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UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

SANTA ANA DIVISION

In re BOUNDARY BAY CAPITAL, LLC, a California limited liability company, Debtor-in-Possession.	Case No. 8:11-bk-14298-CB Chapter 11 **THIRD AMENDED DISCLOSURE STATEMENT DESCRIBING THIRD AMENDED CHAPTER 11 PLAN** Cont. Disclosure Statement Hearing DATE: December 12, 2012 TIME: 10:00 a.m. PLACE: Courtroom 5D 411 W. Fourth St. Santa Ana, CA 92701 Plan Confirmation Hearing DATE: TIME: PLACE: Courtroom 5D 411 W. Fourth St. Santa Ana, CA 92701

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Boundary Bay Capital, LLC, debtor and debtor-in-possession ("Debtor"), provides this *Third Amended Disclosure Statement Describing Third Amended Chapter 11 Plan* (the "Disclosure Statement") to creditors, pursuant to § 1125 of the Bankruptcy Code, in connection with the solicitation of acceptances of its Third Amended Chapter 11 Plan (the "Plan") filed with the United States Bankruptcy Court for the Central District of California (the "Court") in the above-captioned chapter 11 bankruptcy case (the "Case").

I. INTRODUCTION

The Case was commenced by the filing of a voluntary chapter 11 petition under the United States Bankruptcy Code (the "Bankruptcy Code" or "Code"), 11 U.S.C. §§ 101 *et seq.*, on or about March 28, 2011 (the "Petition Date").

Chapter 11 allows debtors, and, under some circumstances, creditors and other parties in interest to propose a plan. A 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. The Debtor is the proponent of the Plan, which was sent to you in the same envelope as this document. THE DOCUMENT YOU ARE READING IS THE DISCLOSURE STATEMENT FOR THE ENCLOSED PLAN.

The Plan is a reorganizing plan. As described in detail below, creditors holding unsecured claims (Allowed General Unsecured Claims) will become the new owners of the Debtor (and all the equity interests of the current owners will be terminated). Secured creditors will be paid through the surrender or sale of their collateral or through payments over time, in some cases on a restructured basis. The payments under the Plan will be funded through the proceeds of a post-petition loan obtained by NewCo, a new company in which the Debtor will have a membership interest, sales of assets, and funds generated through operations. The Debtor will make periodic distributions to creditors (as equity holders of the Reorganized Debtor) as net proceeds become available ("Equity Distributions").

The Debtor believes that, in the absence of the chapter 11 reorganization and the confirmation of the Plan, the Debtor's assets would be liquidated at substantially

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discounted prices, leaving much less to pay creditors. The Plan, on the other hand, allows the Debtor to maximize the return to creditors through the orderly administration of its assets. For example, the real property assets being sold will be sold through NewCo over sufficient time periods to generate the highest potential recoveries (and not "fire sale" prices). The Debtor will continue to collect its good receivables (and will not have to liquidate them on a discounted basis). As to loans owned by the Debtor that are in default, the Debtor or NewCo may, over time, take possession of the collateral and then monetize it for the benefit of creditors. In furtherance of this process, the Debtor has been and the Reorganized Debtor will continue to address the current challenges impacting the assets, which if not resolved will severely undermine the value of the assets available for distribution.

In sum, the Debtor believes that the Plan will provide the greatest potential recovery for creditors through maximizing the returns on the assets.

The Effective Date of the Plan will be the first Business Day that is fourteen (14) days after the entry of an order confirming the Plan (the "Confirmation Order"), provided there has been no order staying the effectiveness of the Confirmation Order.

A. The Purpose of This Document

This Disclosure Statement summarizes what is in the Plan, and tells you certain information relating to the Plan and the process the Court follows in determining whether or not to confirm the Plan.

READ THIS DISCLOSURE STATEMENT CAREFULLY IF YOU WANT TO KNOW ABOUT:

1. WHO CAN VOTE ON OR OBJECT TO THE PLAN;
2. WHAT THE TREATMENT OF YOUR CLAIM IS UNDER THE PLAN (*i.e.*, what you will receive on account of your claim if the Plan is confirmed), AND HOW THIS TREATMENT COMPARES TO WHAT YOUR CLAIM WOULD RECEIVE IN LIQUIDATION IN CHAPTER 7;

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3. THE HISTORY OF THE DEBTOR AND SIGNIFICANT EVENTS DURING THE BANKRUPTCY CASE;

4. WHAT THE COURT WILL LOOK AT TO DECIDE WHETHER OR NOT TO CONFIRM THE PLAN;

5. WHAT IS THE EFFECT OF CONFIRMATION; AND

6. WHETHER THIS PLAN IS FEASIBLE.

This Disclosure Statement cannot tell you everything about your rights. You should consider consulting your own lawyer to obtain more specific advice on how the Plan will affect you and what is the best course of action for you. Weiland, Golden, Smiley, Wang Ekvall & Strok, LLP ("Weiland Golden"), general insolvency counsel for the Debtor does not represent you.

Be sure to read the Plan as well as the Disclosure Statement. If there are any inconsistencies between the Plan and the Disclosure Statement, the Plan provisions will govern.

The Code requires that a disclosure statement contain "adequate information" concerning the Plan. By order entered on _____, 2012, the Court 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 can now solicit votes for or against the Plan.[1]

B. Deadlines for Voting and Objecting; Date of the Plan Confirmation Hearing

THE COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN ARE NOT YET BINDING ON ANYONE. HOWEVER, IF THE COURT LATER CONFIRMS

[1] The Disclosure Statement has not yet been approved. A hearing on the approval of the Disclosure Statement will take place on December 12, 2012.

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THE PLAN, THEN THE PLAN WILL BE BINDING ON THE DEBTOR AND ON ALL CREDITORS AND INTEREST HOLDERS IN THIS CASE.

1. Time and Place of the Confirmation Hearing

The hearing where the Court will determine whether or not to confirm the Plan will take place on _____, 20__, at __:__ _.m. in Courtroom 5D of the Ronald Reagan Federal Building and United States Courthouse located at 411 West Fourth Street, Santa Ana, California 92701.

2. Deadline for Voting for or Against the Plan

If you are entitled to vote, it is in your best interest to timely vote on the enclosed ballot and return the ballot in the enclosed envelope to Weiland, Golden, Smiley, Wang Ekvall & Strok, LLP, attn: Hutchison B. Meltzer, Esq. and Claudia Yoshonis, 650 Town Center Drive, Suite 950, Costa Mesa, California 92626.

Your ballot must be received no later than 5:00 p.m. (Pacific Standard Time) _____, 2012 or it will not be counted.

3. Deadline for Objecting to the Confirmation of the Plan

Objections to the confirmation of the Plan must be filed with the Court and served upon counsel for the Debtor so as to be received on ___, 2012.

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

Any interested party desiring further information about the Plan should contact Hutchison B. Meltzer or Beth E. Gaschen of Weiland, Golden, Smiley, Wang Ekvall & Strok, LLP, by phone at (714) 966-1000 or by e-mail at hmeltzer@wgllp.com or bgaschen@wgllp.com.

C. <u>Disclaimer</u>

The financial data relied upon in formulating the Plan is based on the financial records of the Debtor, projections created by the Debtor, or information provided by other parties in interest. The professionals employed by the Debtor drafted the Plan and the Disclosure Statement based on this information and have no independent knowledge

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regarding the accuracy of the data. The Court has not yet determined whether or not the Plan is confirmable and makes no recommendation as to whether or not you should support or oppose the Plan.

II. BACKGROUND

A. Description and History of the Debtor's Business

1. General Background

The Debtor was formed in September, 2004, for the purpose of originating loans secured by real estate. It also managed a portfolio of successful marketable securities, which were sold pre-petition to meet the obligations of the Debtor including, but not limited to, note holder principal and interest payments, interest payments due to other creditors, and operating expenses. The Debtor's primary assets are secured notes. In December, 2008, the Debtor entered into an agreement to assume the assets and liabilities of Covenant Bancorp, Inc. and Covenant Capital, LLC. The Debtor also owns some real property which it obtained through foreclosures on its collateral. The Debtor is not making any new loans.

2. The LV Secured Notes

The Debtor's primary assets include interests in three notes ("LV Notes") secured by first, second, and third position trust deeds ("LV Trust Deeds") on certain real property in Clark County, Nevada ("LV Property") (The LV Property is undeveloped land, which the Debtor estimates to have a value of approximately $14,000,000). There are liens against the first and second position LV Notes and LV Trust Deeds. As described below, the LV Notes exceed the estimated current value of the LV Property. The Debtor's interests in the LV Notes and LV Trust Deeds are:

a. The 1st LV Note and Deed of Trust

The Debtor owns a 100% interest in a note dated November 2, 2006 ("1st LV Note") in the approximate amount of $4,692,600 (original principal amount was $4,000,000)

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executed by BV Land Company, LLC ("BV Land").[2] The 1st LV Note is secured by a first position deed of trust ("1st LV DOT") against the LV Property. The 1st LV and 1st LV DOT names Heritage Orcas as the beneficiary. The Debtor acquired its interest in the 1st LV Note and 1st LV DOT from Heritage Orcas, an entity related to the Debtor.

Prepetition, the Debtor borrowed $160,000 pursuant to an 8% Secured Promissory Note in favor of various parties. The 8% Secured Promissory Note is secured by a first position lien on the 1st LV Note.

b. The 2nd LV Note and Deed of Trust

The Debtor owns a 24.1173% interest in a second position deed of trust on the LV Property ("2nd LV DOT") securing a total obligation of $19,076,316.63 (with the Debtor's portion being $4,600,692.45)[3] ("2nd LV Note"). The Debtor estimates the value of its 24.1173% interest is $2,411,730 based upon the LV Property's estimated value of $14,000,000.

Prepetition, in October, 2009, Enhanced Income Fund I, LLC ("Enhanced Income") received a note ("Enhanced Income Note") in connection with the Debtor's purchase of Enhanced Income's investment in Heritage Orcas. The Enhanced Income Note is secured by a first position lien against the Debtor's interest in the 2nd LV Note and 2nd LV DOT, a lien on the Debtor's interest in Heritage Orcas, and a lien on property owned by the Debtor in Murrieta, California.

The liens on the 2nd LV Note and 2nd LV DOT and the lien on the Debtor's interest in Heritage Orcas will be released pursuant to the compromise with Enhanced Income described below. The current balance of the Enhanced Income Note is approximately $4,254,666.79.

[2] BV Land is a related entity to the Debtor.

[3] The other interests in the 2nd LV Note are held by Heritage Orcas Partners, LP (44.788%), Birch Bay Partners, LP (8.6639%), Heritage Orcas VL Partners (12.5568%), Covenant Opportunity Fund, LP (3.743%), and Echo Bay/Island Capital (6.1299%).

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The Debtor and the Committee have alleged that Enhanced Income's lien on the 2nd LV Note is avoidable, at least in part, as a fraudulent transfer pursuant to 11 U.S.C. §§ 544 and 548 because the Debtor did not receive reasonably equivalent value for the 2nd LV Note ("EI Avoidance Claims"). The Committee examined Enhanced Income regarding these issues under Federal Rule of Bankruptcy Procedure 2004. The Debtor has reached a compromise of the fraudulent transfer claims pursuant to which Enhanced Income's Allowed Secured Claim will be reduced to $2,000,000 with the option of a discount for an early payoff, as described further in Section III.D.2 below ("EI Settlement"). The Debtor will seek approval of this compromise in connection with Plan confirmation.

c. The 3rd LV Note and Deed of Trust

The Debtor also owns a 16.7189% interest in a third position deed of trust on the LV Property ("3rd LV DOT") securing a total obligation of $13,322,143.26 (with the Debtor's portion being $2,227,315.81) ("3rd LV Note"). There is no lien on the Debtor's interest in the 3rd LV DOT. The Debtor estimates that, while it will receive proceeds (or collateral that will then be converted into proceeds) from its interests in the 1st LV Note and the 2nd LV Note, its interest in the 3rd LV Note likely has no value due to the decreased value of the collateral.

3. The LV Property

a. General Overview

The LV Property consists of seventeen (17) parcels of undeveloped land that together total 259.24 gross acres of M2 zoned land. Six (6) of the parcels, totaling approximately 45 acres, are located within Apex Central ("Central") and eleven (11) parcels, totaling approximately 214.24 acres, are within Apex Industrial Rail ("Industrial Rail"). All of the parcels are located within the Apex Industrial Park (the "Park"), which is an approximately 21,000 gross acre master planned industrial park designed for heavy industrial use. The Park is located approximately 13 miles northeast of downtown Las Vegas and is situated along Interstate 15 extending north from about Nellis Air Force Base to Highway 93.

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The Park was created in 1989, in part, to keep high risk chemical plants away from homes, prompted by an explosion in Henderson, Nevada that killed two people and injured another 200. After acquiring the land from the Bureau of Land Management, the county sold land to Kerr-McGee, Georgia Pacific Corporation, Chemical Lime Company, and the private investor group named Apex Holding Company. The Park is also home to a mining operation and power plants. There is no municipal water or sewer services provided to the Park and gas and electricity are located nearby. The lack of infrastructure has hampered the growth of the Park. In 2008, the City of North Las Vegas began a phased annexation of the Park. To date, this annexation has not included the LV Property. In 2009, the City of North Las Vegas approved a planning and land use plan. According to the City of North Las Vegas' website, an application needs to be submitted to be considered for annexation. The potential benefits of annexation include coordinated city services such as fire, police, water, sewer, and zoning services.

More recently, Love's Truck Stop has opened a location just north of Industrial Rail at Highway 93 and Interstate 15, Blue Oasis Shrimp has opened a facility in the Mountain View Industrial Park, and a 20 MegWatt Solar Plant has recently closed escrow on 150 acres for $33,000 per acre in or adjacent to the Mountain View Industrial Park. Mountain View Industrial Park is northwest of Industrial Rail. The Debtor also understands that another 20 MegWatt Solar Park is in escrow in the same Mountain View Park. The Debtor believes that the original owners of the Mountain View Park may have lost the property in foreclosure to Sorenson Capital, a firm which purchases defaulted loans from the FDIC.

b. Central and Industrial Rail

Five of the six parcels in Central lie approximately a quarter mile west of Las Vegas Boulevard and along a privately developed county road and run westerly from Las Vegas Boulevard along the paved private county road. The other parcel is north of the other five and is currently not accessible by paved road. The eleven parcels in Industrial Rail are located between Las Vegas Boulevard and Interstate 15 with the Union Pacific Railroad

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mainline running through the parcels adjacent to Las Vegas Boulevard. There are three parcels which bifurcate the Industrial Rail parcels. These three parcels are owned by Hardy Management Company ("Hardy"), an entity associated with 84 Lumber. Neither the Debtor nor any of its affiliates are related to Hardy or 84 Lumber. Hardy purchased the three lots in April 2006 for approximately $3,900,000. At that time, the Debtor and other entities received a principal payment on the then outstanding loan according to the release clauses and the payment was allocated according to each entity's ownership of the note and deed of trust.

In December 2007, Alliance Bank commissioned an appraisal of the 17 parcels, appraising the value at approximately $37,000,000. The Debtor's estimated value of the LV Property at $14,000,000 is based upon an estimated value ranging from $40,000 to $60,000 per acre derived from adjacent land owners and industrial realtors in early 2011. However, given the lack of sale activity and the current status of the Vegas industrial market, the actual value of the LV Property could be much less. A reasonable improvement in the Las Vegas industrial market has the possibility of increasing the value up to the 2007 appraised value.

The Debtor believes the highest and best use for the LV Property lies in the warehouse/distribution industrial marketplace. The Debtor bases this belief on previous meetings and discussions with entities such as Majestic and Trammell Crowe, private end users, all of whom were attracted by the relatively large, potentially railroad served Industrial Rail parcels, compared to other smaller rail served parcels available in the Vegas valley. Further, even with the infrastructure challenges discussed below, the Industrial Rail parcels seemed to offer a cost advantage to offset the distance from the valley. Most, if not all, of these discussions occurred in 2007 and early 2008. Discussions with Trammell Crowe had advanced the farthest.

c. Challenges to Overcome Regarding the LV Property

The LV Property faces certain challenges to short term monetization, but these challenges can be resolved.

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According to Colliers International Q4 2011 Las Vegas Industrial Market Overview, the industrial market had its first quarter of positive absorption in four years. The warehouse/distribution sector was largely responsible for the positive absorption. Overall, it seems that the market may be leveling out, and the Debtor believes that values will increase at a moderate pace and therefore a certain amount of time, effort and money needs to be invested in the LV Property to fully obtain all of the advantages discussed above.

The Plan provides for the joint interest holders to work together to maximize the value of the LV Property. This includes, but is not limited to developing the infrastructure of Central and Industrial Rail. The challenge posed by a lack of utilities will need to be addressed. Power, fiber optic, sewer through a septic system, and water by well are available to the LV Property. With the annexation by the City of Las Vegas, longer term needs can be addressed. Access to Industrial Rail will increase the value of these parcels.[4] Options include an overpass over the Union Pacific mainline, a private crossing, or use of an existing adjacent private crossing.

Based on the foregoing, it is the Debtor's opinion that the value of the LV Property will be maximized by the orderly development of the property by NewCo and opportunistic sales versus a quick liquidation of the LV Property. This is demonstrated in the NewCo projections and accompanying footnotes attached hereto as Exhibit "1"

4. Other Secured Notes Owned by the Debtor

a. Lots 1-6, and 23, LLC Secured Notes

The Debtor also owned a 5.97% fractional, undivided interest in a $40,000,000 first-position secured note against Lots 1-6, and 23, secured by 21.2 acres of vacant land in Clark County, Nevada. Based upon the Debtor's fractional, undivided interest, the Debtor estimated the value of the collateral associated with the Debtor's interest to be

[4] The Debtor, along with related equity owners and holders, filed a preliminary claim against Chicago Title Insurance Company and Commonwealth Title Insurance Company relating to access issues for the eleven Industrial Rail parcels. Formal claim forms and information were requested by the insurance companies. The Debtor then filed formal claims which are being reviewed by the insurance companies.

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approximately $152,807. This note was relinquished to the Receiver (defined below) as part of the court-approved settlement agreement resolving all litigation with the Receiver as fully described below.

b. SV Assets, LLC Secured Note

The Debtor owned a 2% fractional, undivided interest in a $40,000,000 first-position secured note against SV Assets, LLC secured by 4.84 acres of vacant land in Henderson, Nevada. Based upon the Debtor's fractional, undivided interest, the Debtor estimated the value of the collateral associated with the Debtor's interest to be approximately $51,700. This note was relinquished to the Receiver as part of the court-approved settlement agreement resolving all litigation with the Receiver as fully described below.

c. Odyssey Equity, LLC Secured Note

The Debtor owned a 3.988% fractional, undivided interest in a $25,000,000 first-position secured note against Odyssey Equity, LLC secured by vacant land in Henderson, Nevada.[5] Based upon the Debtor's fractional, undivided interest, the Debtor estimated the value of the collateral associated with the Debtor's interest to be approximately $176,242. This note was relinquished to the Receiver as part of the court-approved settlement agreement resolving all litigation with the Receiver as fully described below.

d. Junior Trust Deeds Secured by Residential Real Property

Moreover, the Debtor holds notes in favor of Gilmartin and Humphrey that are secured by junior trust deeds on certain residences located in Riverside County. The Debtor estimates that the value of the collateral exceeds the total of the first-priority trust deeds.

[5] The Debtor and other related entities have placed a *lis pendens* against an office building adjacent to these vacant parcels. In or around June 2007, two other adjacent buildings also had *lis pendens*, that when sold, resulted in a pay down on this loan. The Debtor is releasing these *lis pendens* as a term of the Layton settlement agreement.

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5. Debtor's Interest in Real Property

The Debtor also owns interests in real property which it obtained pursuant to foreclosures on secured notes:

a. Dana Point Property (PCH Property)

The Debtor owns a 29.5048% interest in the real property located at 34311 Pacific Coast Highway, Dana Point, California (the "PCH Property"). The PCH Property is a vacant parcel consisting of approximately 1.45 acres located at the southeast corner of Pacific Coast Highway and Del Obispo Ave. in Dana Point, California. The PCH Property is significantly overencumbered.

North of the parcel is a Union 76 Station which is undergoing a Remediation Plan conducted by URS Corporation ("URS") on behalf of ConocoPhillips. This Remediation Plan is overseen by the Orange County Health Care Agency. The owners of the PCH Property have granted access to URS to drill ground water testing wells to measure possible ground water migration. The City of Dana point has begun testing for a desalinization plant which will pull water from the ocean. URS has installed an ozone injection system on the property to treat ground water migration. There has been no indication that the ground water migration will impact development of the site.

The Plan provides for the Debtor's interest in the PCH Property to be abandoned to the secured creditor, California Bank & Trust ("CBT"). The Debtor is currently in negotiations with CBT regarding the disposition of the PCH Property.

b. Murrieta Property

The Debtor owns 9.13 acres of real property located at Washington & Nutmeg, in Murrieta, California, described legally as assessors ID 90602009-5 (the "Murrieta Property"). Stacy Vierheilig-Fraser (20%), J. Gunther, Inc. Money Purchase Plan (20%), Dana R. Gunther (20%), Jon Vartan and Armene Hovsepian (28%), Sandra P. Cortave (4%), and Ten-Two Company (8%) ("Dunn Creditors") hold a second position lien against

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the Murrieta Property securing a claim of approximately $265,727.78 and Enhanced Income holds a third position lien.[6]

6. The Debtor's Other Assets

a. Unsecured Receivables

The Debtor also owns unsecured receivables against various parties described in Exhibit "2". The total amount of these receivables is approximately $558,755.20.

b. Equity Interests

The Debtor owns a limited partnership interest in a related entity, Heritage ORCAS Partners, LP, which was also in the business of making real estate loans. The Debtor estimates the value of these interests to be approximately $1,019,346.31.

c. Litigation Claims

(1) Malpractice Claim

The Debtor has a claim for legal malpractice against its former counsel. An action ("Malpractice Action") was filed on June 8, 2011, naming Glaser, Weil, Fink, Jacobs, Howard, Avachen & Shapiro, LLP the successor entity to Christiansen, Miller, Glaser, Fink, Jacobs, Weil & Shapiro, LLP, among other defendants ("Malpractice Defendants"). Malpractice Defendants have done legal work for the Debtor and other entities. In addition to other work, the Malpractice Defendants advised the Debtor with respect to the preparation of an Offering Circular. The Malpractice Action relates to certain non-disclosures in the Offering Circular, based on the Malpractice Defendants' advice, which led to the Rafael Litigation and other potential liability. The Debtor and the Malpractice Defendants entered into a tolling agreement and attempted to settle their disputes; however, no further settlement discussions occurred since the execution of the Rafael settlement agreement (described below). The tolling agreement expires on September 1,

[6] Because under California law every property tax lien has priority over all other liens on the property, the secured property tax claim of the Riverside County Treasurer-Tax Collector is in first position against the Murrieta Property, making the lien held by the Dunn Creditors in second position and Enhanced Income in third position. *See* Cal. Rev. & T. Code § 2192.1.

