, executors, administrators, partners, guarantors, investors, trustees, parents, successors, assigns, managers, affiliates, employees, members, contractors, consultants, agents, officers and directors, all and each in their respective personal and corporate capacities.

This Release shall be deemed to have been executed and delivered within the State of California,

and the rights and obligations of the Parties shall be construed and enforced in accordance with, and governed by, the laws of the State of California, without giving effect to the principles of choice of law or conflicts of law thereof. Venue and exclusive jurisdiction for the enforcement of this Release shall be in the United States Bankruptcy Court, Central District of California.

The Parties further agree that this Release may be executed by facsimile or electronic signature, with such facsimile or electronic signature to have the same force, validity and effect as an original signature.

By signing this Release, the Class 4 Claimant acknowledges that he, she or it has received a copy of the Plan and the Disclosure Statement proposed the Debtor; that no representations have been made to Claimant other than those set forth in the approved Disclosure Statement; Claimant has voluntarily made an election to be treated in Class 4 of the Plan; and, Claimant accepts the treatment proposed under Class 4 and enters into this release voluntarily.

SIGNATURE:

_____

IF BY AUTHORIZED AGENT, NAME AND TITLE:

_____

*(PRINT OR TYPE NAME)*

DATE EXECUTED: _____ AUGUST, 2014

# PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is: 633 W. Fifth Street, 51st Floor, Los Angeles, CA 90071

A true and correct copy of the foregoing document entitled (*specify*): ***SUBMISSION OF SOLICITATION PACKAGE FOR FIRST AMENDED PLAN OF REORGANIZATION/LIQUIDATION PROPOSED BY DEBTOR, BAY AREA FINANCIAL CORPORATION*** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

**1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF)**: Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On July 7, 2014, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

| | |
|---|---|
| James C. Bastain | jbastian@shbllp.com |
| Christopher L. Blank | clblank@pacbell.net |
| Teresa K. Breman | tbreman@bremanlaw.com |
| Richard W. Brunette | rbrunette@sheppardmullin.com; vlamonica@sheppardmullin.com |
| Sandford Frey | sfrey@cmkllp.com |
| Leslie S. Gold | lgold@gershunikatz.com |
| Ira Benjamin Katz | ikatz@gershunikatz.com |
| Ori Katz | okatz@sheppardmullin.com; ewalters@sheppardmullin.com |
| Paul H. Kim | Pkim@counsel.lacounty.gov |
| Stuart I. Koenig | skoenig@cmkllp.com |
| Mary D. Lane | mal@msk.com; mec@msk.com |
| Melissa Davis Lowe | mdavis@shbllp.com |
| Queenie K. Ng | queenie.k.ng@usdoj.gov |
| Matthew J. Riopelle | mriopelle@foley.com |
| Daren M. Schlecter | daren@schlecterlaw.com |
| U.S. Trustee (LA) | ustpregion16.la.ecf@usdoj.gov |
| Marta C. Wade | mwade@cmkllp.com; knielsen@cmkllp.com |
| Andrew F. Whatnall | awhatnall@daca4.com |
| Douglas Wolfe | dwolfe@asmcapital.com |

☐ Service information continued on attached page

**2. SERVED BY UNITED STATES MAIL**: On (*date*) July 7, 2014, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page

**3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL** (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) July 7, 2014, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Honorable Thomas B. Donovan [by Personal Delivery]
United States Bankruptcy Court
255 E. Temple Street
Los Angeles, CA 90012

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

| July 7, 2014 | Kelli Nielsen | /s/Kelli Nielsen |
|---|---|---|
| *Date* | *Printed Name* | *Signature* |