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2012. The counsel employed to pursue the Malpractice Action, Joel Pores, resigned. The Debtor does not intend to continue to pursue the Malpractice Action.

d. Title Insurance Claims

In connection with the Receivership Action, described more fully below, the Debtor tendered to its title insurance companies several claims relating to the defense of the validity of a lien, the priority of a lien, and access to a piece of real property. These claims have been denied by the title insurance companies, but the Debtor reserves the right to pursue those claims in the future.[78]

7. The Debtor's Unsecured Liabilities

a. Unsecured Notes

The Debtor's loans were funded primarily by the Debtor's borrowing pursuant to certain unsecured notes ("Notes"). The total amount of the claims of the holders of the Notes ("Note Holders") is approximately $43,993,502.68.

Effective December 31, 2008, the Debtor entered into an Asset Purchase Agreement and Assignment and Assumption Agreement with Covenant Capital, LLC and Covenant Bancorp, Inc., with the Debtor acting as the remaining entity. A copy of the Asset Purchase Agreement and Assignment and Assumption Agreement is attached as Exhibit "3."

b. Other Unsecured Debt

The Debtor also has other unsecured debt for goods and services used in connection with its operations, as well as insider claims. The total amount of the other unsecured debt is approximately $1,289,223.11. The claims are described in Exhibit "4".

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[7] The denial by the insurance company was not necessarily because of the validity of the claim or the liability of the insurance company, but could have related to whether or not the claim was ripe.

[8] It has not been determined at this time whether the Layton Settlement or the Wing Receiver Settlement Agreement will have any effect on the Debtor's ability to pursue these claims in the future.

c. Orange County Business Bank

Orange County Business Bank ("OCBB") made a loan to the Debtor secured by real property located on Ventura Blvd. in Sherman Oaks, California ("Ventura Property"). The Ventura Property was subsequently transferred to a related entity, Covenant Opportunity Fund, for consideration. In November 2011, OCBB foreclosed on the Ventura Property. OCBB has no further claim against the Estate.

d. Litigation Claims

(1) Rafael Arbitration

A Note Holder, Maureen Rafael ("Rafael"), commenced litigation in the San Diego Superior Court related to the non-payment of her Note in June 2010 ("Rafael Litigation"). In or about March, 2011, Rafael alleged that the over 20-year old conviction of principal Jerry Smith for securities fraud should have been disclosed in the applicable Private Placement Memorandum ("PPM"). The Debtor disputes these allegations. Further, the conviction had been disclosed in a prior PPM and was not included in any subsequent PPM based on the advice of counsel.[9] The Debtor has never intended to hide the conviction and disputes any allegations to the contrary.

This matter was assigned to arbitration. The arbitration has been stayed with respect to the Debtor by the filing of the Case. The arbitration was scheduled to begin on November 14, 2011. Rafael filed a Motion for Summary Disposition on her sixth cause of action for violation of California Corporations Code § 25401 seeking recession against non-debtors Heritage Orcas Partners, LP, Covenant Management Group, LLC, Heritage

[9] As expressly provided in the Heritage Capital Partners, LP Offering Memorandum: "In 1986, Mr. Jerry D. Smith was convicted of two counts of grand theft under California Penal Code section 487 and two counts of securities fraud under Corporations Code section 25401. Count one arose from a real estate venture and related to monies which were purportedly invested without the permission of some investors. Count two centered on the same investor funds which were co-mingled in a general account rather than segregated into a separate account titled in the name of the real estate venture. Count three involved a representation by Mr. Smith that he had received a BA degree at Westmont College, when in fact it was later determined that he lacked three units of language credits and had done some graduate work at USC when it was in fact at Pepperdine University. Count four related to a separate investment involving the acquisition of a Bakersfield vineyard where, upon the sale of the vineyard, investors received a sum less than they had expected to collect. In November, 1989, the California Court of Appeal in the Second District affirmed the conviction on all four counts in a split decision. (263 Cal.Rptr. 684, 215 Cal.App.3d 230).

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Capital Management, LLC, David T. Lawlor and Jerry D. Smith. On June 13, 2011, Rafael's motion was denied as there remained triable issues of fact.

On October 25, 2011, all parties named as defendants in the arbitration proceeding settled with Rafael. While the Debtor was named in the original complaint and in the arbitration agreement, the Debtor is not a signatory to the settlement agreement. However, one of the terms of the settlement agreement provides that Rafael retains her claim in the Bankruptcy Case and that Rafael will dismiss all claims asserted in the arbitration as to the Debtor without prejudice.

(2) Wing Receiver

Robert Wing, the federal receiver ("Receiver") of Vescor, an entity which the Debtor had entered into transactions with, filed a fraudulent transfer action against the Debtor and other defendants in the United States District Court, District of Utah, Case No. 2:08-cv-00835 DB ("Receivership Action"). Subsequently, the Receiver filed a motion for summary judgment seeking to avoid and invalidate the Apex 1-6/23, Siena Vista and Siena Office Park liens against the LV Property, portions of which are owned by the Debtor, and seeking an unspecified monetary award.[10] The summary judgment motion was denied in December 2010.

The Receiver has also filed a fraudulent transfer action against BV Land Company, an affiliate of the Debtor, who owns the membership interests of the LLC's which own the LV Property in the United States District Court, District of Utah, Case No. 2:09-cv-1057 ("BV Land Action"). The Receiver was granted an extension of time for the filing of an expert report to appraise the LV Property as of the date of acquisition in 2006. The Debtor is not a party to this action, but it might have an effect on the Debtor's collateral.

[10] In or around February 2008, an entity related to the Debtor negotiated control of the Loan Management Agreement for Apex 1-6, 23, Siena Vista, and Odyssey Equity (Siena Office Park). This entity began to foreclose on the properties shortly thereafter. The appointment of the Receiver stayed these actions. The stay was appealed to the Tenth Circuit Court of Appeals and was upheld, preventing the foreclosure. The related entities will resign as loan manager pursuant to the Wing Receiver Settlement Agreement.

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On December 7, 2011, the Debtor and all other named defendants entered into a settlement agreement with the Receiver (the "Wing Receiver Settlement Agreement") resolving in their entirety the Receivership Action and the BV Land Action. On January 20, 2012, the Debtor filed a motion for order approving the Wing Receiver Settlement Agreement pursuant to Federal Rule of Bankruptcy Procedure 9019 (the "Wing Receiver Settlement Motion"). An order approving the Wing Receiver Settlement Motion was entered on March 5, 2012.

(3) Layton

The Debtor and certain related entities filed a lawsuit against Christopher Layton ("Layton") and his related entities over the ownership of SOP 871 building in Nevada District Court (Case No. A524992). Layton filed a cross-complaint alleging that he was entitled to a commission on the Debtor and related entities' purchase of the membership interests of the limited liability companies owning the LV Property (collectively, the "Layton Litigation"). A settlement agreement has been entered into by the parties that resolves the Layton Litigation (the "Layton Settlement Agreement"). On April 16, 2012, the Debtor filed a motion for order approving the Layton Settlement Agreement pursuant to Federal Rule of Bankruptcy Procedure 9019 (the "Layton Settlement Motion"). An order approving the Layton Settlement Motion was entered on June 5, 2012.

B. Principals/Affiliates of the Debtor's Business

The current members of the Debtor are Covenant Management Group, LLC and Heritage Capital Management, LLC. The Debtor's affiliates and related parties include Covenant Opportunity Fund, LLC, a California limited liability company; Birch Bay Partners, LP, a Washington limited partnership, BV Land, LLC, a Nevada limited liability company; Heritage Orcas Partners, Limited Partnership, a Nevada limited partnership; Heritage Orcas VL Partners, Limited Partnership a Delaware limited partnership, Island Capital, a Wyoming limited liability company; and Birch Bay Management, a Washington limited liability company (collectively, "Affiliates").

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C. Management of the Debtor Before and After Bankruptcy

Prior to the commencement of the Case, David Lawlor and Jerry Smith, through Heritage Capital Management, LLC, managed the Debtor and the Properties and has continued to manage them post-petition.[11] Post-confirmation, the Reorganized Debtor will be managed by David Lawlor and Jerry Smith, individually.

1. Oversight Committee

The management of the Reorganized Debtor will be monitored by an oversight committee (the "Oversight Committee") that will consist of three (3) people elected by the equity holders of the Reorganized Debtor. However, for the first term, Albert Wazlak, a member of the Committee, shall serve as a member of the Oversight Committee, and the other two members of the Oversight Committee will be elected. Each member of the oversight committee must be an equity holder in the Reorganized Debtor. The election for the oversight committee will take place prior to the Effective Date. Any equity holder may present themselves for nomination by submitting their name in writing to David Lawlor by 5:00 p.m. on _____, 2012 at Covenant Management Group, LLC, Airport Executive Suites, 2102 Business Center Drive, Suite 130-220Q, Irvine, California 92612, however, no insiders[12] may nominate themselves or be nominated for the Oversight Committee. A complete list of nominees will be listed on a ballot mailed to all equity members who will have until _____, 2012 to return their ballot to David Lawlor at the address indicated above. Members of the oversight committee shall be elected by the remaining equity holders of the Reorganized Debtor with each equity holder's vote being counted in accordance with its percentage ownership interest, except that no insider shall have the right to vote. The candidates receiving the highest number of votes, up to the number of open member seats, shall be elected. If there are only two nominations made, no vote will

[11] Heritage Capital Management, LLC and Covenant Management Group, LLC manage and operate various other funds which may, under certain circumstances, present a potential conflict of interest.

[12] In the context of the Oversight Committee, insiders shall mean David Lawlor, Jerry Smith, their immediate family members, and the Affiliates.

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take place and the nominees will automatically become the members of the Oversight Committee. If less than two nominations are received, the Reorganized Debtor will solicit nominations until there is a sufficient number of nominees to form a three member committee. Each member of the oversight committee shall serve for a three (3) year term. No equity holder shall be eligible to serve more than two (2) consecutive terms.

The Oversight Committee will have the power to request from the Bankruptcy Court a change in the management of the Reorganized Debtor and replacement with management of its choosing. The Reorganized Debtor will consult with the Oversight Committee with respect to working capital requirements and distributions to equity. The Oversight Committee shall be entitled to information from NewCo regarding the calculation of the management fees for the management of NewCo.

D. Events Leading to Chapter 11 Filing

Due to the general downturn in the real estate market, a substantial portion of the Debtor's loans stopped performing. Once the loans stopped performing, the Debtor in some cases initiated foreclosure proceedings with respect to its collateral and had to bear related costs (including in connection with the chapter 11 proceedings of borrowers). The Debtor depleted liquid assets by making cash payments of interest and principal to both current and previous secured debt holders, as well as cash payments of interest and principal to Note Holders. The Debtor then had to bear the ongoing expense of non-income producing properties after such foreclosures. Further, interest payments due to the Note Holders continued to accrue while the value of the Debtor's collateral and real property (REO) continued to decline. As a result, the Debtor was not able to make the payments due to the Note Holders. Further, the Debtor had to expend a significant amount of funds on both pending and settled litigation, described more fully below.

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E. Significant Events During the Bankruptcy Case

1. Bankruptcy Proceedings

a. The Order for Relief

The Debtor filed a petition for relief under chapter 11 of the Bankruptcy Code on March 28, 2011.

b. The Employment of Estate Professionals

By order entered on June 9, 2011, the Court authorized the employment of Weiland Golden as the Debtor's general insolvency counsel. By order entered on September 15, 2011, the Court authorized the employment of Joel M. Pores as special counsel to the Debtor. As discussed above, Mr. Pores has resigned. The Committee, as set forth below, has also hired professionals.

c. The Claims Bar Date

At the chapter 11 status conference on April 27, 2011, the Court fixed July 15, 2011 (the "Bar Date") as the last date to file Proofs of Claim for all creditors. The Debtor served all creditors and parties in interest with the Bar Date Notice on May 11, 2011.

d. Claim Objections

On September 30, 2011, the Debtor filed eight motions objecting to claims on a variety of grounds. By orders entered November 8, 2011, November 10, 2011, November 21, 2011, January 30, 2012, March 29, 2012, and July 13, 2012, the Court granted the Debtor's motions and approved the relief requested therein, except as to the Debtor's objection to the claim of CBT, which the Debtor withdrew without prejudice at the hearing held on October 3, 2012.

e. The Debtor's Schedules, Interim Statements, and Operating Reports

The Debtor believes that the Estate is in compliance with the requirements under 11 U.S.C. §§ 521, 1006 and 1107, and the applicable Guidelines of the Office of the United States Trustee ("OUST"). On April 11, 2011, the Debtor filed its bankruptcy schedules (the "Schedules") and statements of financial affairs ("SOFA"). On May 10,

2011, the Debtor filed amended schedules ("First Amended Schedules"). On July 27, 2011, the Debtor filed further amended Schedules ("Second Amended Schedules"). The Debtor has prepared and submitted Monthly Operating Reports ("MOR") for the Estate through July, 2012. The Debtor is current on the quarterly fees owed to the OUST.

f. LV Property Taxes

Property taxes with respect to the LV Property had to be paid by June 1, 2011, or the taxing authority would deed the LV Property as the first step to a foreclosure sale. Accordingly, in order to protect the value of its collateral, the Debtor filed a Motion for Order Authorizing the Debtor to: (1) Incur Debtor Pursuant to 11 U.S.C. § 364(d); and (2) Enter into Transactions Outside the Ordinary Course of Business Pursuant to 11 U.S.C. § 363. On May 31, 2011, the Court approved the motion with respect to the taxes and the Debtor made the payment.

g. The Appointment of the Official Committee of Unsecured Creditors

On April 22, 2011, the OUST appointed an official committee of unsecured creditors ("Committee"). On July 29, 2011, the OUST appointed two additional members to the Committee. On August 16, 2011, the OUST replaced one member of the Committee. On August 25, 2011, the OUST replaced the latest member. On December 6, 2011, the OUST again replaced the latest member of the Committee. The members of the Committee are as follows: Albert Wazlak; Joy Campbell; West Harrington on behalf of Harrington Construction Co., Inc.; Lynell Burmark; and Andrea Jupina.

By order entered on October 4, 2011, the Court authorized the employment of Shulman Hodges & Bastian, LLP as general counsel to the Committee, effective as of August 30, 2011. By order entered on January 11, 2012, the Court authorized the employment of Crowe Horwath LLP as the Committee's accountant, effective as of August 30, 2011.

Upon the Effective Date, the Committee will be disbanded and the Oversight Committee will be responsible for monitoring the management of the Reorganized Debtor.

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2. Other Legal Proceedings

The Debtor is a defendant in certain non-bankruptcy legal proceedings commenced pre-petition, as described above in Section II.A.6.c, and as set forth below.

a. DOC Cease and Desist

In mid 2008, the principals of the Debtor learned the Department of Corporations ("DOC") issued a Cease and Desist Order in 2000 requiring Covenant Group to cease and desist from the sale of securities unless the prior conviction of Jerry D. Smith was disclosed. This order was produced in the litigation with the Wing Receiver. This order does not prevent the Debtor from continuing to manage its assets.[13] In September 2010, the Debtor received a general subpoena from the DOC and the Debtor produced responsive documents in January, 2011. No further action has been taken by the DOC.

b. PCH Property

The Debtor is also involved in litigation with CBT related to pending concurrent judicial and non-judicial foreclosure proceedings against the PCH Property.

3. Actual and Projected Recovery Avoidance Actions and Causes of Action

Attached hereto as Exhibit "5" are the lists that the Debtor attached to its SOFA of all payments made to creditors during the 90-day period and insiders during the one year period prior to the Petition Date. The Debtor does not intend to pursue any Avoidance Actions. Upon the Effective Date, no party shall have standing to bring or prosecute Avoidance Actions except as specifically set forth below in Section III.H.4.

4. Procedures Implemented to Resolve Financial Problems

The Debtor's financial problems primarily relate to its inability to perform under the terms of the Notes due to the downturn in the real estate market. Once the loans stopped

[13] There have been general allegations made by individuals that the Debtor was a ponzi scheme. These allegations have been thoroughly investigated by the Committee's attorneys and accountants. The Debtor spent substantial time and resources cooperating in this investigation. Upon the completion of the investigation, the Committee decided not to pursue any claims against the Debtor, its management, or its Affiliates.

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performing, the Debtor in some cases initiated foreclosure proceedings with respect to its collateral and had to bear related costs (including in connection with the chapter 11 proceedings of borrowers). The Debtor depleted liquid assets by making cash payments of interest and principal to both current and previous secured debt holders, as well as cash payments of interest and principal to Note Holders. The Debtor then had to bear the ongoing expense of non-income producing properties after such foreclosures. Further, interest payments due to the Note Holders continued to accrue while the value of the Debtor's collateral and real property (REO) continued to decline. As a result, the Debtor was not able to make the payments due to the Note Holders. Further, the Debtor had to expend a significant amount of funds on pending litigation. The Debtor is resolving these issues by reforming its capital structure, specifically by converting its unsecured debt (including that held by the Note Holders) into equity in the Reorganized Debtor. The Debtor has also resolved most of the pending litigation through settlements (as described above).

In order to ensure the maximum return to creditors (*i.e.*, the New Equity Holders), the Debtor will sell certain assets, continue to collect receivables, and, in some cases, obtain possession of and then monetize its collateral for the benefit of creditors. The Debtor will make periodic Equity Distributions to creditors. Also, upon the Effective Date, a new entity, NewCo, will be formed. The Debtor will have a membership interest in NewCo. NewCo will obtain a loan secured by the LV Property. The NewCo loan amount will be $2,500,000, $991,040.00 of which will be distributed to the Debtor. The Debtor will also obtain a $700,000 3rd Trust Deed on the Murrieta Property. The combined proceeds of these two loans will fund the EI Settlement, the Buy-Back offer and be used for other ongoing expenses as more fully described in the projections and footnotes of the Debtor and NewCo. Further, the Debtor and the other 2nd LV Note holders, and the current owner of the LV Property will cooperate in the transfer of the LV Property to NewCo either through a deed in lieu or foreclosure.

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5. Current and Historical Financial Conditions

The Debtor's assets and their value are more specifically identified in the liquidation analysis in Section IV.B. below. Copies of the Debtor's balance sheets and financial statements from October 2010 through March 2011 are attached as Exhibit "6" and the Debtor's MOR's filed during the case are attached as Exhibit "7".

III. SUMMARY OF THE PLAN

The following is a summary of the material provisions of the Plan.

A. Overview of the Plan

The Debtor believes that, in the absence of the Plan, the Debtor's assets would be liquidated at substantially discounted prices. The Plan allows the Debtor to maximize the return to creditors through the orderly administration of its assets. For example, the real property assets being sold will be sold through NewCo over sufficient time periods to generate the highest potential recoveries (and not at "fire sale" prices). The Debtor will continue to collect its good receivables (and will not have to liquidate them on a discounted basis). As to loans owned by the Debtor that are in default, the Debtor or NewCo may, over time, take possession of the collateral and then monetize it for the benefit of creditors. In furtherance of this process, the Debtor has been and the Reorganized Debtor will continue to address the current challenges impacting the assets, such as pending litigation, which if not resolved will severely undermine the value of the assets available for distribution. The Debtor will make periodic Equity Distributions to creditors (as equity holders of the Reorganized Debtor) as proceeds become available. Also, upon the Effective Date, a new entity, NewCo, will be formed. The Debtor will have a membership interest in NewCo. NewCo will obtain a loan secured by the LV Property. The NewCo loan amount will be $2,500,000, $991,040.00 of which will be distributed to the Debtor. The Debtor will also obtain a $700,000 3rd Trust Deed on the Murrieta Property. The combined proceeds of these two loans will fund the EI Settlement, the Buy-Back Offer and be used for other ongoing expenses as more fully described in the projections and footnotes of the Debtor and NewCo. Further, the Debtor and the other

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2nd LV Note holders, and the current owner of the LV Property will cooperate in the transfer of the LV Property to NewCo either through a deed in lieu or foreclosure. The Debtor believes that the current equity owner and manager of Apex Central, LLC and Industrial Rail, LLC (aka CDL3, LLC), the entities which currently own the LV Property, will cooperate in this process. These are entities which are related to the Debtor. In sum, the Debtor believes that the Plan will provide the greatest potential recovery for creditors through maximizing the returns on the assets.

Unless otherwise expressly stated in the Plan, the treatment of Allowed Claims and allowed interests under the Plan supersedes any agreements or rights the Holders of those Claims or Interests may have in or against the Debtors or their assets and is in full satisfaction of the legal, equitable, and contractual rights of the Holders of the Claims or Interests.

Unless the Plan provides otherwise, no Distributions will be made and no rights retained on account of any Claim or Interest that has not become an Allowed Claim or allowed Interest.

B. What Creditors and Interest Holders Will Receive Under the Proposed Plan

As required by the Bankruptcy Code, 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 each Class will receive. In no event shall any creditor receive more than the creditor's Allowed Claim, plus interest, to the extent provided herein.

C. Unclassified Claims

Certain types of Claims are not placed into voting classes but are instead unclassified. They are not considered impaired and they do not vote on the Plan because they are automatically entitled to certain treatment under the Bankruptcy Code. Accordingly, the following Claims have not been placed into a Class:

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1. Administrative Expenses

Administrative Claims are Claims for costs or expenses of administering the Debtor's Case which are allowed under § 507(a)(2) of the Bankruptcy Code. The Bankruptcy Code requires that all Allowed Administrative Claims be paid on the Effective Date of the Plan, unless a particular claimant agrees to a different treatment. The following charts list all of the Debtor's § 507(a)(2) unpaid Administrative Claims and their treatment under the Plan:

Non-Professional Administrative Claims		
Description	Estimated Amount Owed	Treatment
Ordinary-Course Administrative Claims	$0.00	Unless the Debtor objects to an Ordinary-Course Administrative Claim, the Claim will be Allowed in accordance with the terms and conditions of the particular transaction that gave rise to the Ordinary-Course Administrative Claim, and the Person holding the Ordinary-Course Administrative Claim need not File any Request for Payment of its Claim.
Non-Ordinary Course Administrative Claims	$0.00	To the extent that any Non-Ordinary-Course Administrative Claims are Allowed, they will be paid in full by the Debtor on the later of (i) the Effective Date, and (ii) the date that is ten (10) Business Days after the Court enters a Final Order allowing the Non-Ordinary-Course Administrative Claim.
Clerk's Office Fees	$0.00	Paid in full on or before the Effective Date.
Office of the United States Trustee Fees	$0.00	Paid in full on or before the Effective Date.
Administrative Tax Claims	$16,850.00	Unless the Debtor objects to an Administrative Tax Claim or otherwise disputes the Administrative Tax Claim in accordance with applicable law, the Claim will be Allowed in accordance with the terms and conditions of the particular transaction that gave rise to the Administrative Tax Claim, and the Person holding the Administrative Tax Claim need not file any Request for Payment of its Claim. Any Allowed Administrative Tax Claim will be paid in the ordinary course of business, currently and timely as they

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Non-Professional Administrative Claims		
Description	Estimated Amount Owed	Treatment
		are incurred and billed, unless the Debtor objects to or otherwise disputes such Administrative Tax Claim in accordance with applicable law. In an event of default, and to the extent such Administrative Tax Claim is also secured, the payment thereof will include all costs, fees, charges and interest, if applicable, as required under 11 U.S.C. §§ 506(b) and 511, and applicable non-bankruptcy law. Failure by the Debtor to make a payment on account of any Allowed Administrative Tax Claim pursuant to the terms of the Plan shall be an event of default. Within ten (10) days of receiving written notice of an event of default, the Debtor shall either cure the event of default or shall notify the Administrative Tax Claimant that it disputes the event of default. If the Debtor and the Administrative Tax Claimant are not able to resolve the dispute, then the Debtor shall file an appropriate motion with the Court for the Court to determine whether an event of default exists. If the Debtor (i) fails to cure an undisputed event of default; or (ii) disputes the event of default and the Court makes a finding in favor of the Administrative Tax Claimant and the Debtor fails to cure the disputed event of default, then the Administrative Tax Claimant shall be able to enforce the entire amount of its Claim, plus all penalties and interest accrued under state law, against the Debtor in accordance with applicable state law remedies.
Total	$16,850.00	

Professional-Fee Claims		
Description	Estimated Amount Owed	Treatment
Weiland Golden	$185,000.00	Within the later of sixty (60) days after the Effective Date or ten (10) days after the date such claims become Allowed,, all Professional-Fee Claims will be paid a pro rata portion of $200,000. The remaining balance of the Professional-Fee Claim will be paid in accordance with the Debtor's

Professional-Fee Claims		
Description	Estimated Amount Owed	Treatment
		projections.
The Law Office of Joel M. Pores	$0.00[14]	Within the later of sixty (60) days after the Effective Date or ten (10) days after the date such claims become Allowed, all Professional-Fee Claims will be paid a pro rata portion of $200,000. The remaining balance of the Professional-Fee Claim will be paid in accordance with the Debtor's projections.
Counsel to the Committee	$200,000.00	Within the later of sixty (60) days after the Effective Date or ten (10) days after the date such claims become Allowed, all Professional-Fee Claims will be paid a pro rata portion of $200,000. The remaining balance of the Professional-Fee Claim will be paid in accordance with the Debtor's projections.
Crowe Horwath	$140,000.00	Within the later of sixty (60) days after the Effective Date or ten (10) days after the date such claims become Allowed, all Professional-Fee Claims will be paid a pro rata portion of $200,000. The remaining balance of the Professional-Fee Claim will be paid in accordance with the Debtor's projections
Total	$525,000.00	

The following applies to Administrative Claims:

a. Ordinary Course Administrative Claims

Unless the Debtor or other party-in-interest objects to an Ordinary-Course Administrative Claim, the Claim will be deemed Allowed in accordance with the terms and conditions of the particular transaction that gave rise to the Ordinary-Course Administrative Claim, and the Person holding the Ordinary-Course Administrative Claim need not File any Request for Payment of its Claim. However, any Request for Payment,

[14] Pursuant to the application to employ, The Law Offices of Joel M. Pores will receive a flat fee of $25,000, payable $15,000 upon execution of the agreement and $10,000 upon entry of an order of the Court approving special counsel's employment. All of the terms of the employment of The Law Offices of Joel M. Pores are set forth in the employment application which can be found on the case docket at docket entry no. 59. Mr. Pores has resigned. The Debtor intends on objecting to the payment of any outstanding amounts due to Mr. Pores.

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or Motion to allow a Claim as an Ordinary-Course Administrative Claim must be Filed with the Court and served on counsel for the Debtor or the Reorganized Debtor, as the case may be, and the OUST by no later than sixty (60) days after the Effective Date.

b. Non-Ordinary-Course Administrative Claims

A Non-Ordinary-Course Administrative Claim will be paid by the Debtor on the Effective Date to the extent that prior to the Effective Date it has already been determined to be an Allowed Non-Ordinary-Course Administrative Claim by the Court pursuant to a Final Order. Any other Non-Ordinary-Course Administrative Claim will be paid by the Debtor to the extent that it is allowed by the Court only if: (1) on or before sixty (60) days after the Effective Date, the Person holding the Non-Ordinary Course Administrative Claim both Files with the Court a Request for Payment of the Non-Ordinary-Course Administrative Claim and serves the Request for Payment on counsel for the Debtor and the OUST; and (b) the Court, in a Final Order, allows the Non-Ordinary-Course Administrative Claim. Any party-in-interest, including, but not limited to, the Debtor, may File an objection to such a Request for Payment within the time provided by the Bankruptcy Rules or within any other period the Court establishes. Persons holding Non-Ordinary-Course Administrative Claims who do not timely File and serve a Request for Payment will be forever barred from asserting these Claims or sustaining any action seeking payment in any forum or from any court deriving from these Claims against the Estate, the Reorganized Debtor, the Debtor, or their property.

c. Professional-Fee Claims

A Professional-Fee Claim will be paid only if: (a) on or before forty-five (45) days after the Effective Date (or such further date if extended by Court order), the Person holding the Professional-Fee Claim both Files with the Court an application requesting allowance and payment of the Professional-Fee Claim; and (b) the Professional-Fee Claim is allowed by order of the Court (as to which fourteen (14) days has passed without a stay of the enforcement or effectiveness of such order or, if a stay has been obtained, such stay has lapsed or been dissolved). The Debtor or any other party-in-interest may

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File an objection to such an application within the time provided by the Bankruptcy Rules or within any other period that the Court establishes. Persons holding Professional-Fee Claims who do not timely File and serve an application for allowance and payment will be forever barred from asserting these Claims against the Estate, the Debtor, the Reorganized Debtor, or their property.

As is indicated above, the Debtor estimates that it will need to pay Administrative Claims totaling approximately $541,850.00 on the Effective Date, unless the claimant has agreed to be paid later (as with Professional-Fee Claims) or the Court has not yet ruled on the Claim. The Debtor expects that it will have funds on the Effective Date to make the necessary payments.[15]

2. Priority Tax Claims

Priority Tax Claims include certain unsecured income, employment and other taxes described by Bankruptcy Code § 507(a)(8). The Bankruptcy Code requires that each Holder of such a § 507(a)(8) Priority Tax Claim receive the present value of such Claim in regular installment payments in Cash, over a period not exceeding five years from the Petition Date, unless the Holder agrees to a different treatment. The following chart lists all of the Debtor's known § 507(a)(8) Priority Tax Claims and their treatment under the Plan:

Priority Tax Claims		
Description	Estimated Amount Owed	Treatment
Franchise Tax Board	$800.00	The Franchise Tax Board will be paid in full on the Effective Date or as soon as reasonably practicable thereafter.
Franchise Tax Board (Covenant Bancorp., Inc. 2008 Taxes)	$93,576.80	The Franchise Tax Board will be paid in full the allowed amount of its Claim no more than five (5) years from the entry of the Order for Relief. The Claim shall accrue interest from the Effective Date on the unpaid balance

[15] Because the Professional-Fee Claims are being paid over time, as of the Effective Date, the Debtor will need to have $216,850 of cash on hand to make the necessary payments. The Debtor will have funds to pay the $16,500 Administrative Tax Claim on the Effective Date and the $200,000 Professional Fee Claim within 60 days of the Effective Date. The balance of the Allowed Professional Fee Claims will be paid over time in accordance with the projections.

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Priority Tax Claims		
Description	Estimated Amount Owed	Treatment
		of the Allowed Priority Tax Claim at the rate required by 11 U.S.C. § 511 to provide "present value" of the Allowed Priority Tax Claim.

D. Classified Claims

1. Summary of Classes

Summary of Classes	
Class	Claimant(s)
1	Secured Claim of Parties to the 8% Secured Note – 1st Lien on 1st LV Notes
2	Secured Claim of Enhanced Income Fund I, LLC – 1st Lien on 2nd LV Notes, 3rd Lien on the Murrieta Property, and lien on Heritage Orcas Partners, LP
3(a)	Secured Claim of Riverside County Treasurer-Tax Collector – 1st Lien on Murrieta Property
3(b)	Secured Claim of Dunn Creditors – 2nd Lien on Murrieta Property
4(a)	Secured Claim of Orange County Treasurer-Tax Collector – 1st Lien on PCH Property
4(b)	Secured Claim of CBT – 2nd Lien on PCH Property
5	Secured Claim of Los Angeles County Treasurer-Tax Collector – Lien on Ventura Property
6	Priority Unsecured Claim – Los Angeles County Treasurer-Tax Collector
7(a)	General Unsecured Claims
7(b)	General Unsecured Claims Less than $2,000
8	Interest Holders

2. Secured Claims

Secured Claims are Claims secured by liens against property of the Estate. The following chart lists all Classes of Secured Claims and their treatment under the Plan:

Secured Claims				
Class #	Description	Insiders (Y/N)	Impaired (Y/N)	Treatment
1	Secured Claim of Parties to the 8% Secured Note (This class includes current note holders and any note holders	N[16]	Y	The secured creditors in this class will release their liens on the 1st LV Notes. Anthony Hasso holds a note in the amount of $50,000. This note will accrue interest at a rate of 3% per annum with interest and

[16] While there are some insiders within Class 1, the whole class is not made up of insiders.

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Secured Claims				
Class #	Description	Insiders (Y/N)	Impaired (Y/N)	Treatment
	from potential post-confirmation borrowing). • Collateral: 1st LV Notes • Priority of Security Interest: First • Total Claim Amount: $160,000.00 • Collateral Value: approximately $4,692,600.00			principal due within 36 months of the Effective Date. Echo Bay holds a note in the amount of $15,000. This note will accrue interest at a rate of 3% per annum with interest and principal due within 36 months of the Effective Date. Smith Family Trust holds a note in the amount of $95,000. This note will not accrue interest. The principal will be due within 84 months of the Effective Date. The Debtor may pay the remaining balance of these Allowed Secured Claims in full at any time with no prepayment penalty.
2	Secured Claim of Enhanced Income Fund I, LLC Current Collateral: • Collateral: 2nd LV Notes • Priority of Security Interest: First • Collateral Value: approximately $4,600,692.45 • Collateral: Murrieta Property • Priority of Security Interest: Third • Collateral Value: $1,250,000.00 • Collateral: Debtor's equity interest in Heritage-Orcas Partners, LP • Total Claim Amount: $4,254,666.79	N	Y	Pursuant to a settlement of the EI Avoidance Claims (discussed above in section II.A.2.b), Enhanced Income will have an Allowed Secured Claim of $2,000,000 payable as follows: Principal: $2,000,000.00 Interest: 5% simple interest. Payments: Principal: A balloon payment of the principal amount of $2,000,000 is due to be paid on December 31, 2013 or concurrently with the payoff of the Dunn Creditors, whichever is earlier. Interest: Interest will begin to accrue on the Effective Date. Interest payments will be made monthly within 5 days after the end of each month. Interest payments commence on April 15, 2013 (provided that there is no early payoff by March 31, 2013). Collateral: On the Effective Date, Enhanced Income will be granted the following liens: 1. A first priority lien on the Debtor's Interests in NewCo; and 2. A third priority lien on the Murrieta Property.

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Secured Claims				
Class #	Description	Insiders (Y/N)	Impaired (Y/N)	Treatment
				Enhanced Income will release its liens on all other Debtor assets. Enhanced Income will release its liens on the Murrieta Property to allow its sale or refinancing provided that Net Proceeds of any such sale or refinance will be used to pay Enhanced Income. Any proceeds received by Enhanced Income will be credited against the amount of its Allowed Secured Claim. Enhanced Income shall be enjoined from enforcing its liens and rights as long as there is no material monetary default that is not cured within 15 days after giving of notice of default or an uncured default by the Debtor to the Dunn Creditors. If there is such an uncured default, Enhanced Income shall be allowed to foreclose and may seek relief from stay on an expedited basis. If the Dunn Creditors obtain relief from stay, Enhanced Income shall be entitled to relief from stay. Prepayment Discount: The Enhanced Income Allowed Secured Claim may be paid in full at the discounted amount of $1,350,000 if paid by March 31, 2013 or concurrently with the payment of the Dunn Creditors, whichever is earlier."
3(a)	Secured Claim of Riverside County Treasurer-Tax Collector • Collateral: Murrieta Property • Priority of Security Interest: First • Total Claim Amount: $40,511.15 • Collateral Value: $1,250,000.00	N	Y	The Riverside County Treasurer-Tax Collector be paid in full the allowed amount of its Claim, including all applicable costs, fees, charges and interest pursuant to 11 U.S.C. § 506 and 511, on the Effective Date or as soon as reasonably practicable thereafter. In the event that the Claim is not paid in full within sixty (60) days after the Effective Date, the Claim will be paid in monthly payments not to exceed five (5) years from the entry of the Order for Relief, beginning the first full month that is sixty (60) days after the Effective Date. The Riverside County Treasurer-Tax Collector shall retain its lien until the Claim is paid in full. Failure by the Debtor to make a payment to the Riverside County Treasurer-Tax Collector pursuant to the terms of the Plan shall be an event of default. Within ten (10) days of receiving written notice of an event of default, the Debtor shall either cure the event of default or shall notify the Riverside County

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Secured Claims				
Class #	Description	Insiders (Y/N)	Impaired (Y/N)	Treatment
				Treasurer-Tax Collector that it disputes the event of default. If the Debtor and the Riverside County Treasurer-Tax Collector are not able to resolve the dispute, then the Debtor shall file an appropriate motion with the Court for the Court to determine whether an event of default exists. If the Debtor (i) fails to cure an undisputed event of default; or (ii) disputes the event of default and the Court makes a finding in favor of the Riverside County Treasurer-Tax Collector and the Debtor does not cure the disputed event of default, then the Riverside County Treasurer-Tax Collector shall be able to enforce the entire amount of its Claim, plus all penalties and interest accrued under state law, against the Debtor in accordance with applicable state law remedies.
3(b)	Secured Claim of Dunn Creditors • Collateral: Murrieta Property • Priority of Security Interest: Second • Total Claim Amount: $265,727.78 • Collateral Value: $1,250,000.00	N	Y	The Dunn Creditors' Allowed Secured Claim, including accrued interest at the existing contract rate, will be paid in full within 30 days after the Effective Date (i.e. Plan Approval). As of September 28, 2012, the amount of the claim is $331,898.41. Interest will accrue at the fourteen percent (14%) note rate after September 28, 2012, at $97.22 per diem. Additional attorneys' fees may be added to the amount due if incurred prior to payment, subject to court determination of any objection. The Dunn Creditors will release their lien through escrow on the Murrieta Property to allow its sale or refinance provided that the Net Proceeds of any such sale or refinance will be used to pay the Dunn Creditors' Allowed Secured Claim in full through escrow. However, such a sale will not extend the due date, described above. Fidelity and the Dunn Creditors will cooperate and coordinate this reconveyance with any escrow set up by the Debtor to implement and effectuate such a refinance. The payment will be made from escrow to the foreclosure trustee of the Dunn Creditors (Fidelity) who will issue the reconveyance upon clearance of the payment check or wire transfer; including depositing the reconveyance into such escrow pending payment. The Dunn Creditors shall be enjoined from enforcing their lien as long as there is no material monetary default that is not cured within 15 days after giving of notice

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Secured Claims				
Class #	Description	Insiders (Y/N)	Impaired (Y/N)	Treatment
				of default in writing to debtor's counsel of record in this bankruptcy proceeding. If there is such an uncured default, the Dunn Creditors shall be allowed to foreclose and may seek relief from stay on an expedited basis. The Debtor may pay the remaining balance of the Dunn Creditors' Allowed Secured Claim in full at any time with no prepayment penalty.
4(a)	Secured Claim of Orange County Treasurer-Tax Collector • Collateral: PCH Property • Priority of Security Interest: First • Total Claim Amount: $91,101.92	N	N	The Orange County Treasurer-Tax Collector will not receive a Distribution under the Plan. Instead, the secured creditor will retain all of its rights against the PCH Property, which the Debtor is not retaining. In the event that the Debtor does retain the PCH Property, the Orange County Treasurer-Tax Collector shall receive payments over time until the Allowed amount of its Claim is paid in full, but in no event, more than five (5) years from the entry of the Order for Relief. Under these circumstances, the Claim shall accrue interest from the Effective Date on the unpaid balance of the Claim at the rate required by 11 U.S.C. § 511 to provide "present value" of the Allowed Claim.
4(b)	Secured Claim of California Bank & Trust • Collateral: PCH Property • Priority of Security Interest: Second • Total Claim Amount: $2,630,115.89 • Collateral Value: $unknown	N	N	The Debtor will abandon/surrender its interests in the PCH Property to CBT in full satisfaction of its Allowed Secured Claim and CBT shall have no further Claim against the Estate, the Debtor, or the Reorganized Debtor, or their property.
5	Secured Claim of Los Angeles County Treasurer-Tax Collector • Collateral: Ventura Property • Priority of Security	N	N	The Los Angeles County Treasurer-Tax Collector will not receive a Distribution under the Plan. Instead, the secured creditor will retain its rights against the Ventura Property, which is no longer owned by the Debtor.

Secured Claims				
Class #	Description	Insiders (Y/N)	Impaired (Y/N)	Treatment
	Interest: First • Total Claim Amount: $unknown • Collateral Value: $unknown			

3. Classes of Priority Unsecured Claims

Certain Priority Unsecured Claims that are referred to in Bankruptcy Code §§ 507(a)(3), (4), (5), (6), and (7) are required to be placed in Classes in a Chapter 11 plan. The Bankruptcy Code requires that each Holder of the above Priority Claims receive Cash on the Effective Date of the Plan equal to the allowed amount of such Claim. However, a Class of unsecured priority claim holders may vote to accept deferred cash payments of a value, as of the Effective Date, equal to the allowed amount of such Claim. The following chart lists all Classes containing the Debtor's Bankruptcy Code §§ 507(a)(3), (4), (5), (6) and (7) Priority Claims and their treatment under the Plan:

Priority Unsecured Claims				
Class #	Description	Insiders (Y/N)	Impaired (Y/N)	Treatment
6	Los Angeles County Treasurer-Tax Collector Estimated Claim Amount: $19,058.61	N	Y	The Los Angeles County Treasurer-Tax Collector will be paid in full the Allowed amount of its Claim, including all applicable costs, fees, charges, and interest pursuant to 11 U.S.C. § 511 and applicable California Revenue and Taxation Code sections, on the Effective Date or as soon as reasonably practicable thereafter, but, in no event, more than five (5) years from the entry of the Order for Relief. The Claim shall accrue interest from the Effective Date on the unpaid balance of the Claim at the rate required by 11 U.S.C. § 511 and applicable California Revenue and Taxation Codes sections. The Property securing this claim has been sold upon and is not property of the Estate.

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4. Classes of Unsecured Claims

General Unsecured Claims are unsecured Claims that are not entitled to priority under 11 U.S.C. § 507(a). Below is a summary of the Plan's treatment of the Classes containing the Debtor's General Unsecured Claims.

General Unsecured Claims				
Class #	Description	Insiders (Y/N)	Impaired (Y/N)	Treatment
7(a)	General Unsecured Claims Estimated total amount of claims: $45,000,000.00	N[17]	Y	1. Equity Option. Each Class 7(a) general unsecured creditor will receive a Pro Rata Share of the New Equity Interests in the Reorganized Debtor based on the amount of such creditors Allowed Unsecured Claim. The holders of New Equity Interests will ultimately receive distributions from the Net Proceeds of the Debtor's assets and distributions received from NewCo less working capital requirements (including for operating expenses) and the payment of senior claims as the funds become available. 2. Buyout Option. Eligible Creditors in class 7(a) may elect to have 7.5% of the amount of their Allowed Claims paid on the later of 90 days after the Effective Date or the date the claim becomes allowed ("Buyout Option") in full satisfaction and for a release of all obligations of the Debtor. Eligible Creditors may only elect the Buyout Option for their full Allowed Claims (*i.e.*, there will be no partial buyout of claims for any Eligible Creditor). To elect the Buyout Option, a creditor must check the box on the Plan ballot indicating such election and providing the Debtor a fully complete release contingent only upon receiving payment. The Buyout Option is only effective and will only be paid if the aggregate face value of the amount of the claims ("Buyout Claim Amount") of all of the creditors electing the Buyout Option is less than $4,000,000. If the aggregate Buyout Claim Amount is more than $4,000,000 then all creditors that elected

[17] While there are insiders within Class 7(a), the whole class is not comprised of insiders.

General Unsecured Claims				
Class #	Description	Insiders (Y/N)	Impaired (Y/N)	Treatment
				the Buyout Option will be treated the same as creditors receiving the default Equity Option and will not receive a buyout of their claims. Eligible Creditors are all general unsecured creditors (class 7(a)) with Allowed Claims except the excluded creditors ("Excluded Creditors") listed on the schedule attached as Exhibit 10 to the Disclosure Statement. Excluded Creditors include the principals of the Debtor, David Lawlor and Jerry Smith, their spouses, and their blood relatives, the Affiliates and Insiders (as that term is defined in the Bankruptcy Code) of the Debtor, commissioned salespeople of the Debtor and their blood relatives, and parties who were limited partners in Heritage Real Estate Equity Fund in 2004. The treatment proposed herein shall be in full satisfaction of all Class 7(a) general unsecured claims.
7(b)	General Unsecured Claims Less than $2,000 Estimated total amount of claims $8,000	N	Y	General Unsecured creditors who (i) Filed a Proof of Claim for an amount less than $2,000; or (2) were scheduled by the Debtor as a General Unsecured Claim for less than $2,000 and the Claim is not disputed, contingent or unliquidated, shall be paid 10% of the value of the Claim upon the Effective Date.

5. Class of Interest Holders

Interest Holders are the parties who hold membership Interests (*i.e.*, equity interests) in the Debtor. The Debtor is a California limited liability company in which the owners hold Membership Interests. The following chart identifies the Plan's treatment of the Class of Interest Holders.

Interest Holders			
Class #	Description	Impaired (Y/N)	Treatment
8	Interest Holders	Y	On the Effective Date, all existing Membership Interests in the Debtor will be cancelled, annulled, and extinguished. No Distribution of any kind will be made on

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Interest Holders			
Class #	Description	Impaired (Y/N)	Treatment
			account of any existing Membership Interests.

E. Means of Effectuating the Plan

This section is intended to explain how the Debtor intends to effectuate the Plan, and how the Debtor intends to fund the obligations to Holders of Allowed Claims as provided in the Plan. This section provides information regarding the funding sources for Plan obligations, the establishment of the Reorganized Debtor, and other material issues bearing upon performance of the Plan. The Plan will be effectuated through the income generated from receivables, sales of assets, and the vesting of all assets in the Reorganized Debtor.

1. Transfer of Estate Assets

Except as otherwise provided for in the Plan, upon the Effective Date, the Assets, including, but not limited to, the LV Notes, all real property, the Avoidance Actions and other Causes of Action, shall be deemed transferred to and vested in the Reorganized Debtor in accordance with the Plan.

2. The Reorganized Debtor

The Reorganized Debtor shall be a California limited liability company operated pursuant to the Plan and an Operating Agreement substantially in the form of the document attached as Exhibit "1" to the Plan.

3. The LV Notes and the LV Property

Upon the Effective Date, the following will occur as to the LV Notes and the LV Property:

(a) The interest holders in the 3rd LV Note will release the 3rd LV DOT. Based upon the value of the LV Property, the 3rd LV Note is wholly unsecured. The interest holders in the 3rd LV Note will not receive a membership interest in NewCo based upon their interest in the 3rd LV Note or 3rd LV DOT;

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(b) The interest holders in the 2nd LV Note will release the 2nd LV DOT in exchange for membership interests in NewCo according to their percentage ownership interest in the 2nd LV Note described in Section II.A.2.b above. The membership interests are adjusted based on the membership interest received by the Debtor for releasing its 1st LV Note;

(c) The Debtor will release the 1st LV Note and will receive a 33.5185% membership interest in NewCo as credit for the release of the 1st LV Note (the Debtor's total interest in NewCo will be 49.5520%). This membership interest calculation is based upon a full credit of the 1st LV Note balance of $4,692,600 and assumes the LV Property value is $14,000,000.

(d) The Secured 8% note holders will release their lien against the 1st LV Note and will be repaid according to the terms set forth above for Class 1;

(e) On the Effective Date, the owners of the 2nd LV Note will form a new entity, NewCo. The membership shares in NewCo will be as follows: (i) the Debtor (49.5520%)[18]; (ii) Heritage Orcas Partners, LP (29.7763%); (iii) Birch Bay Partners, LP (5.7599%); (iv) Heritage Orcas VL Partners, LP (8.3479%); (v) Echo Bay/Covenant Opportunity Fund/Island Capital, LLC[19] (collectively, 6.5639%). Projections for NewCo are attached hereto as Exhibit "1." NewCo will be governed by a board of directors or oversight committee consisting of five (5) members to be appointed by the members of NewCo. Each member in NewCo shall have the right to appoint one member of the board of directors or oversight committee, except that Island Capital and Covenant Opportunity Fund shall have only one appointment between the two entities. The members of each entity will elect the NewCo board or committee member for that entity. The management

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[18] The Debtor's percentage interest in NewCo is calculated in the following manner. As stated above, the Debtor receives a 33.5185% Membership Interest in exchange for releasing its 1st LV Note. This is calculated by dividing the $4,692,600 1st LV Note Balance by the $14,000,000 estimated LV Property Value. The Debtor than receives an additional 16.0035% Membership Interest for its ownership of the 2nd LV Note. This is calculated by multiplying the Debtor's current 24.1173% 2nd LV Note ownership by the remaining NewCo equity of 66.4815%.

[19] These entities have merged.

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of NewCo, David Lawlor and Jerry Smith, will report to and receive direction from the board. Each member's representative will have voting rights in accordance with the member's percentage interest in NewCo. For example, the Debtor will have a 49.552% voting interest;

(f) The Debtor together with NewCo and the other LV Note holders will foreclose on the LV Property or will provide a deed in lieu of foreclosure. Upon the completion of the foreclosure process, title to the remaining 15 LV Property parcels will be held by NewCo;

(g) NewCo will obtain a loan for $2,500,000.00. The loan will be secured by a first priority deed of trust on the LV Property parcels. NewCo will immediately distribute $991,040.00 of the loan to the Debtor. The remaining funds will be used for proportional distributions to the other members or operations and monetization of the LV Property. As NewCo receives net proceeds (net of NewCo expenses) from the sale, development, or joint venture of the LV Property, it will make cash distributions to its members based upon their ownership percentage. The Debtor will also obtain a $700,000 3rd Trust Deed on the Murietta property. The Debtor may also monetize its interest in the Murrieta Property through a sale of all or part of its interest in the Murrieta Property, through a refinancing, or through a joint venture with respect to Murrieta. Any such transaction will be subject to all existing liens to the extent that such liens are not paid in full through the transaction.

(h) Pursuant to the compromise, Enhanced Income's restructured obligation will be secured by a lien on the Debtor's interests in NewCo. Until the restructured obligation to Enhanced Income is paid in full and the Enhanced Income lien on the Debtor's interests in NewCo are released, the only liens on the LV Property will be the lien to secure the loan described in section (g) above and potential property tax liens.

(i) If the Dunn Creditors' Secured Claim is purchased by a third party prior to its satisfaction, the Debtor may restructure that obligation on terms agreed upon with the purchaser.

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F. **Risk Factors**

Performance of the obligations under the Plan are subject to various factors and contingencies, some of which are described in this section. The following discussion summarizes some of the material risks associated with the Plan, but is not intended to be exhaustive. Moreover, it should be read in connection with the other disclosures contained in this Disclosure Statement and the Plan. Each creditor, in conjunction with its advisors, should supplement the following discussion by analyzing and evaluating the Plan and the Disclosure Statement as a whole. THE RISKS ASSOCIATED WITH THE PLAN MUST BE CAREFULLY CONSIDERED IN DETERMINING WHETHER TO ACCEPT THE PLAN.

There is always a risk that the Debtor's assets will lose value. Here, there is a possibility that the real property that is the collateral for the Debtor's loans or the real property held directly by the Debtor could decline in value. General unsecured creditors are receiving all of the assets of the Debtor and there is no fixed or guaranteed distribution amount or percentage. Thus, even if the recoveries are less than expected, the Plan will still be feasible as to unsecured creditors.

Crucial to the success of the reorganization is the Debtor obtaining cash by a membership distribution by the new entity described above in Section III.E.3 and through obtaining funds from the Murrietta Property through financing or other disposition. If administrative expenses significantly increase, due to litigation or otherwise, beyond what the Debtor currently forecasts, the Debtor believes obtaining financing may be more difficult. Failure to obtain financing may result in the Plan not being feasible.[20] Further, if

[20] On November 5, 2012 California Bank and Trust was granted three judgments based on Guarantees of certain loans against Mr. Smith, Mr. Lawlor, Covenant Management Group, LLC (CMG), Heritage Capital Management, LLC (HCM). All parties are jointly and severally liable. A judgment in the amount of $1,932,635.94 was entered against Mr. Lawlor, Mr. Smith and CMG as a result of their Guaranty of the Cartwright Properties, LLC loan. A judgment in the amount of $13,223,965.68 was entered against Mr. Lawlor, Mr. Smith HCM and CMG as a result of their Guaranty of the Dana Villa loan. A judgment in the amount of $6,586,307.57 Mr. Lawlor, Mr. Smith HCM and CMG as a result of their Guaranty of the line of credit issued to Heritage Orcas Partners, LP and Heritage Orcas VL Partners, LP.. As a result of these judgments, Mr. Lawlor and Mr. Smith may be forced to file personal bankruptcies. The judgments entered (Continued...)

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the proceeds of this financing, even if obtained, have to be used for significantly greater administrative expenses than is forecasted, the Plan may not be feasible or the assets may have to be sold sooner in the current difficult real estate market resulting in a decreased return to creditors. The Plan maximizes the return to creditors by providing for cooperation between the entities owning interests in the LV Notes and LV Property.

G. Provisions Governing Distributions

1. Dates of Distributions

Effective Date Payments shall be deemed timely made if made as soon as practicable after the Effective Date, but, in any event, within fifteen (15) days of the Effective Date. Any Distribution required to be made when a Disputed Claim becomes an Allowed Claim shall be deemed timely made if made as soon as practicable thereafter, but, in any event, within fifteen (15) days thereafter.

2. Manner of Distribution

At the option and in the sole discretion of the Debtor, monetary Distributions may be made by (i) wire transfers from, or (ii) a check drawn on a domestic bank approved by the OUST.

3. Delivery of Distributions in General

Distributions to Holders of Allowed Claims shall be made by the Debtor (a) at the addresses set forth on the Proof of Claim filed by such Holders, (b) at the addresses reflected in the Schedules if no Proof of Claim has been filed and the Debtor has not received a written notice of a change of address, or (c) in the case of a Holder of a Claim that is governed by an agreement and is administered by an agent or servicer, at the address (i) set forth on any Proof of Claim filed by the agent or servicer, (ii) in the Schedules for the agent or servicer if no Proof of Claim has been filed, or (iii) contained in the official records of such agent or servicer. Holders of Claims may change the address

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(...Continued)

against CMG creates uncertainty as to the ability of CMG to meet its obligation to the Debtor but the Principals of CMG intend, to the extent allowed by law, to see this obligation paid.

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to which Distributions will be sent by filing a written change of address with the Court and serving a copy of the change of address on the Debtor.

If a Distribution to any Holder of an Allowed Claim is returned to the Debtor as undeliverable or otherwise unclaimed ("Undeliverable Distribution"), the Debtor shall make no further Distributions to such Holder unless and until the Debtor is notified in writing of such Holder's then-current address, at which time all Undeliverable Distributions shall be made to such Holder without interest. All Undeliverable Distributions shall be returned to the Debtor until such Undeliverable Distributions are claimed. The Debtor shall, in the case of Cash, hold Undeliverable Distributions in a segregated interest-bearing account for Undeliverable Distributions until such Undeliverable Distributions become deliverable, is claimed or is forfeited. Nothing contained in the Plan shall require the Debtor, or anyone else, to attempt to locate the intended recipient of an Undeliverable Distribution.

Any Holder of an Allowed Claim that does not present itself within six (6) months of the Distribution Date upon which the Undeliverable Distribution was made shall be deemed to have forfeited its right or Claim to or interest in the Undeliverable Distribution and shall be forever barred and enjoined from asserting any Claim for the Undeliverable Distribution against the Debtor and its Estate, the Reorganized Debtor, and their respective agents, attorneys, representatives, employees or independent contractors, and/or any of its or their property. In such cases, the Undeliverable Distribution and accrued interest thereon shall become property of the Reorganized Debtor free and clear of any restrictions thereon and notwithstanding any federal or state escheat laws to the contrary and shall be distributed in accordance with the terms of this Plan.

4. Rounding of Payments

The Debtor shall not be required to make Distributions or payments of fractions of dollars. Whenever any payment of a fraction of a dollar under this Plan would otherwise be called for, the actual payment shall reflect a rounding of such fraction to the nearest whole dollar (up or down), with half dollars being rounded down.

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5. Interest on Claims

Unless otherwise specifically provided for in the Plan, post-petition interest shall not accrue or be paid on any Claims, and no Holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any Claim.

6. Compliance with Tax Requirements

In connection with this Plan and all Distributions under this Plan, the Debtor shall, to the extent applicable, comply with all tax withholding, payment and reporting requirements imposed by federal, state, or local taxing authorities. The Debtor shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding, payment, and reporting requirements. All amounts properly withheld from Distributions to a Holder of a Claim as required by applicable law and paid over to the applicable taxing authority for the account of such Holder shall be treated as part of the Distributions to such Holder. All persons holding Claims shall be required to provide any information necessary to effect information reporting and withholding of such taxes. If such information has not been received by the Debtor, then the Debtor may, at his option, withhold the amount required and distribute the balance to such Holder or decline to make the Distribution until the information is received.

Notwithstanding any other provision of the Plan, (a) each Holder of an Allowed Claim that is to receive a Distribution pursuant to this Plan shall have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding, and other tax obligations, on account of such Distribution, and (b) no Distribution shall be made to or on behalf of such Holder pursuant to the Plan unless and until such Holder has made arrangements satisfactory to the Debtor for the payment and satisfaction of such withholding tax obligations or such tax obligation that would be imposed upon the Debtor in connection with such Distribution. Any property to be distributed pursuant to the Plan shall, pending implementation of such arrangements, be treated as an Undeliverable Distribution pursuant to Section III.G.3. above.

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7. De Minimis Distributions

The Debtor shall not have any obligation to make a Distribution on account of an Allowed Claim if the amount to be distributed to the specific Holder of the Allowed Claim on a Distribution Date is for an amount of $5.00 or less, and may, at the Debtor's option, either add the Distribution to the next Distribution if the collective amount would be greater than $5.00, or treat the Distribution as an Undeliverable Distribution.

8. Setoffs

Except as otherwise provided in the Plan, the Debtor may, pursuant to 11 U.S.C. § 553 or applicable non-bankruptcy law, but shall not be required to, set off against any Allowed Claim and the Distribution to be made pursuant to the Plan on account of such Allowed Claim any account stated, Claim, right, or Cause of Action which the Debtor or the Estate possesses against the Holder of such Allowed Claim; provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim shall constitute a waiver or release by the Debtor of any such account, Claim, right, and Cause of Action that the Debtor or the Estate may possess against the Holder of such Allowed Claim.

9. Limitation on Liability

The Debtor, and any of their respective employees, members, officers, directors, shareholders, agents, or professionals shall not be liable for (i) any acts or omissions, except for willful misconduct, in connection with implementing the Distribution provisions of the Plan and the making or withholding of Distributions under the Plan, or (ii) any change in the value of Distributions made under the Plan resulting from any delays in making such Distributions in accordance with the terms of the Plan (including, but not limited to, any delays caused by the resolution of Disputed Claims).

H. Other Provisions of the Plan

1. Claim Objections and Disputed Claims

THE BAR DATE FOR FILING A PROOF OF CLAIM IN THIS CASE BY CLAIMANTS WHOSE CLAIMS WERE NOT SCHEDULED OR WERE SCHEDULED AS DISPUTED, CONTINGENT OR UNLIQUIDATED WAS JULY 15, 2011.

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a. Standing

As of the Effective Date, the Reorganized Debtor shall have the sole and exclusive right to file objections to Claims. The Debtor may settle or compromise any Disputed Claim without approval or order of the Court, notice, or hearing.

b. Claims Objection Deadline

Unless extended by the Court, pursuant to the Court's prior order, any objection to a Claim must be filed with the Court and served on the Holder of the Claim by September 30, 2011 (the "Claims Objection Deadline"). On September 30, 2011, the Debtor filed eight motions objecting to claims on a variety of grounds. By orders entered November 8, 2011, November 10, 2011, November 21, 2011, January 30, 2012, March 29, 2012, and July 13, 2012, the Court granted the Debtor's motions and approved the relief requested therein, except as to the Debtor's objection to the claim of CBT, which the Debtor withdrew without prejudice at the hearing held on October 3, 2012.

c. No Distribution Pending Allowance

Notwithstanding any other provision of the Plan, no payments or Distributions shall be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by Final Order, and the Disputed Claim, or some portion thereof, has become an Allowed Claim; provided, however, that if the only dispute regarding a Disputed Claim is to the amount of the Disputed Claim, the Holder of a Disputed Claim shall be entitled to a Distribution on account of that portion of the Disputed Claim which the Debtor does not dispute at the time and in the manner that the Debtor makes Distributions to the Holders of Allowed Claims pursuant to the provisions of the Plan.

d. Reserves for Disputed Claims

In the event that Disputed Claims are pending at the time of a Distribution under the Plan, the Debtor shall establish and maintain a reserve for such Disputed Claims. For purposes of establishing a reserve, Cash will be set aside equal to the amount that would have been distributed to the Holders of the Disputed Claims had the Disputed Claims

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been Allowed on the date a Distribution is made to the Holders of Allowed Claims in the same Class or of the same priority as the Disputed Claims. If a Disputed Claim ultimately becomes an Allowed Claim, the amount of Cash reserved for that Disputed Claim shall be distributed on the earlier of (a) the Distributed Date following the date when the Disputed Claim becomes an Allowed Claim, or (b) ninety (90) days after such Disputed Claim becomes an Allowed Claim. Any reserved Cash not ultimately distributed to the Holder of a Disputed Claim because the Disputed Claim does not become an Allowed Claim shall become property of the Reorganized Debtor and shall be distributed in accordance with the terms of the Plan.

2. Executory Contracts and Unexpired Leases

a. Assumption and Assignment

On the Effective Date, the executory contracts and unexpired leases identified on the Schedule of Assumed and Assigned Agreements attached or filed, or to be attached or filed as Exhibit "2" to the Plan shall be deemed assumed. The Debtor intends to file the Schedule of Assumed and Assigned Agreements with the Court no later than twenty-eight (28) days prior to the Confirmation Hearing. The Schedule of Assumed and Assigned Agreements also identifies or will identify any amounts that must be paid to cure defaults under the executory contracts and unexpired leases to be assumed and assigned under the Plan (the "Cure Amount"). If filed earlier, the Debtor reserves the right to amend the Schedule of Assumed Agreements up to twenty-eight (28) days prior to the Confirmation Hearing to: (a) add any executory contract or unexpired lease and provide for its assumption and assignment; or (b) modify the Cure Amount for any particular executory contract or unexpired lease. The Debtor further reserves the right to amend the Schedule of Assumed Agreements to delete any executory contract or unexpired lease and provide for its rejection at any time prior to the Confirmation Hearing. The Debtor will provide notice of any amendment to the Schedule of Assumed and Assigned Agreements to any party or parties to the executory contracts or unexpired leases affected by the amendment. Absent a timely objection as provided below, the Confirmation Order will

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constitute a Court order approving the assumption and assignment, on the Effective Date, of the executory contracts and unexpired leases then identified on the Schedule of Assumed and Assigned Agreements, and shall constitute a final determination of the Cure Amount and that the Debtor has shown adequate assurance of future performance. Furthermore, any Cure Amount ordered by the Court, through entry of the Confirmation Order, and paid shall be deemed to satisfy any and all defaults arising from, out of or related to the executory contract or unexpired lease, including any tort claims that were or could be asserted by the non-debtor party to the contract or lease on or prior to the entry of the Confirmation Order, and all actual or pecuniary losses that have resulted from such defaults.

If you are a party to an executory contract or unexpired lease to be assumed and assigned and you object to the assumption and assignment of your lease or contract and/or you dispute the Cure Amount related to your lease or contract, then you must File and serve upon counsel for the Debtor (Weiland, Golden, Smiley, Wang Ekvall & Strok, LLP, attn: Hutchison B. Meltzer, Esq., 650 Town Center Drive, Suite 950, Costa Mesa, California 92626) a written objection by _____, 2012, as provided in Section I.B.3. of this document. An objection to the Cure Amount must also set forth the amount you contend to be the correct Cure Amount and contain evidence to support such amount. Failure to timely File an objection as provided herein shall be deemed consent to the proposed assumption and assignment and to the Cure Amount and a waiver of any and all rights to challenge such assumption and assignment and the Cure Amount.

With respect to each executory contract and unexpired lease identified on the Schedule of Assumed and Assigned Agreements, if no dispute arises regarding the Cure Amount, adequate assurances, or some other matter related to the assumption of the executory contract or unexpired lease, then the Cure Amount set forth in the Schedule of Assumed and Assigned Agreements shall be paid to the applicable non-debtor party in Cash on the Effective Date or as soon as reasonably practicable thereafter. If a dispute arises regarding (a) whether the Debtor has provided adequate assurance of future

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performance of an executory contract or unexpired lease to be assumed, or (b) any other matter pertaining to a proposed assumption and assignment, the Cure Amount will be paid on the later of (1) the Effective Date or as soon as practicable thereafter, or (2) within thirty (30) days after entry of a Final Order resolving the dispute and approving the assumption and assignment; provided, however, if a dispute arises regarding any of the foregoing, the Debtor reserves the right to completely forego assumption and assignment of and, instead, reject the subject executory contract or unexpired lease.

If a party to an executory contract or unexpired lease identified on the Schedule of Assumed and Assigned Agreements Files an objection disputing the Cure Amount, then the Debtor may amend the Schedule of Assumed and Assigned Agreements at any time prior to the Confirmation Hearing to delete the subject executory contract or unexpired lease and provide for its rejection. Executory contracts or unexpired leases not so deleted shall be conditionally assumed, subject to the Debtor's right to file a Motion to determine the appropriate Cure Amount up to the first (1st) Business Day that is at least sixty (60) days following the Effective Date. The Debtor will serve any such Motion on the party to the executory contract or unexpired lease affected by the Motion (or its attorney, if any). If the Debtor does not file a Motion to determine the appropriate Cure Amount, then the executory contract or unexpired lease shall be assumed and assigned, as of the Effective Date, and the Cure Amount shall be the alternative Cure Amount asserted by the non-debtor party to the subject executory contract or unexpired lease in its objection to the Plan. The Cure Amount shall be paid as soon as reasonably practicable following the expiration of the 60-day deadline.

If the Debtor files a Motion to determine the appropriate Cure Amount, then the Reorganized Debtor shall have the right to amend the Schedule of Assumed and Assigned Agreements to completely forego assumption and assignment of and, instead, reject the subject executory contract or unexpired lease up to the first (1st) Business Day that is at least fifteen (15) days after the entry of an order fixing the Cure Amount. The Debtor will provide notice of any amendment to the Schedule of Assumed and Assigned

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Agreements to the party to the executory contract or unexpired lease affected by the amendment. If the Debtor has filed such a Motion and does not timely amend the Schedule of Assumed and Assigned Agreements within fifteen (15) days after entry of an order fixing the Cure Amount, then the executory contract or unexpired lease shall be assumed and assigned, as of the Effective Date, and the Cure Amount shall be fixed as the Cure Amount ordered by the Court. The Cure Amount shall be paid as soon as reasonably practicable following the expiration of the 15-day deadline.

b. Rejections

On the Effective Date, the Debtor will be deemed to have rejected any and all executory contracts and unexpired leases not identified on the Schedule of Assumed and Assigned Agreements attached or filed, or to be attached or filed as Exhibit "2" to the Plan. The Confirmation Order will constitute a Court order approving the rejection, as of the Effective Date, of such executory contracts and unexpired leases. Any Claim for damages arising from the rejection under the Plan of any executory contract or unexpired lease must be Filed with the Court and served upon the Debtor and its counsel within thirty (30) days of the later of (a) the Confirmation Date, and (b) the Debtor's amendment of the Schedule of Assumed and Assigned Agreements to eliminate the executory contract or unexpired lease. Any such damage Claims that are not timely Filed and served will be forever barred and unenforceable against the Debtor, the Estate, the Reorganized Debtor, and their respective property. Persons holding these Claims who fail to timely File Claims will be barred from receiving any Distributions under the Plan on account of their requested damage Claims.

If you are a party to a lease or contract to be rejected and you object to the rejection of your lease or contract, then you must File and serve your objection by _____, 2012, as provided in Section I.B.3. of this document.

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3. Changes in Rates Subject to Regulatory Commission Approval

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

4. Preservation of Causes of Action and Avoidance Actions

The Debtor reserves for the Estate and the Reorganized Debtor all rights to commence and pursue, as appropriate, any and all Causes of Action and Avoidance Actions, whether arising prior to or after the Petition Date, in any court or other tribunal, including without limitation, in an adversary proceeding Filed in the Court, except for as otherwise provided in the Plan. On the Effective Date, the Debtor will be vested with authority to enforce, file, litigate, prosecute, settle and collect with respect to Causes of Action and Avoidance Actions, although it will not be required to do so and the determination of whether to do so will be made solely by the Debtor in its absolute discretion.

While the Debtor has attempted to identify Causes of Action and Avoidance Actions in the Disclosure Statement which may be pursued, and hereby incorporates by reference those disclosures and provisions, the failure to list any potential Cause of Action or Avoidance Action, generally or specifically, is not intended to limit the rights of the Debtor to pursue such Cause of Action or Avoidance Action. Unless a Cause of Action or Avoidance Action against any Person is expressly waived, relinquished, released, compromised or settled as provided or identified in the Plan, any Confirmation Order or prior order of the Court, the Debtor expressly reserves any Causes of Action and Avoidance Actions for later adjudication including, without limitation, the Malpractice Action and potential title insurance claims. Therefore, no preclusion doctrine, including, without limitation, the doctrine of *res judicata*, *collateral estoppel*, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches shall apply to such Causes of Action or Avoidance Actions upon or after Confirmation or consummation of the Plan. All Avoidance Actions and other Causes of Action are preserved under the Plan for the

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benefit of the Estate, except as otherwise provided for in the Plan. Any recoveries from Avoidance Actions and/or other Causes of Action will be paid to the Reorganized Debtor.

ANY CREDITORS THAT BELIEVE THEY RECEIVED A TRANSFER OR SETOFF THAT IS AVOIDABLE UNDER THE CODE OR THAT HOLDS A CLAIM AGAINST THE ESTATE THAT COULD BE SUBJECT TO AN OBJECTION BASED UPON FAILURE TO RETURN AN AVOIDABLE TRANSFER OR SETOFF, ARE DIRECTED TO REVIEW THEIR RECORDS AND/OR THE DEBTOR'S SCHEDULES FOR FURTHER INFORMATION. HOWEVER, ALL RIGHTS OF THE DEBTOR AND THE ESTATE ARE RESERVED WITH RESPECT TO ANY AND ALL TRANSFERS OR SETOFFS WHICH MAY BE AVOIDABLE UNDER THE BANKRUPTCY CODE.

5. Retention of Jurisdiction

The Court will retain exclusive jurisdiction during the Plan payout period to resolve disputes and conflicts arising from the administration of the Plan, upon request of a party-in-interest and after notice and a hearing, including, without limitation:

a. The adjudication of the validity, scope, classification, allowance, and disallowance of any Claim;

b. The estimation of any Claim;

c. The allowance or disallowance of Professional-Fee Claims, compensation, or other Administrative Claims;

d. To hear and determine Claims concerning taxes pursuant to Bankruptcy Code §§ 346, 505, 525, and 1146;

e. To hear and determine any action or proceeding brought under Bankruptcy Code §§ 108, 510, 543, 544, 545, 547, 548, 549, 550, 551, and 553;

f. To hear and determine all actions and proceedings which relate to pre-confirmation matters;

g. To hear and determine any issue relating to the assumption or rejection of executory contracts and unexpired leases;

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h. To hear and determine any modification to the Plan in accordance with the Bankruptcy Rules and the Bankruptcy Code;

i. To enforce and interpret the terms of the Plan;

j. To correct any defects, cure any omissions, or reconcile any inconsistency in the Plan or the Confirmation Order as may be necessary to carry out the purpose and intent of the Plan;

k. The entry of any order, including injunctions, necessary to enforce title, rights and powers of the Reorganized Debtor, and to impose such limitations, restrictions, terms and conditions on such title, rights and powers as the Court may deem necessary including, without limitation, any right of the Reorganized Debtor to recover and liquidate assets;

l. To determine the validity, extent and priority of all liens and security interests against property of the Estate or the Reorganized Debtor;

m. To hear and resolve any disputes regarding employment applications and professional fees;

n. To hear and determine such matters and make such orders as are consistent with the Plan as may be necessary to carry out the provisions thereof and to adjudicate any disputes arising under or relating to any order entered by the Court in this Case;

o. The entry of an order concluding and terminating this Case; and

p. To resolve any disputes as to whether there has been a default under the Plan.

6. Tax Consequences of the Plan

CREDITORS AND INTEREST HOLDERS CONCERNED WITH HOW THE PLAN MAY AFFECT THEIR TAX LIABILITY SHOULD CONSULT WITH THEIR OWN ACCOUNTANTS, ATTORNEYS, AND/OR ADVISORS. The following disclosure of possible tax consequences is intended solely for the purpose of alerting readers about

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possible tax issues the Plan may present to the Debtor or the Reorganized Debtor. The Debtor and its professionals CANNOT and DO NOT represent that the tax consequences contained below are the only tax consequences of the Plan because the Tax Code embodies many complicated rules which make it difficult to state completely and accurately all the tax implications of any action.

Due to the unsettled and complex nature of some of the tax issues, as well as the possibility that developments subsequent to the date hereof could affect the tax consequences of the Plan, the following discussion should not be regarded as definitive or as covering all possible tax consequences. Additionally, this summary does not discuss all aspects of federal income taxation that may be relevant to a particular creditor in light of its individual circumstances or to certain creditors subject to special treatment under the federal income tax laws (for example, life insurance companies, tax-exempt organizations, foreign corporations and individuals who are not citizens or residents of the United States).

As stated above, creditors concerned with how the Plan will affect their own tax liability should consult with their own accountants, attorneys, and/or advisors. The Debtor is still in the process of determining the tax consequences of the Plan. However, the Debtor does not expect adverse consequences materially affecting the distributions to the Holders of Allowed Claims under the Plan.

7. Exemption from Transfer Taxes

Pursuant to Bankruptcy Code § 1146(a), any transfers from the Debtor to the Reorganized Debtor or to any other Person pursuant to the Plan in the United States shall not be subject to any stamp, real estate transfer, personal property, recording or other similar tax, and the Confirmation Order shall direct the appropriate state or local governmental officials or agents to forgo the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without payment of any such tax or governmental assessment.

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IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OF THE PLAN SHOULD CONSULT WITH THEIR OWN ATTORNEYS BECAUSE THE LAW ON CONFIRMING A PLAN IS VERY COMPLEX. The following discussion is intended solely for the purpose of alerting readers about basic confirmation issues, which they may wish to consider, as well as certain deadlines for filing Claims. The Debtor CANNOT and DOES NOT represent that the discussion contained below is a complete summary of the law on this topic.

Many requirements must be met before the Court can confirm a Plan. Some of the requirements include that the Plan must be proposed in good faith, acceptance of the Plan, whether the Plan pays creditors at least as much as creditors would receive in a chapter 7 liquidation, and whether the Plan is feasible. These requirements are not the only requirements for confirmation.

A. Who May Vote or Object

1. Who May 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.

2. Who May Vote to Accept/Reject the Plan

A creditor has a right to vote for or against the Plan if that creditor has a Claim that: (a) either is an Allowed Claim or is allowed for voting purposes; (b) is classified in an impaired Class; and (c) is entitled to receive or retain some property on account of its Claim.[21]

a. What Is an Allowed Claim/Interest

As noted above, a creditor must first have an Allowed Claim to have the right to vote. Generally, any Proof of Claim will be Allowed, unless a party-in-interest Files an

[21] If the Plan provides that a Class will receive or retain no property on account of its Claims, that Class is deemed to reject the Plan under Bankruptcy Code § 1126(g) and therefore is not entitled to vote.

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objection to that Claim. When an objection to a Claim is Filed, the Holder of the Claim cannot vote unless and until the Court, after notice and hearing, either overrules the objection or allows the Claim for voting purposes. Any Person who seeks temporary allowance of its Claim for the purpose of voting on the Plan must promptly take the steps necessary to File an appropriate motion requesting the same and to arrange an appropriate hearing with the Court.

THE BAR DATE FOR FILING A PROOF OF CLAIM IN THIS CASE BY CLAIMANTS WHOSE CLAIMS WERE NOT SCHEDULED OR WERE SCHEDULED AS DISPUTED, CONTINGENT, OR UNLIQUIDATED WAS JULY 15, 2011. A creditor may have an Allowed Claim even if a Proof of Claim was not timely filed. 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. An Interest is deemed Allowed if it is scheduled and no party in interest has objected to the Interest.

b. What Is an Impaired Claim/Interest

As noted above, the Holder of an Allowed Claim only has the right to vote if it is in a Class that is impaired under the Plan. A Class is 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 what they are owed or otherwise impairs the legal rights of the Holders of the Claims.

In this case, the Debtor believes that Classes 1, 2, 3(a), 3(b), 6, 7(a), and 7(b) are impaired and that Holders of Claims or Interests in each of these Classes are therefore entitled to vote to accept or reject the Plan, unless otherwise specified below. The Debtor believes that Classes 4(a), 4(b), 5, and 8 are unimpaired under the Plan. Any party in interest who disputes the Debtor's characterization of its Claim or Interest as being in an impaired or unimpaired Class may File an objection to the Plan contending that the Debtor incorrectly characterized the Claim, Interest, or Class.

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3. Who is Not Entitled to Vote

The following four types of Claims are not entitled to vote: (1) Claims that have been disallowed; (2) Claims in unimpaired classes; (3) Claims entitled to priority pursuant to Bankruptcy Code §§ 507(a)(2), (a)(3), and (a)(8); and (4) Claims in Classes that do not receive or retain any value under the Plan. Claims in unimpaired Classes are not entitled to vote because such Classes are deemed to have accepted the Plan. Claims entitled to priority pursuant to Bankruptcy Code §§ 507(a)(2), (a)(3), and (a)(8) 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. For this reason, Classes 4(a), 4(b), 5, and 8 are not entitled to vote on the Plan, but is deemed to have rejected the Plan. EVEN IF YOUR CLAIM IS OF THE TYPE DESCRIBED ABOVE, YOU MAY STILL HAVE A RIGHT TO OBJECT TO THE CONFIRMATION OF THE PLAN.

4. Who Can Vote in More Than One Class

A creditor whose Claim 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 for the secured portion of the Claim and another ballot for the unsecured portion of the Claim. Also, a creditor who has a Claim for wages or unpaid vacation, healthcare or retirement benefits may have both a Priority Claim up to the maximum specified in 11 U.S.C. §§ 507(a)(4) and (a)(5), provided the conditions for priority treatment as specified under 11 U.S.C. § 507(a) are met, and a General Unsecured Claim for all amounts exceeding the statutory maximum. The Holder of such a Claim may cast a ballot for the priority portion of the Claim and another ballot for the general unsecured portion of the Claim.

5. Votes Necessary to Confirm the Plan

If impaired Classes exist, the Court cannot confirm the Plan unless (1) at least one impaired Class has accepted the Plan without counting the votes of any insiders within

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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 later in Section IV.A.7. below.

6. 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 (⅔) in dollar amount, of the Claims which actually voted, voted in favor of the Plan. A Class of Interests is considered to have accepted the Plan when at least two-thirds (⅔) in amount of the Interest Holders of such Class which actually voted, voted to accept the Plan.

7. Treatment of Nonaccepting Classes

If at least one impaired Class votes to accept the Plan, and other impaired Classes vote to reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting Classes are treated in the manner required by the Bankruptcy Code. The process by which nonaccepting Classes are forced to be bound by the terms of a Plan is commonly referred to as "cramdown." The Bankruptcy Code allows the Plan to be "crammed down" on nonaccepting Classes of Claims if it meets all consensual requirements except the voting requirements of § 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 § 1129(b) and applicable case law.

8. Request for Confirmation Despite Nonacceptance by Impaired Classes

The Debtor will ask the Court to confirm the Plan by "cramdown" on all impaired Classes if any of these Classes do not vote to accept the Plan.

B. <u>Liquidation Analysis</u>

Another confirmation requirement is the so-called "Best Interests Test" embodied in Bankruptcy Code § 1129(a)(7), which requires a liquidation analysis. Under the Best Interests Test, if a claimant is in an impaired Class and that claimant does not vote to accept the Plan, then that claimant must receive or retain under the Plan property of a

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value not less than the amount that such holder would receive or retain if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code.

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

For the Court to be able to confirm the Plan, the Court must find that all creditors and Interest Holders who do not accept the Plan will receive at least as much under the Plan as such holders would receive under a chapter 7 liquidation. The Debtor maintains that this requirement is met here because pursuant to the liquidation analyses below, creditors are projected to receive at least as much as they would receive in a hypothetical chapter 7 liquidation, unless they have agreed to different treatment.

As, under the Plan, creditors will ultimately be receiving the benefit of all the Debtor's assets, creditors will clearly be receiving at least as much as they would receive in a hypothetical chapter 7 liquidation. Further, the Debtor believes that the orderly administration of the assets pursuant to the Plan will result in a greater return to creditors than they would receive pursuant to an immediate chapter 7 liquidation at "fire sale" prices.

As described in the chart attached as Exhibit "8", the Debtor projects that General Unsecured Creditors will ultimately receive distributions totaling approximately 36.5% of the amounts of their Allowed Claims, whereas they would be expected to receive only 8.6% in a chapter 7 liquidation.

Pursuant to 11 U.S.C. § 502(d), "the court shall disallow any claim of any entity from which property is recoverable under section 542, 543, 550, or 553 of this title or that is a transferee of a transfer avoidable under section 522(f), 522(h), 544, 545, 547, 548,

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549, or 724(a) of this title, unless such entity transferee as paid the amount, or turned over any such property, for which such entity or transferee is liable under section 522(i), 542, 543, 550, or 553 of this title." The Debtor does not believe that the disallowance of any Claims pursuant to § 502(d) will materially affect the amounts received by creditors of the Estate whether under the Plan or in a chapter 7 liquidation.

C. Feasibility

Another requirement for confirmation involves the feasibility of the Plan, which means that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization of the Debtor or any successor to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan.

The projections attached as Exhibit "9" show that there will be sufficient funds to make the payments to secured creditors provided for in the Plan. There is also projected to be sufficient cash to pay the costs of administration throughout the term of the Plan.

The Debtor estimates that $541,850.00 will be required to make the Effective Date payments, unless the claimant has agreed to be paid later (as with Professional-Fee Claims). As reflected in Exhibit "9", the Debtor expects to cash from operations and the proceeds of post-petition financing sufficient to make the actual payments that are required on the Effective Date, which are $16,500 for administrative tax claims and $200,000 for allowed Professional Fee Claims within 60 days after the Effective Date.

While General Unsecured Creditors are receiving all Net Proceeds of the Debtor's assets, there is no specific distribution amount provided for in the Plan. Thus, there is no issue of feasibility as to this class.

V. EFFECT OF CONFIRMATION

A. Discharge

The rights under the Plan and the treatment of claims under the Plan will be in exchange for, and in complete satisfaction, discharge, and release of, all claims of any nature whatsoever (including, without limitation, any interest accrued on claims from and

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after the Petition Date) against the Debtor, the Reorganized Debtor, or its property. Except as otherwise provided in the Plan or the Confirmation Order:

1. On the Effective Date, the Debtor, the Debtor's estate, the Reorganized Debtor, and its property will, to the fullest extent permitted by Bankruptcy Code § 1141, be deemed discharged and released from any and all claims, including, without limitation, all demands, liabilities, claims, that arose before the confirmation date or that are based upon or otherwise relate to acts, events, omissions, transactions or other activities of any kind that occurred before the Confirmation Date, and all debts of the kind specified in Bankruptcy Code §§ 502(g), 502(h), or 502(i) regardless of whether: (1) a proof of claim based on such a debt was filed or deemed filed; (2) a claim based on such a debt is allowable under Bankruptcy Code § 502; or (3) the person holding the claim based on such a debt has accepted the Plan;

2. All persons will be precluded from asserting against the Debtor, its estate, the Reorganized Debtor, or its property any other or further claims based on, arising from, or in connection with any act, event, omission, transaction, or other activity of any kind that occurred before the Confirmation Date;

3. Any debt of the Debtor, whether secured or unsecured, which was in default as of or any time prior to the Confirmation Date, will no longer be deemed in default. Moreover, to the extent that the Debtor complies with the terms and conditions of the Plan, these obligations will be deemed in good standing;

4. As set forth in Bankruptcy Code §§ 524 and 1141, except as otherwise provided in the Plan or the Confirmation Order, the Confirmation Order constitutes a discharge of any and all claims against, and all debts and liabilities of, the Debtor that arose before the Confirmation Date. The Reorganized Debtor and its property will, to the fullest extent permitted by Bankruptcy Code § 1141, be deemed discharged and released from any and all claims, including, without limitation, all demands, liabilities, claims, that

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arose before the Confirmation Date or that are based on or otherwise relate to acts, events, omissions, transactions or other activities of any kind that occurred before the Confirmation Date. This discharge will void any judgment that was obtained against the Debtor at any time only to the extent that the judgment relates to a discharged claim; and

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

B. Revesting of the Assets

The Assets shall not be vested in the Debtor on or following the Effective Date, but shall be vested in the Reorganized Debtor and continue to be subject to the jurisdiction of the Court following confirmation of the Plan until such Assets are distributed to the Holders of Allowed Claims in accordance with the provisions of the Plan.

C. Exculpation and Releases

Effective upon the entry of the Confirmation Order, neither the Debtor, the Professionals, nor any of their respective members, officers, directors, shareholders, employees, or agents, shall have or incur any liability to any Person, including any creditor or Interest Holder of the Debtor, for any act taken or omission made in connection with or related to the negotiation, formulation, or preparation of the Plan and the Disclosure Statement, the approval of the Disclosure Statement, the confirmation of the Plan, the consummation of the Plan, or the administration of the Plan, the Case, or the property to be distributed under the Plan, to the fullest extent permitted by applicable statutes and

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case law, except that the Reorganized Debtor will be liable for the performance of obligations assumed by it or imposed upon it under or by the Plan.

D. Modification of the Plan

The Debtor may modify the Plan at any time before confirmation. If the Plan is modified, however, the Court may require a new Disclosure Statement or re-voting on the Plan depending on the nature of the modifications and their effect on parties in interest. The Debtor may seek to modify the Plan at any time after confirmation if (a) the Plan has not been substantially consummated, and (b) the Court, after notice and a hearing, authorizes the proposed modification.

E. Post-Confirmation Status Report

Within 120 days of the entry of the Confirmation Order, the Debtor shall file a status report with the Court explaining what progress has been made towards consummation of the confirmed Plan. The status report shall be served on the OUST, the Oversight Committee, and the parties who have requested special notice. Further status reports shall be filed every 120 days and served on the same entities.

F. Quarterly Fees

Quarterly fees accruing under 28 U.S.C. § 1930(a)(6) prior to confirmation shall be paid to the OUST on or before the Effective Date. Quarterly fees accruing under 28 U.S.C. § 1930(a)(6) after confirmation shall be paid to the OUST by the Debtor from the assets of the Reorganized Debtor until a final decree, or the entry of an order dismissing the Case or converting the Case to chapter 7, at the rate in effect at the time such fees are due.

G. Post-Confirmation Conversion/Dismissal

After the Plan is confirmed, a creditor or party in interest may bring a Motion, only after notice and a hearing, to convert or dismiss the Case under Bankruptcy Code § 1112(b) if there is a material default in performing the Plan. If the Court orders the Case converted to chapter 7 after the Plan is confirmed, then all property that had been property of the Estate and transferred to the Reorganized Debtor, and that has not been distributed

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under the Plan will revest in the chapter 7 estate. The automatic stay will be reimposed upon the revested property only to the extent that relief from stay was not previously authorized by the Court during the Case.

The Confirmation Order may also be revoked under very limited circumstances. The Court may revoke the Confirmation Order if it was procured by fraud and if a party in interest brings an adversary proceeding to revoke the confirmation within 180 days after the entry of the Confirmation Order.

H. Final Decree

Once the Estate has been fully administered as referred to in Bankruptcy Rule 3022, the Debtor will File a Motion with the Court to obtain a final decree closing the Case.

Dated: December 10, 2012

WEILAND, GOLDEN,
SMILEY, WANG EKVALL & STROK, LLP

By: /s/ Hutchison B. Meltzer
HUTCHISON B. MELTZER
Attorneys for Debtor and
Debtor-in-Possession

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TABLE OF DEFINITIONS

"1st LV DOT" means the first position deed of trust securing the 1st LV Note against the LV Property.

"1st LV Note" means the note dated November 2, 2006 in the approximate amount of $4,692,600 executed by BV Land in which the Debtor owns a 100% interest.

"2nd LV DOT" means the Debtor's 24.1173% interest in the second position deed of trust securing the 2nd LV Note against the LV Property.

"2nd LV Note" means the note in the approximate amount of $19,076,316.63 (with the Debtor's portion being $4,600,692.45).

"3rd LV DOT" means the Debtor's 16.7189% interest in the third position deed of trust securing the 3rd LV Note against the LV Property

"3rd LV Note" means the note in the approximate amount of $13,322,143.26 (with the Debtor's portion being $2,227,315.81).

"Administrative Claim" means a Claim against the Debtor for administrative costs or expenses that are allowable under Bankruptcy Code § 503(b).

"Administrative Tax Claim" means an Administrative Claim or other Claim that is not an Allowed Secured Claim and that a government unit asserts against the Debtor for taxes (or for related interest or penalties) for any tax period that, either in whole or in part, falls within the period beginning on the Petition Date and ending on the Effective Date.

"Affiliates" refers to Covenant Opportunity Fund, LLC, Birch Bay Partners, LP, BV Land, LLC, Heritage Orcas Partners, LP, Heritage Orcas VL Partners, LP, Island Capital, and Birch Bay Management.

"Allowed Claim" means a Claim against the Debtors, other than an Administrative Claim, to the extent that:

a. Either: (i) a Proof of Claim was Filed by the Bar Date; or (ii) a Proof of Claim is deemed timely Filed either under Bankruptcy Rule 3003(b)(1) or by a Final Order; and

b. Either: (i) the Claim is not a Disputed Claim; (ii) the Claim is allowed by a Final Order; or (iii) the Claim is allowed under the Plan.

"Allowed [Class Designation and/or Secured, Priority, or General Unsecured or Trade] Claim" means an Allowed Claim in the specified Class and/or of the specified type.

"Assets" means all tangible and intangible assets and property of every kind and nature of the Debtor and/or its Estate, and all proceeds thereof, existing as of the Effective Date.

"Avoidance Action" means Causes of Action arising under 11 U.S.C. §§ 510, 541, 542, 544, 545, 547, 548, 549, 550, 551 and/or 553, or under related state or federal statutes and common law, including, without limitation, fraudulent transfer laws, whether or not litigation is commenced to prosecute such Causes of Action.

"Bankruptcy Code" or "Code" means Title 11 of the United States Code, as amended.

"Bankruptcy Rules" means the Federal Rules of Bankruptcy Procedure.

"Bar Date" means the last date for filing Proofs of Claim in the Debtor's Case. The Bar Date was July 15, 2011.

"Bar Date Notice" means the notice of the Bar Date served on creditors of the Estate on May 11, 2011.

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

"Buy-Out Offer" or "Buy-Out Option" refers to the option of Claimants in Class 7(a) to have 7.5% of the amount of their Allowed Claim paid on the later of 90 days after the Effective Date or the date the Claim becomes Allowed in full satisfaction and release of the Debtor.

"Buy Out Claim Amount" means the aggregate face value of the amount of claims selecting the Buy-Out Option.

"BV Land" refers to BV Land Company, LLC.

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"BV Land Action" means the fraudulent transfer action filed by the Receiver against BV Land in the United States District Court, District of Utah, Case No. 2:09-cv-1057.

"Case" means the Debtor's case under chapter 11 of the Bankruptcy Code that is pending before the United States Bankruptcy Court for the Central District of California, Santa Ana Division, as Case No. 8:11-bk-14298-CB.

"Cash" means legal tender of the United States of America.

"Cause of Action" mean, without limitation, any and all actions, causes of action, controversies, liabilities, obligations, rights, suits, damages, judgments, Claims (as defined in Code § 101(5)) and demands whatsoever, whether known or unknown, reduced to judgment, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, secured or unsecured, assertable directly or derivatively, existing or hereafter arising, in law, equity, or otherwise that the Debtor and/or the Estate may hold against any Person as of the Effective Date.

"CBT" refers to California Bank & Trust.

"Central" refers to Apex Central wherein six of the LV Property parcels are located.

"Claim" means a claim, as the term "claim" is defined in Bankruptcy Code § 101(5), against the Debtor.

"Claims Objection Deadline" means September 30, 2011.

"Class" or **"Class of Claims or Interests"** means a group of Claims or Interests as classified under the Plan.

"Committee" refers to the official committee of unsecured creditors.

"Confirmation Date" means the date on which the Court enters the Confirmation Order on its docket.

"Confirmation Hearing" means the hearing held by the Court on the confirmation of the Plan.

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"Confirmation Order" means the Court order confirming the Plan under Bankruptcy Code § 1129.

"Court" means the United States Bankruptcy Court for the Central District of California, Santa Ana Division.

"Cure Amount" means any amounts that must be paid to cure defaults under the executory contracts and unexpired leases to be assumed under the Plan.

"Debtor" refers to Boundary Bay Capital, LLC.

"Debtor Professionals" means the agents, financial advisors, attorneys, consultants, independent contractors, representatives, and other professionals engaged or retained by the Debtor (in their capacities as such).

"Disclosure Statement" means this Disclosure Statement, as the same may be amended or modified from time to time.

"Disputed Claim" means all or any part of a Claim as to which any one of the following applies: (i) no Proof of Claim has been filed with respect to such Claim, and the Claim is listed in the Schedules as unliquidated, disputed, contingent or unknown, or; (ii) the Claim is the subject of a timely objection or request for estimation which is filed on or before the Claims Objection Deadline, which objection or request for estimation has not been withdrawn or determined by a Final Order. In addition, prior to the earlier of: (a) the Claims Objection Deadline, and (b) such date as the Bankruptcy Court allows the Claim pursuant to a Final Order, any Claim that is evidenced by a Proof of Claim shall be deemed a Disputed Claim for purposes of calculating and making any Distributions under this Plan if: (1) no Claim corresponding to the Proof of Claim is listed in the Schedules, (2) the Claim corresponding to the Proof of Claim is listed in the Schedules as disputed, contingent, unliquidated or unknown, (3) the amount of the Claim as specified in the Proof of Claim exceeds the amount of any corresponding Claim listed in the Schedules as not disputed, not contingent, and liquidated, but only to such extent, or (4) the priority or classification of the Claim as specified in the Proof of Claim differs from the priority of any corresponding Claim listed in the Schedules.

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"Distribution" means any distribution pursuant to the Plan to the Holders of an Allowed Claim.

"Distribution Date" means the date upon which the Distribution was made.

"DOC" refers to the Department of Corporations.

"Dunn Creditors" refers to Stacy Vierheilig-Fraser, J. Gunther, Inc. Money Purchase Plan, Dana R. Gunther, Jon Vartan and Armene Hovsepian, Sandra P. Cortave, and Ten-Two Company.

"Effective Date" means the first Business Day that is fourteen (14) days after the entry of the Confirmation Order, provided there has been no order staying the effectiveness of the Confirmation Order.

"Effective Date Payments" means Distributions or payments required by the Plan to be made by the Debtor on the Effective Date.

"EI Avoidance Claims" refers to the allegations made by the Debtor and the Committee that Enhanced Income's lien on the 2nd LV Note is avoidable, at least in part, as a fraudulent transfer pursuant to 11 U.S.C. §§ 544 and 548 because the Debtor did not receive reasonably equivalent value for the 2nd LV Note.

"EI Settlement" refers to the compromise of the EI Avoidance Claims to which Enhanced Income's Allowed Secured Claim will be reduced to $2,000,000.00 with the option of a discount for an early payoff.

"Eligible Creditors" refers to all general unsecured creditors (Class 7(a)) with Allowed Claims, except the Excluded Creditors, that may select the Buy-Out Option.

"Enhanced Income" refers to Enhanced Income Fund I, LLC.

"Enhanced Income Note" means the note secured by a first position lien against the Debtor's interest in the 2nd LV Note and 2nd LV DOT, a lien on the Debtor's interest in Heritage Orcas, and a lien on property owned by the Debtor in Murrieta, California.

"Estate" means the bankruptcy estate created in the Debtor's Case under Bankruptcy Code § 541.

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"Equity Distribution" means periodic distributions to equity holders of the Reorganized Debtor as proceeds net of operational expenses and reasonable reserves become available.

"Equity Option" refers to the option of Claimants in Class 7(a) to receive a Pro Rata Share of the New Equity Interests in the Reorganized Debtor.

"Excluded Creditors" refers to those creditors that may not select the Buy-Out Option and include the principals of the Debtor, David Lawlor and Jerry Smith, their spouses, and their blood relative, the Affiliates and Insiders (as that term is defined in the Bankruptcy Code) of the Debtor, commissioned salespeople of the Debtor and their blood relatives, and parties who were limited partners in Heritage Real Estate Equity Fund in 2004.

"File," "Filed," or **"Filing"** means duly and properly filed with the Court and reflected on the Court's official docket.

"Final Order" means an order or judgment of the Court entered on the Court's docket.

a. That has not been reversed, rescinded, stayed, modified, or amended;

b. That 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 an 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.

"First Amended Schedules" means the amended schedules filed by the Debtor on May 10, 2011.

"General Unsecured Claim" means an unsecured Claim against one or more of the Debtor, however arising, not entitled to priority under Section 507(a) of the Bankruptcy Code.

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"Hardy" refers to Hardy Management Company.

"Holder" means an entity holding a Claim or Interest.

"Industrial Rail" refers to Apex Industrial Rail wherein 11 of the LV Property parcels are located.

"Interests" means an equity interest in the Debtor.

"Interest Holders" refers to parties who hold membership interests (i.e., equity interests) in the Debtor.

"Layton" refers to Christopher Layton.

"Layton Litigation" means the lawsuit filed by the Debtor and certain related entities against Layton in Nevada District Court (Case No. A524992) and the cross-complaint filed by Layton.

"Layton Settlement Agreement" means the settlement agreement entered into resolving the Layton Litigation.

"Layton Settlement Motion" means the motion for order approving the Layton Settlement Agreement filed by the Debtor on April 16, 2012.

"LV Property" means those 17 parcels contained in 9 tax parcels (259) acres of undeveloped land located in North Las Vegas, Nevada.

"LV Notes" means those notes secured by the 1st, 2nd, and 3rd trust deeds on the LV Property.

"LV Trust Deeds" means the 1st, 2nd, and 3rd trust deeds on the LV Property.

"Malpractice Action" means the Debtor's malpractice claim against the Malpractice Defendants.

"Malpractice Defendants" refers to the Debtor's former counsel Glaser, Weil, Fink, Jacobs, Howard, Avachen & Shapiro, LLP, the successor entity to Christiansen, Miller, Glaser, Fink, Jacobs, Weil & Shapiro, LLP, and other defendants.

"Membership Interests" means the equity interests held by parties in the Debtor.

"MOR" means monthly operating reports.

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"Motion" means a request asking a judge to issue a ruling or order on a legal matter.

"Murrieta Property" means the 9.13 acres of real property located at Washington & Nutmeg in Murrieta, California, described legally as assessors ID 90602009-5.

"NewCo" means the new entity formed on the Effective Date by the owners of the 2nd LV Note.

"New Equity Holders" means equity holders in the Reorganized Debtor.

"New Equity Interests" means the new membership interests in the Reorganized Debtor issued to General Unsecured Creditors as provided for in Class 8(a).

"Net Proceeds" means the proceeds from the sale of assets after all costs of the sale have been deducted.

"Non-Ordinary-Course Administrative Claims" means Administrative Claims that are not Ordinary Course Administrative Claims, Administrative Tax Claims, or Professional-Fee Claims, including Claims that may arise from agreements entered into with the Estate after the Petition Date other than trade agreements.

"Non-Professional Administrative Claims" means Administrative Claims that are not Professional-Fee Claims.

"Note" or "Notes" means the unsecured notes which funded the Debtor's borrowing totaling $43,180,399.17 as set forth in the Schedules.

"Note Holders" refers to those parties Holding a Note or Notes.

"OCBB" refers to Orange County Business Bank.

"Operating Agreement" refers to the document which sets forth the operating parameters for the Reorganized Debtor.

"Ordinary-Course Administrative Claims" means Administrative Claims other than Administrative Tax Claims, Professional-Fee Claims, and Non-Ordinary-Course Administrative Claims, based upon liabilities that the Debtor incurs in the ordinary course of its business.

"OUST" means the Office of the United States Trustee, Santa Ana Division.

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"Oversight Committee" means the committee to be elected prior to the Effective Date comprised of three equity holders of the Reorganized Debtor that will monitor the management of the Reorganized Debtor.

"Pacific Time" means the time in Los Angeles, California.

"Park" refers to Apex Industrial Park wherein the LV Property is located.

"PCH Property" means the real property located at 34311 Pacific Coast Highway, Dana Point, California.

"Person" means any individual, corporation, general partnership, limited partnership, limited liability company, association, joint-stock company, joint venture, estate, trust, government, political subdivision, governmental unit (as defined in the Bankruptcy Code), official committee appointed by the United States Trustee, unofficial committee of creditors or equity holders, or entity.

"Petition Date" refers to the petition date for the Debtor.

"Plan" means the Second Amended Chapter 11 Plan, including any modifications or amendments to the Plan.

"PPM" means private placement memorandum.

"Priority Claim" means an Allowed Claim entitled to priority against an Estate under Bankruptcy Code §§ 507(a)(3), 507(a)(4), 507(a)(5), 507(a)(6), or 507(a)(7).

"Priority Tax Claim" means an Allowed Claim entitled to priority against an Estate under Bankruptcy Code § 507(a)(8).

"Professionals" collectively means the persons and entities employed by the Debtor pursuant to order of the Court in accordance with Bankruptcy Code §§ 327 or 1103.

"Professional-Fee Claim" means:

a. A Claim under Bankruptcy Code §§ 327, 328, 330, 331, 503, or 1103 for compensation for professional services rendered or expenses incurred on the Estate's behalf, or

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b. A Claim either under Bankruptcy Code § 503(b)(4) for compensation for professional services rendered or under Bankruptcy Code § 503(b)(3)(D) for expenses incurred in making a substantial contribution to the Estate.

"Properties" refers to the PCH Property, the Murrieta Property, and the Ventura Property.

"**Proof of Claim**" means a written statement filed in a Case by a creditor in which the creditor sets forth the amount of its Claim, in accordance with Rule 3001 of the Bankruptcy Rules.

"Pro Rata Share" means, in the case of Distributions to the Holders of Allowed Claims, the ratio (expressed as a percentage) of the amount of an Allowed Claim to the sum of the aggregate amount of Allowed Claims.

"Rafael" refers to Maureen Rafael.

"Rafael Litigation" means the litigation commenced by Rafael in the San Diego Superior Court related to the non-payment of her note, which was subsequently assigned to arbitration.

"Receiver" refers to Robert Wing, the federal receiver of Vescor.

"Receivership Action" means the fraudulent transfer action against the Debtor in the United States District Court, District of Utah, Case No. 2:08-cv-00835 DB, seeking to avoid the Debtor's 1st, 2nd, and 3rd liens against the LV Property.

"Request for Payment" means a request for the payment of an Ordinary Course Administrative Claim or a Non-Ordinary Course Administrative Claim as described in Section III.C.1.a and III.C.1.b. of the Disclosure Statement.

"Reorganized Debtor" refers to the California limited liability company operated pursuant to the Plan and an Operating Agreement substantially in the form of the document attached as Exhibit "1" to the Plan.

"Schedule of Assumed and Assigned Agreements" means a list of executory contracts and unexpired leases to be assumed and assigned under the Plan.

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"Schedules" means the Schedules of Assets and Liabilities filed by the Debtor in the Case, as required by § 521(1) of the Code, Bankruptcy Rules 1007(a)(3) and (b)(l), and Official Bankruptcy Form No. 6, as the Schedules may be amended from time to time.

"Second Amended Schedules" means the amended schedules filed by the Debtor on July 27, 2011.

"Secured Claim" means a Claim that is secured by a valid and unavoidable lien against property in which the Estate has an interest or that is subject to setoff under Bankruptcy Code § 553. A Claim is a Secured Claim only to the extent of the value of the Claim Holder's interest in that property or to the extent of the amount subject to setoff, as applicable, as determined under Bankruptcy Code § 506(a).

"SOFA" means the Debtor's statements of financial affairs.

"Tax Code" means the Internal Revenue Code.

"Undeliverable Distribution" means a Distribution to any Holder of an Allowed Claim that is returned to the Debtor as undeliverable or otherwise unclaimed.

"URS" refers to URS Corporation.

"Ventura Property" means the real property located on Ventura Blvd. in Sherman Oaks, California.

"Weiland Golden" means Weiland, Golden, Smiley, Wang Ekvall & Strok, LLP.

"Wing Receiver Settlement Agreement" means the settlement agreement entered into on December 7, 2011, between the Debtor, the Receiver, and all other named defendants in the Receivership Action and the BV Land Action.

"Wing Receiver Settlement Motion" means the motion for order approving the Wing Receiver Settlement Agreement filed by the Debtor on January 20, 2012.

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NEW CO 7 YEAR FORCAST (a)

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2104	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Loan Payoff
LOAN PROCEEDS (b)	$ 200,000.00												
INCOME													
Interest Income (c)		$ 371.25	$ 265.30	$ 174.09	$ 309.62	$ 207.08	$ 814.39	$ 696.87	$ 405.79	$ 285.60	$ 1,152.90	$ 1,002.28	
Property Sales													
Apex Contrel Lots 1 & 2 (d)				$ 549,285.94									
Apex Central Lot 8 (e)						$ 284,043.50							
Apex Central Lots 44 & 45 (f)								$ 689,197.61					
Apex Industrial Lot A (g)										$ 2,015,979.09			
Apex Central Lot 59 (h)												$ 402,563.92	
TOTAL INCOME	$ 200,000.00	$ 371.25	$ 265.30	$ 549,460.03	$ 309.62	$ 284,250.58	$ 814.39	$ 689,894.48	$ 405.79	$ 2,016,264.69	$ 1,152.90	$ 403,566.20	
EXPENSES													
Partner Distributions (i)				$ 250,000.00				$ 750,000.00		$ 1,500,000.00		$ 500,000.00	
Loan Fees and Expenses(j)	$ 10,000.00					$ -							
Management Fees (k)		$ 26,250.00	$ 26,250.00	$ 26,250.00	$ 26,250.00	$ 26,250.00	$ 26,250.00	$ 26,250.00	$ 26,250.00	$ 26,250.00	$ 26,250.00	$ 26,250.00	
Development Expenses (l)		$ 10,000.00		$ 10,000.00	$ 10,000.00	$ 10,000.00	$ 15,000.00	$ 25,000.00	$ 25,000.00	$ 30,000.00	$ 30,000.00	$ 30,000.00	
Tax Preparation			$ 1,500.00				$ 1,500.00						
Interest Expense (m)	$ 4,000.00	$ 4,000.00	$ 4,000.00	$ 4,000.00									
Principal Payments (n)				$ 200,000.00									
Organization Costs (o)	$ 25,000.00												$ 200,000.00
Property Taxes	$ 10,000.00		$ 2,500.00	$ 2,500.00	$ 2,500.00	$ 2,500.00	$ 2,500.00	$ 2,500.00	$ 2,500.00	$ 2,500.00	$ 2,500.00	$ 2,500.00	
Board of Directors Expense (p)	$ 2,500.00	$ 2,500.00	$ 2,500.00	$ 2,500.00	$ 2,575.00	$ 2,575.00	$ 2,575.00	$ 2,575.00	$ 2,652.25	$ 2,652.25	$ 2,652.25	$ 2,652.25	
TOTAL EXPENSES	$ 51,500.00	$ 42,750.00	$ 36,750.00	$ 495,250.00	$ 41,325.00	$ 41,325.00	$ 47,825.00	$ 806,325.00	$ 56,402.25	$ 1,561,402.25	$ 61,402.25	$ 561,402.25	
Ending Cash Balance	$ *148,500.00*	$ *109,121.25*	$ *72,636.55*	$ *123,846.58*	$ *82,831.20*	$ *325,755.78*	$ *278,746.17*	$ *162,315.65*	$ *106,319.19*	$ *461,181.62*	$ *400,912.48*	$ *243,076.43*	

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
INCOME												
Interest Income	$ 607.69	$ 334.28	$ 2,488.33	$ 2,313.35	$ 2,141.68	$ 582.17	$ 422.38	$ 297.18	$ 237.92	$ 762.38	$ 704.05	$ 749.88
Property Sales												
Apex Industrial Lot B & C (q)					$ 4,838,557.00							
Apex Industrial Rail Lot G (q)									$ 2,033,621.50			
Apex Industrial Rail Lot H (q)											$ 2,043,211.69	
Apex Industrial Rail Lot L (q)		$ 1,373,217.54										
TOTAL INCOME	$ 607.69	$ 1,373,551.82	$ 2,488.33	$ 2,313.35	$ 4,840,698.68	$ 582.17	$ 422.38	$ 297.18	$ 2,033,859.42	$ 762.38	$ 2,043,915.64	$ 749.88
EXPENSES												
Partner Distributions		$ 450,000.00			$ 5,400,000.00				$ 1,800,000.00		$ 2,000,000.00	
Management Fees	$ 25,250.00	$ 25,250.00	$ 25,250.00	$ 25,250.00	$ 19,687.50	$ 19,687.50	$ 19,687.50	$ 19,687.50	$ 19,687.50	$ 19,687.50	$ 19,687.50	$ 19,687.50
Development Expenses	$ 55,000.00	$ 55,000.00	$ 40,000.00	$ 40,000.00	$ 40,000.00	$ 40,000.00	$ 25,000.00					
Tax Preparation			$ 1,500.00				$ 1,500.00				$ 1,500.00	
Property Taxes	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 1,500.00	$ 1,500.00	$ 1,500.00	$ 1,500.00	$ 1,500.00	$ 1,500.00
Board of Directors Expense	$ 2,731.82	$ 2,731.82	$ 2,731.82	$ 2,731.82	$ 2,812.93	$ 2,812.93	$ 2,812.93	$ 2,812.93	$ 2,897.32	$ 2,897.32	$ 2,897.32	$ 2,897.32
TOTAL EXPENSES	$ 85,981.82	$ 535,981.82	$ 72,481.82	$ 70,981.82	$ 5,464,500.43	$ 64,500.43	$ 50,500.43	$ 24,000.43	$ 1,824,084.82	$ 24,084.82	$ 2,025,584.82	$ 24,084.82
Ending Cash Balance	$ 157,702.30	$ 995,332.28	$ 923,338.79	$ 855,670.32	$ 232,868.57	$ 168,950.31	$ 119,672.25	$ 95,169.01	$ 304,943.61	$ 281,821.15	$ 299,951.98	$ 276,617.04

$ 200,000.00

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
INCOME					
Interest Income	$ 230.61	$ 442.23	$ 511.00	$ 1,040.94	
Property Sales					
Apex Industrial Rail Lot I (c)	$ 2,412,028.47				
Apex Industrial Rail Lot J (c)			$ 2,419,036.16		
Apex Industrial Rail Lot K (c)				$ 2,433,137.67	
Apex Industrial Rail Lot M (c)		$ 1,237,051.18			
Apex Industrial Rail Lot N (c)			$ 3,401,910.24		
TOTAL INCOME	$ 2,412,259.08	$ 1,237,493.41	$ 5,821,457.40	$ 2,434,178.61	
EXPENSES					
Partner Distributions	$ 2,500,000.00	$ 1,200,000.00	$ 5,600,000.00	$ 2,700,000.00	$ 140,000.00
Management Fees	$ 8,000.00	$ 6,000.00	$ 4,000.00	$ 2,000.00	
Development Expenses					
Tax Preparation			$ 1,500.00		
Property Taxes	$ 1,000.00	$ 1,000.00	$ 1,000.00	$ 1,000.00	
Board of Directors Expense	$ 2,984.24	$ 2,984.24	$ 2,984.24	$ 2,984.24	
TOTAL EXPENSES	$ 2,511,984.24	$ 1,209,984.24	$ 5,609,484.24	$ 2,705,984.24	$ 140,000.00
ENDING CASH	$ 176,891.78	$ 204,400.95	$ 416,374.12	$ 144,568.68	$ 4,568.68

Apex Cental Parcels	Square Footage	Estimated Price Per Square Foot	Estimated 9/1/2102 Value	Gross Sales Price	Net Proceeds
Lot 1	352,836	$0.91	$ 321,080.76	$ 321,080.76	$ 298,605.11
Lot 2	296,208	$0.91	$ 269,549.28	$ 269,549.28	$ 250,680.83
Lot 8	291,852	$0.91	$ 265,585.32	$ 305,423.12	$ 284,043.50
Lot 44	378,074	$0.91	$ 344,047.34	$ 412,856.81	$ 383,956.83
Lot 45	300,564	$0.91	$ 273,513.24	$ 328,215.89	$ 305,240.78
Lot 59	339,768	$0.91	$ 309,188.88	$ 432,864.43	$ 402,563.92
Apex Industrial Rail Parcels					
Parcel A	1,111,651	$1.30	$ 1,445,146.30	$ 2,167,719.45	$ 2,015,979.09
Parcel B	740,520	$1.30	$ 962,676.00	$ 5,202,749.46	$ 4,838,557.00
Parcel C	725,710	$1.30	$ 943,423.00		
Parcel G	739,646	$1.30	$ 961,539.80	$ 2,186,689.79	$ 2,033,621.50
Parcel H	743,134	$1.30	$ 966,074.20	$ 2,197,001.71	$ 2,043,211.59
Parcel I	746,618	$1.30	$ 970,603.40	$ 2,593,579.00	$ 2,412,028.47
Parcel J	749,668	$1.30	$ 974,568.40	$ 2,601,114.15	$ 2,419,036.16
Parcel K	753,152	$1.30	$ 979,097.60	$ 2,616,277.25	$ 2,433,137.84
Parcel L	689,555	$1.30	$ 896,421.50	$ 1,476,578.00	$ 1,373,217.54
Parcel M	622,037	$1.30	$ 808,648.10	$ 1,330,162.56	$ 1,237,051.18
Parcel N	1,710,610	$1.30	$ 2,223,793.00	$ 3,657,958.00	$ 3,401,910.24
	259.2195383	11,291,603	Current Estimated Value	$ 13,914,956.12	$ 28,099,629.66	$ 26,132,841.58

Initial Estimated Value AC	Gross Sale Price AC	Per Annum Return
$ 1,782,964.82	$ 2,069,990.29	5.37%

Initial Estimated Value IR	Gross Sale Price IR	Per Annum Return
$ 12,131,991.30	$ 26,029,839.37	16.37%

NewCo 7 Year Forecast Footnotes (Quarterly Basis)

a) The calculation of each Members Membership Interest in NewCo is as follows:

The Debtor believes that cooperation amoung the undivided interest holders of the Secured Notes is crucial to maximizing the value of the underlying properties. A failure to cooperate, in Debtor's opinion, will significantly reduce the value returned to Unsecured Creditors.

Upon the Effective Date the Debtor and related entities will take the following steps:

1) The undivided interest holders in the 3rd LV Note will release the 3rd LV Deed of Trust since it has zero value
2) The Debtor will release its 1st LV Note and will receive a 33.5185% membership interest in NewCo. This membership interest calculation is based upon a full credit of the 1st LV Note balance of $4,692,600 and assumes the LV Property value is $14,000,000.
3) The undivided interest holders in the 2nd LV Note will release the 2nd LV Deed of Trust in exchange for membership interests in NewCo based on the remaining 66.4815% membership interests in NewCo according to their percentage ownership in the 2nd LV note as follows:
    a. The Debtor 24.1173% undivided interest (24.1173 X 66.4815=16.0035)
    b. Heritage Orcas Partners, LP 44.788% undivided interest
    c. Birch Bay Partners, LP 8.6639% undivided interest
    d. Heritage Orcas VL, Partners, LP 12.5568%
    e. Covenant Opportunity Fund, LP 3.743%
    f. Echo Bay/Island Capital 6.1299%.
4) The Membership Interest holders of NewCo will then be as follows:
   The Debtor 49.5520% (33.5185 plus 16.0035=49.552%)
   Heritage Orcas Partners, LP 29.7763%
   Birch Bay Partners, LP 5.7599%
   Heritage Orcas VL Partners, LP 8.3479%
   Island Capital 6.5639%

(b) Based upon estimated terms of $200,000.00 loan, 8% per annum interest paid monthly, 12 month term.

(c)Assumes a 1% annual interest rate earned on previous quarter ending cash balance in bank account.

(d) NewCo will list Apex Central Lots 1 & 2 (14.9 acres) as soon as practical following the Effective Date. Lot 1 is adjacent to the existing paved county road and Lot 2 is adjacent to Lot 1 to the North. Both lots are closest to Las Vegas Boulevard and allow easy access and sufficient scale for a build to suit warehouse or similar facility. NewCo expects to list these two parcels for $40,000 per acre resulting in a $596,000 list price. The sale proceeds projected in the forecast for these two lots reflect a $590,630.04. gross sale price with net proceeds, after an assumed 7% cost of sales yields the $549,285.94 net proceeds. The gross sales price reflects the current assumed value and no increase in the value of these two properties is assumed over the next 15 months. (See Exhibit 1 LV Property Calculations and Exhibit 2 map)

(e) NewCo has assumed the sale of Apex Central Lot 8 during the 4th Quarter of 2013. Lot 8 lies to the north of Lots 1 & 2 and is currently accessible by a dirt road. NewCo has projected a gross sale price of $305,423.12 representing an approximate 15% per annum increase from the initial estimated value. The increase in value assumes an improvement in the Las Vegas warehouse distribution market and possible arrangements with adjacent land owners to attract a solar facility. (See Exhibit 1 LV Property Calculations and Exhibit 2 map)

(f) NewCo has assumed the sale of Apex Central Lots 44 & 45 during the 1st Quarter of 2014. Lots 44 & 45 lie to the west of Lots 1, 2 and 59 and also front the paved road. NewCo has projected the gross sale price to be $741,072.70 representing an approximate 15% per annum increase from the initial estimated value. This increase in value is based upon ease of access to the parcel, the scale created by the combined 15.6 acres, the assumed development of Lots 1 & 2 and improvement in the Las Vegas warehouse distribution marketplace. (See Exhibit 1 LV Property Calculations and Exhibit 2 map)

(g)NewCo assumes Lot A of Industrial Rail will be sold during the 2nd Quarter of 2014. This is the Industrial Rail parcel which lies closest to the presumed rail road crossing and would require the least infrastructure (ie roads) to develop thus making it the most marketable. See footnote ??? for a discussion of assumed sale price calculations

(h) NewCo has assumed the sale of Apex Central Lot 59 during the 3rd Quarter of 2015. Lot 59 lies to the west of Lots 1 & 2 and also fronts the paved road. NewCo has projected the gross sale price to be $432,864.43 representing an approximate 12% per annum increase from the initial estimated value. This increase in value is based upon ease of access to the parcel, the assumed development of Lots 1 & 2 and improvement in the Las Vegas warehouse distribution marketplace. (See Exhibit 1 LV Property Calculations and Exhibit 2 map)

(i) NewCo will make distributions to the Members of NewCo according to their Membership Interest percentage based upon cash available after the working capital needs of NewCo.

(j) NewCo estimates it will pay a four percent (4%) loan fee to the lender as well as other costs associated with the loan.

(k) The Managers of NewCo will receive a management fee equal to 0.75% of the value of the gross assets. The Manager of NewCo will revalue the assets of NewCo on an annual basis. The Managers of NewCo will be Jerry Smith and David Lawlor, who are also Managers of the Debtor. This management fee will be used for any and all administrative expenses of the entity (ie, office, phone, bookkeeping etc.) as well as compensation for Mr. Smith and Mr. Lawlor.

(l) NewCo is projecting spending $485,000 on Development Expenses between Q1 2013 and Q1 2017. It is anticipated that these expenses will include but not be limited to engineering firms, consultants and potentially infrastructure costs associated with the Industrial Rail, LLC lots. These funds will be used to develop and implement a plan of access across the Union Pacific mainline, develop and implement plans for utilities, facilitating annexation by the City of North Las Vegas and other costs associated with the Industrial Rail parcels. The timing of incurring expenses and the amount of the expenditures are estimates based on work done by Mr. Smith and Mr. Lawlor soon after the property was acquired.

(m) NewCo anticipates a one year interest reserve will be retained by the lender.

(n) NewCo anticipates the loan to be paid off from the first property sale proceeds.

(o) NewCo estimates these fees will be incurred in the exchange of debt for equity described in footnote (a) and will be paid exclusively to unrelated third parties such as title and escrow companies. Some small amount will be paid to third parties for the actual formation of NewCo.
(p)NewCo projects a $2500 quarterly payment, which will increase 3% per annum, to the Board of Directors for expenses and/or stipend.
(q) NewCo estimates that the Industrial Rail lots, based on the assumed initial value of these lots of $12,131,991.30 will yield a gross sales price over the seven year plan of $26,029,839.37. This results in an assumed 16.37% per annum rate of return which blends sales, joint ventures and/or development of these parcels. (See Exhibit 1 LV Property Calculations) In general, NewCo forecasts sales, joint ventures and/or development will begin with Lot A, furthest to the south and closest to the existing private rail road crossing and move sequentially to the north of the property. (See Exhibit 3 map) NewCo projects that as sales and development occur in the south of the property the infrastructure facilitating these events will increase the value of the lots moving north as the incremental infrastructure costs decrease. (ie roads, potential shared wells septic, access to public utilities)

EXHIBIT 2

UNSECURED RECEIVABLES

Receivables

Birch Bay Partners	$151,575.90
CMG, LLC	$403,508.02
Tax Appeal Consultants	$3,580.16
Heritage Orcas VL Partners	$91.12
Total Unsecured Receivables	$558,755.20

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement ("*Agreement*") is made this 31st day of December, 2008, by and between COVENANT BANCORP, INC., a NEVADA CORPORATION (the "*Seller*") and BOUNDARY BAY CAPITAL, LLC, an individual (the "*Buyer*"), with reference to the following:

A. Seller is the owner of a real estate investment business (the "*Business*") including the assets and liabilities associated with the operation of the Business;

B. Seller desires to sell and transfer to Buyer certain assets and liabilities to Buyer and Buyer desires to purchase these assets and liabilities from Seller

C. Seller desires to assign and transfer to Buyer and Buyer desires to assume from Seller certain obligations and liabilities associated with the operation of the Business.

Now, therefore, in consideration of the respective representations and warranties and of the covenants and agreements contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1
PURCHASE OF ASSETS

Section 1.1 Purchase and Sale. Upon the terms and subject to the conditions contained in this Agreement, Seller shall sell, transfer, convey, assign and deliver to Buyer and Buyer agrees to purchase, acquire and assume from Seller, all of Seller's right, title and interest in and to certain assets, rights and properties relating to the operation of the Business (collectively the "*Assets*"). A listing of the Assets are identified in Exhibit A, attached hereto and incorporated herein.

Section 1.2 Liabilities. Buyer shall assume certain liabilities of Seller pursuant to the Assignment and Assumption Agreement, a form of which is attached hereto as Exhibit B and incorporated herein by reference.

ARTICLE 2
PURCHASE PRICE

Section 2.1 Consideration. The consideration for the purchase of the Assets ("*Purchase Price*") has been determined to equal the amount of the liabilities of the Business being assumed as of December 31, 2008 ("Liabilities") pursuant to Exhibit B.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

Section 3.1 Buyer's Representations and Warranties. Buyer hereby represents and warrants to Seller that:

(a) Authorization.

(1) Buyer is duly organized, validly existing and in good standing in the State of California;

(2) Buyer is duly authorized to execute and deliver this Agreement;

(3) This Agreement is binding on Buyer in accordance with its terms; and

(4) The execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the compliance by Buyer with the terms of this Agreement will not conflict with or result in a breach of any terms of, or constitute a default under any agreement, obligation or instrument to which Buyer is a party or by which they are bound.

(b) Buyer is familiar with the Business and the federal and state laws, rules, plans, ordinances, guidelines and regulations, applicable to the conduct of such business including without limitation, the environmental regulations. Buyer has the expertise and ability to examine the Assets and evaluate their condition and compliance with all such applicable federal and state laws, rules, plans, ordinances, guidelines and regulations.

Section 3.2 Seller's Representations and Warranties. Seller hereby represents and warrants to Buyer as follows:

(a) Authorization of Seller.

(1) is duly organized, validly existing and in good standing in the State of California;

(2) Seller has all requisite power and authority to own and sell the Assets;

(3) Seller is duly authorized to execute and deliver this Agreement; and

(4) This Agreement is binding on Seller in accordance with its terms, with the individuals executing this Agreement on behalf of Seller represent and warrant that they are duly authorized to execute and deliver this Agreement on behalf of Seller.

(b) No Conflict or Default. Neither the execution or delivery of this Agreement, nor compliance with the terms and provisions hereof, including without limitation, the consummation of the transactions contemplated hereby, will conflict with or result in the breach of any term, condition or provision of any agreement, deed, contract, mortgage, indenture, order, decree legal obligation or instrument to which Seller is a party or by which it or any of the Assets are bound, or constitute a

default (or an event which, with the lapse of time or the giving of notice or both, would constitute a default), or result in the creation or imposition of any lien, charge or encumbrance, or restriction of any nature whatsoever with respect to any of the Assets, or give to others any interest or rights.

(c) Litigation. There is no claim, litigation, action, suit or proceeding, administrative or judicial, pending or, to the best of Seller's knowledge, threatened against the Seller or involving the Assets before any federal, state, local or foreign court or agency or other governmental authority. Seller has received no notice of any investigation or proceeding by any governmental agency or institution with respect to the Business or the Assets.

(d) Compliance with Law. Seller has complied and is in material compliance with all federal, state, local and foreign laws, rules and regulations applicable to its business.

ARTICLE 4
COVENANTS OF SELLER AND BUYER

Section 4.1 Closing. The transactions contemplated by this Agreement shall close and all deliveries to be made at the Closing of the transactions contemplated by this Agreement shall take place on December 31, 2008 at 10:00 a.m. at the offices of Buyer, or at such other place or date as may be agreed upon from time to time by Buyer and Seller (the "*Closing Date*"). The Closing is subject to the satisfaction of the conditions set forth below, unless duly waived.

Section 4.2 Conduct of Seller's Business. Prior to and through and including the Closing, Seller shall operate the Business and maintain the Assets in the usual and ordinary course and substantially in the same manner as previously conducted. In addition, Seller shall maintain the Assets through the Closing in substantially the same condition as they were at time of inspection, normal wear and tear excepted.

ARTICLE 5
CONDITIONS TO OBLIGATIONS; COVENANTS

Section 5.1 Conditions Precedent to Obligations of Buyer. Each and every obligation of Buyer to be performed at the Closing shall be subject to the satisfaction, or the express waiver, as of or before the Closing of the following conditions:

(a) All representations and warranties of Seller set forth in the Agreement will be true and correct as of the Closing;

(b) All obligations of Seller required to be performed prior to or at Closing shall have been performed;

(c) There have been no adverse changes in the operation of the Business since the execution of the Agreement; and

(d) Seller is able to transfer all right, title and interest to the Assets.

Section 5.2 Conditions Precedent to Obligations of Seller. Each and every obligation of Seller to be performed at Closing shall be subject to the satisfaction, or the express waiver, as of or before Closing of the following conditions:

(a) All representations and warranties of Buyer set forth in the Agreement will be true and correct as of the Closing;

(b) All obligations of Buyer required to be performed prior to or at Closing shall have been performed.

ARTICLE 6
DOCUMENTS DELIVERED AT CLOSING

Section 6.1 Deliveries by Seller. At the Closing, Seller shall deliver to Buyer, all duly and properly executed by Seller such other agreements or documents as reasonably requested to effectuate this Agreement.

Section 6.2 Deliveries by Buyer. At the Closing, Buyer shall deliver to Seller all duly and properly executed by Buyer, to the extent appropriate:

(a) an Assignment and Assumption Agreement; and

(b) such other agreements or documents as reasonably requested to effectuate this Agreement.

ARTICLE 7
INDEMNIFICATION

Section 7.1 Indemnification of Buyer. Without limiting in any way other rights and remedies Buyer may have, Seller hereby agrees to indemnify and hold Buyer harmless against any loss, claim, cause of action, damage, obligation, recovery, deficiency, cost, liability or expense including, without limitation, interest, penalties, and reasonable attorneys' fees and expenses ("*Loss*") in respect to or arising out of (i) the incorrectness, untruth, or breach of any material representation, warranty or covenant made by Seller in this Agreement, the Exhibits, or any certificate provided under this Agreement (ii) any third party claims regarding the use of the Assets or the conduct of the Business prior to Closing.

Section 7.2 Indemnification of Seller. Without limiting in any way other rights and remedies Seller may have, Buyer hereby, jointly and severally, agree to indemnify and hold Seller harmless against any loss, claim, cause of action, damage, obligation, recovery, deficiency, cost, liability or expense including, without limitation, interest, penalties, and reasonable attorneys' fees and expenses ("*Loss*") in respect to or arising out of (i) the incorrectness, untruth, or breach of any representation, warranty or covenant made by Buyer in this Agreement, the Exhibits, or any certificate provided under this Agreement (ii) any third party claims regarding the use of the Assets following the Closing, (iii) or any Loss arising regarding the use of the Assets following the Closing.

ARTICLE 8
MISCELLANEOUS PROVISIONS

Section 8.1 Entire Agreement; Severability of Provisions. This Agreement, the Exhibits and the documents referred to herein embody the entire agreement and understanding of the parties hereto with respect to the subject matter hereof, and supersede all prior and contemporaneous agreements and understandings, oral or written, relative to said subject matter. If any provision of this Agreement is held unenforceable, said holding shall not be deemed to impair the validity of the remaining provisions of this Agreement, which shall remain in full force and effect.

Section 8.2 Binding Effect. This Agreement and the various rights and obligations arising hereunder shall inure to the benefit of and be binding upon Seller and Buyer, and each of their successors and assigns.

Section 8.3 Amendment; Waiver. This Agreement may not be changed, amended, terminated, augmented, rescinded or discharged (other than by performance), in whole or in part, except by a writing executed by the parties hereto, and no waiver of any of the provisions or conditions of this Agreement or any of the rights of a party hereto shall be effective or binding unless such waiver shall be in writing and signed by the party claimed to have given or consented to such waiver.

Section 8.4 No Third-Party Beneficiaries. Nothing herein, expressed or implied, is intended or shall be construed to confer upon or give to any person, firm, corporation or legal entity, other than the parties hereto, any rights, remedies or other benefits under or by reason of this Agreement.

Section 8.5 Counterparts. This Agreement may be executed simultaneously in multiple counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument.

Section 8.6 Governing Law. This Agreement shall in all respects be construed in accordance with and governed by the laws of the State of California without giving effect to conflicts of law principles.

Section 8.7 Attorneys' Fees and Costs. If any party to this Agreement brings an action arising out of or related to the terms and conditions of this Agreement, the prevailing party shall be entitled to recover from the other party reasonable attorneys' fees and costs incurred in connection with such action, and all costs of appeal and collection.

Section 8.8 Notice. All notices and other communications required or permitted under this Agreement shall be deemed to have been duly given and made if in writing and if served either by personal delivery to the party for who intended or by being deposited, postage prepaid, certified or registered mail, return receipt requested, in the United States mail, addressed to the parties at the following address (or such other address as may be designated in writing by such party):

(a) if to Seller:
17801 Cartwright Rd., Irvine, California 92614,

(b) if to Buyer:

17801 Cartwright Rd., Irvine, California 92614,

Section 8.9 Expenses. Except as expressly provided otherwise in this Agreement, each party hereto shall pay its own expenses incurred in connection with the consummation of this Agreement and associated transactions and approvals, including any and all attorney, accountant, consultant, broker or finder fees.

Section 8.10 Assignment. Buyer may assign its rights under this Agreement without the prior written consent of Seller to any entity controlled and/or operated by Buyer, or any successor-in-interest of Buyer. Any such assignment shall not relieve Buyer of any liability under this Agreement. Either party may assign its rights under this Agreement for any other purpose, but only with the prior written consent of the other party, which consent shall not be unreasonably withheld. The valid assignment of this Agreement consented to in writing by the other party shall relieve the assigning party of all liability under this Agreement and shall bind that party's assignee in full to the obligations of this Agreement as though it were the original party.

Section 8.11 Construction. Each party acknowledges and agrees that it has read and understands each and every provision of this Agreement and the Exhibits and has considered all relevant business and tax aspects of this Agreement. The parties further acknowledge and agree that each party has had the opportunity to consult with and obtain legal advice and counseling from an attorney in relation to each and every provision of this Agreement and the Exhibits, and each party acknowledges and agrees that it has either availed itself of that opportunity or has knowingly and willfully declined such representation. Therefore, the language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against either party.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year first above written.

SELLER

COVENANT BANCORP, INC.
a Nevada Corporation

By: _____
DAVID T. LAWLOR, Managing Member
Heritage Capital Management, LLC

BUYER

BOUNDARY BAY CAPITAL, LLC
a California limited liability company

By: _____
DAVID T. LAWLOR, Managing Member

MEMBERS:

HERITAGE CAPITAL MANAGEMENT, LLC

By: _____
DAVID T. LAWLOR, Managing Member

COVENANT MANAGEMENT GROUP, LLC

By: _____
JERRY D. SMITH, Managing Member

EXHIBIT "A"

ASSETS OF
COVENANT BANCORP ,INC.

1. Note receivable, BV Land Co, LLC
2. Note receivable, Humphrey Bruce
3. Note receivable, Secret Lake II
4. Note receivable, Siena Medical
5. Note receivable, APEX Holdings 1-6, 23
6. Note receivable Siena Vista Office Park
7. Receivable - Boundary Bay Capital

EXHIBIT "B"

ASSIGNMENT AND ASSUMPTION AGREEMENT

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (the "*Agreement*") is entered into and made effective December 31, 2008 ("*Effective Date*"), by and among COVENANT BANCORP, INC. ("*Assignor*"), and BOUNDARY BAY CAPITAL, LLC ("*Assignee*").

WITNESSETH:

WHEREAS, pursuant to the this Agreement, Assignor desires to assign all its interest, liabilities and obligations to Assignee, and Assignee desires to accept the assignment of all interest and assume all liabilities and obligations of Assignor; and

WHEREAS, Assignor and Assignee now desire to evidence Assignor's assignment of all interest, liabilities and obligations to Assignee and Assignee's acceptance of all interest and assumption of all liabilities and obligations of Assignor.

NOW, THEREFORE, in consideration of the promises and mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Assignment. Assignor hereby assigns, transfers and conveys to Assignee, all of Assignor' rights, title and interest in and to all properties, real and personal, tangible and intangible, wherever situated, and all agreements to which Assignor is a party to as of the Effective Date of this Agreement.

2. Assumption. Assignee hereby accepts all rights, title and interest in and to all properties, real and personal, tangible and intangible, wherever situated, and agrees to perform, pay and discharge all liabilities and obligations of Assignor as of the Effective Date of this Agreement.

3. Headings. The headings contained in this Agreement as to the contents of particular sections or other subdivisions contained herein are inserted for convenience of reference only and are in no way to be construed as part of this Agreement or as limitations on the scope of particular sections or other subdivisions to which they refer and shall not affect the interpretation or meaning of this Agreement.

4. Governing Law. This Agreement shall be governed by and controlled, construed and enforced in accordance with the laws of the State of California.

5. Counterparts. This Agreement may be executed simultaneously and in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

6. Successors and Assigns. This Agreement shall bind and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns.

7. Amendment and Modification. This Agreement may be amended or modified only in a written instrument signed by each of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on their respective behalves by their respective duly authorized officers all as of the day and year first above written.

ASSIGNOR:

COVENANT BANCORP, INC.
a Nevada Corporation

By: _____
DAVID T. LAWLOR, Managing Member
Heritage Capital Management, LLC

ASSIGNEE:

BOUNDARY BAY CAPITAL, LLC
a California limited liability company

By: _____
DAVID T. LAWLOR, Managing Member

MEMBERS:

HERITAGE CAPITAL MANAGEMENT, LLC

By: _____
DAVID T. LAWLOR, Managing Member

COVENANT MANAGEMENT GROUP, LLC

By: _____
JERRY D. SMITH, Managing Member

BOUNDARY BAY CAPITAL, LLC
EXHIBIT 4
OTHER UNSECURED DEBT

Other Unsecured	
City of Lapeer	$429.09
Charter Communications	$29.35
Cooley, Moulton & Smith	$100.00
David C. Weiss	$337.50
Glaser, Weil, Fink	$250,000.00
Herndon Partners	$842.91
Law Offices of Jay Statman	$300.00
Los Angeles County Treasurer	$89.81
Malibu West	$159.52
Ruben Sanchez	$600.00
Southwest Fire Protection	$675.00
The Gas Co.	$271.75
Birch Bay Management	$3,407.76
Covenant Opportunity Group	$754,537.49
Heritage Capital Management	$110,879.16
Jerry Smith	$166,563.77
Total Other Unsecured Debt	$1,289,223.11

9:45 AM
03/16/11
Accrual Basis

Boundary Bay Capital, LLC
Account QuickReport
As of March 16, 2011

Type	Date	Num	Name	Memo	Split	Amount
Cash						
Orange County Business Bank						
General Journal	04/12/2010	555		TRF TO CMG	CMG, LLC	-1,000.00
General Journal	05/11/2010	1029		TRF TO CMG	CMG, LLC	-1,000.00
General Journal	05/13/2010	1030		TRF TO CMG	CMG, LLC	-1,500.00
General Journal	06/16/2010	1047		Money trf to CMG for benefit of HCM payable	Heritage Capital Management, LL	-30,000.00
General Journal	07/22/2010	1136		TRF TO CMG	CMG, LLC	-250.00
General Journal	07/26/2010	1137		TRF TO CMG	CMG, LLC	-75.00
Check	08/12/2010	1248	ECHO BAY PARTNERS, LLC		-SPLIT-	-60,000.00 1
General Journal	08/12/2010	1151		PAYING HCM FOR MGMT FEES	Heritage Capital Management, LL	-20,000.00
General Journal	08/12/2010	1152		TRF TO CMG	CMG, LLC	-3,000.00
General Journal	08/18/2010	1164		TRF TO CMG	CMG, LLC	-30,000.00
General Journal	08/16/2010	1165		PAYING DOWN ON MGMT FEES	Heritage Capital Management, LL	-90,000.00
General Journal	08/17/2010	1168		TRF TO CMG	CMG, LLC	-17,000.00
General Journal	08/20/2010	1187		TRF TO HCM FOR MGMT FEES	Heritage Capital Management, LL	-3,000.00
General Journal	08/20/2010	1198		Trf to CMG	CMG, LLC	-5,500.00
Check	09/20/2010	1261	BOYER, DOUG	Her Cap - Boyer Family Trust	Heritage Capital	-2,000.00 2
Check	09/20/2010	1262	GILMARTIN, JOHN	Heritage Capital Partners Earnings Distrib	Heritage Capital	-3,000.00 2
Check	09/20/2010	1263	IRA RESOURCES, INC.	Heritage Capital Partners LP Earnings Distrib	Heritage Capital	-600.00 2
Check	09/20/2010	1264	MC ELMURRY FAM TRUST	HER CAPITAL PARTNERS	Heritage Capital	-500.00 2
Check	09/20/2010	1265	MCKENZIE, BOB LLC	HERITAGE CAPITAL PARTNERS, LP	Heritage Capital	-1,000.00 2
Check	09/20/2010	1266	MORSHEAD, D IRA	HERITAGE CAPITAL PARTNERS' EARNINGS DISTRIB	Heritage Capital	-1,000.00 2
Check	09/20/2010	1267	ODAM, ABBY IRA	HERITAGE CAPITAL PARTNERS EARNING DISTRIB	Heritage Capital	-1,951.22 2
Check	09/20/2010	1268	ODAM, JOHN TRAD IRA	HERITAGE CAPITAL PARTNERS LP EARN DISTRIB	Heritage Capital	-2,682.23 2
Check	09/20/2010	1269	PETERSON, JON IRA	HERITAGE CAPITAL PARTNERS EARNINGS DISTRIB	Heritage Capital	-10,000.00 2
Check	09/20/2010	1270	PETERSON, JON ROTH IRA	HERITAGE CAPITAL PARTNERS EARN DISTRIB	Heritage Capital	-10,000.00 2
Check	09/20/2010	1271	RITTER, LOIS IRA	HERITAGE CAPITAL PARTNERS EARN DISTRIB	Heritage Capital	-300.00 2
Check	09/20/2010	1272	WALKER, ROBERT JAMES	HERITAGE CAPITAL PARTNERS, LP	Heritage Capital	-500.00 2
Check	09/20/2010	1273	CARTWRIGHT PROPERTIES, LLC	RENT	CMG	-5,000.00 2
Check	09/20/2010	1274	AT&T	$282.57 & $329	-SPLIT-	-955.77 2
Check	09/20/2010	1275	GAVALIER TELEPHONE	ACCT 2416534	CMG	-152.46 2
Check	09/20/2010	1276	CENTURYLINK	ACCT: 300512827	CMG	-74.94 2
Check	09/20/2010	1277	CREATIVE SERVICES	JERRY & JOANNE SMITH	-SPLIT-	-167.83 2
Check	09/20/2010	1278	REGENCE BLUE SHIELD	31603 PLAN F	-SPLIT-	-454.00 2
Check	09/20/2010	1279	JERRY D. SMITH	CREDIT CARD REIMBURSEMENT	CMG	-2,648.33 2
Check	09/20/2010	1280	DAVID T. LAWLOR	CREDIT CARD REIMBURSEMENT	CMG	-84.24 2
Check	09/20/2010	1281	GROBATY & PITET LLP		CMG	-2,000.00 2
Check	10/05/2010	1282	COVENANT MANAGEMENT GROUP		CMG, LLC	-1,000.00
Check	10/05/2010	1283	BLUE SHIELD OF CALIFORNIA		CMG, LLC	-5,244.00
Check	10/06/2010	1284	COVENANT MANAGEMENT GROUP, LLC	CMG out of checks - transferred cash and then wrote check	Orange County Business Bank	-2,500.00 2
Check	10/12/2010	1287	WASHINGTON COUNTY		Heritage Oreas	-572.00 3
General Journal	10/15/2010	1233		Trf to CMG	CMG, LLC	-320.43
Check	10/28/2010	1295	GOLDEN EAGLE INSURANCE	Policy #100851880 & 500575320	Covenant Opportunity Fund	-1,238.10 3
General Journal	11/01/2010	1251		Trf to Oreas	Heritage Oreas	-478.67 3
						Page 1 of 2

9:45 AM
03/16/11
Accrual Basis

Boundary Bay Capital, LLC
Account QuickReport
As of March 16, 2011

Type	Date	Num	Name	Memo	Split	Amount
Check	12/13/2010	1309	COVENANT MANAGEMENT GROUP, LLC	Payment on receivable - mgmt fees	Heritage Capital Management, LL	-5,000.00
Check	12/21/2010	1311	Hemar, Rousso & Heald	Retainer - Brats Bros lease - Cov Opp Fund	Covenant Opportunity Fund	-3,000.00 3
General Journal	03/22/2011	1397		Trf to Heritage Orcas to clear payable	Heritage Orcas	-885.14 3
Total Orange County Business Bank						-259,584.32
Total Cash						-259,584.32
						-259,584.32

1 - Reimbursing Echo Bay Partners - $22,300, $27,700 to HCM for mgmt fees
2 - Payments made from BBC - money transferred from CMG to cover payments - CMG out of checks
3 - Payments to Heritage Orcas and Covenant Opportunity Fund to reduce payable owed by BBC

10:34 AM
04/04/11
Accrual Basis

Boundary Bay Capital, LLC Debtor in Possession
Balance Sheet
As of March 28, 2011

	Mar 28, 11
ASSETS	
Current Assets	
Checking/Savings	
Cash	
Orange County Business Bank	1,717.41
Total Cash	1,717.41
Total Checking/Savings	1,717.41
Other Current Assets	
Accrued Interest	
Gilmartin	2,974.61
Humphrey	309.92
Total Accrued Interest	3,284.53
Rec - Tax Appeal Consultants	3,580.18
Receivables	
Adam Frank	857.41
Birch Bay Partners	151,576.90
Heritage Orcas VL Partners	91.12
Lexington Insurance - Lupaer	31,108.73
Total Receivables	183,438.16
Retainer - Robertson, Thommarso	5,813.17
Retainer - Welland, Golden	225,000.00
Total Other Current Assets	421,211.02
Total Current Assets	422,928.43
Other Assets	
Goodwill - Covenant Capital	3,078,604.00
Investments	
Heritage Orcas Partners, LP	3,063,096.25
Murrieta	2,000,000.00
PCH	4,333,388.85
Total Investments	9,396,485.10
Notes Receivable	
Apex Capital/Industrial Rail	11,522,286.35
CMG, LLC	403,609.02
First Credit Continental Capital	1,584.93
Gilmartin	134,633.81
Humphrey, Bruce	123,782.95
Lots 1-6, 23	623,592.95
Siena Office Park	411,505.24
Siena Vista	295,642.74
Total Notes Receivable	13,417,421.82
Total Other Assets	25,892,510.92
TOTAL ASSETS	26,315,439.35
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	438,829.95
Total Accounts Payable	438,829.95
Other Current Liabilities	
Accrued Expenses	
Accd Int - Charles Dunn	12,084.97
Accd Int - Enhanced Income	258,084.55
Accd Int - Investors	322,044.37
Accd Property Taxes	5,672.34
Computer software support	12,643.58

10:34 AM
04/04/11
Accrual Basis

Boundary Bay Capital, LLC Debtor in Possession
Balance Sheet
As of March 28, 2011

	Mar 28, 11
Total Accrued Expenses	610,390.01
Intercompany Payables	
Birch Bay Management	3,407.76
Covenant Opportunity Fund	754,537.49
Heritage Capital Management, LL	110,913.54
Total Intercompany Payables	868,858.79
Loans Payable	
Calif Bank & Trust	2,364,612.07
Charles Dunn Company, Inc.	250,000.00
Total Loans Payable	2,614,612.07
Notes Payable	
Enchanced Income Fund	4,000,000.00
Investors Due in 1 yr	24,212,722.35
Total Notes Payable	28,212,722.35
Payable - Jerry Smith	164,838.26
Total Other Current Liabilities	32,471,521.48
Total Current Liabilities	32,910,351.48
Long Term Liabilities	
8% Secured Promissory Note	160,000.00
N/P - Investors Due in 2 yr	5,125,235.09
N/P - Investors Due in 3 yr +	8,877,241.50
Total Long Term Liabilities	14,962,476.59
Total Liabilities	47,872,828.02
Equity	
Partner - Cov Mgmt Group, LLC	-1,086,016.99
Partner - Her Cap Mgmt, LLC	-3,058,529.03
Retained Earnings	-15,356,741.31
Net Income	-2,054,101.34
Total Equity	-21,557,388.67
TOTAL LIABILITIES & EQUITY	26,315,439.35

10:34 AM
04/04/11
Accrual Basis

Boundary Bay Capital, LLC Debtor in Possession
Profit & Loss
March 1 - 28, 2011

	Mar 1 - 28, 11	Jan 1 - Mar 28, 11
Ordinary Income/Expense		
Income		
Investor withdrawals - premium	0.00	1,500.00
Loan Interest Income		
Gilmartin	301.09	967.81
Humphrey	154.96	464.88
Total Loan Interest Income	456.05	1,432.69
Lot rental - Dana Villas	1,180.19	1,622.76
Lot Rental - Murrietta	1,600.00	3,600.00
Realized Cap Gains/Losses LT	-241,949.21	-1,334,687.50
Total Income	-238,512.97	-1,357,132.05
Gross Profit	-238,512.97	-1,357,132.05
Expense		
Computer and Internet Expenses	850.00	2,550.00
Interest Expense		
Charles Dunn Capital, Inc.	2,634.41	8,467.75
Enhanced Income Fund	18,084.51	58,064.61
Investors	133,537.22	349,633.80
Total Interest Expense	154,236.14	416,166.16
Management fees	13,323.89	42,731.29
Professional Fees		
Legal - Fabian	0.00	86.47
Legal - Glaser, Weil, Fink	0.00	200,000.00
Legal - Grobaty & Pitet LLP	5,270.33	7,457.55
Legal - McConnell, Dunning & Ba	0.00	1,125.00
Legal - Moulton	37.98	94.29
Legal - Robertson Thommarson	0.00	10,110.85
Legal - Weiland	0.00	2,561.27
Total Professional Fees	5,308.31	221,435.43
Property Taxes		
Broad Beach	0.00	392.72
Lapeer	820.11	2,460.33
Malibu	1,293.01	1,293.01
Murrietta property	4,431.76	11,560.28
PCH, Green	576.45	-1,966.71
Total Property Taxes	7,120.33	13,878.81
Taxes		
IRS - Penalty	358.18	358.18
State Taxes - California	0.00	18.62
Total Taxes	358.18	376.80
Total Expense	181,205.85	696,969.29
Net Ordinary Income	-419,718.82	-2,054,101.34
Net Income	-419,718.82	-2,054,101.34

COPY

UNITED STATES DEPARTMENT OF JUSTICE
OFFICE OF THE UNITED STATES TRUSTEE
CENTRAL DISTRICT OF CALIFORNIA

Filed Electronically on 5-20-11 Docket No. 26

In Re:	CHAPTER 11 (BUSINESS)	
Boundary Bay Capital, LLC	Case Number:	8:11-bk-14298-RK
	Operating Report Number:	1
Debtor(s).	For the Month Ending:	30-Apr-11

I. CASH RECEIPTS AND DISBURSEMENTS
A. (GENERAL ACCOUNT*)

1. TOTAL RECEIPTS PER ALL PRIOR GENERAL ACCOUNT REPORTS			0.00
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR GENERAL ACCOUNT REPORTS			0.00
3. BEGINNING BALANCE:			1,737.41
4. RECEIPTS DURING CURRENT PERIOD:			
Accounts Receivable - Post-filing		1,502.05	
Accounts Receivable - Pre-filing		31,108.73	
General Sales			
Other (Specify)			
**Other (Specify)			
TOTAL RECEIPTS THIS PERIOD:			32,610.78
5. BALANCE:			34,348.19
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD			
Transfers to Other DIP Accounts (from page 2)		561.55	
Disbursements (from page 2)		0.00	
TOTAL DISBURSEMENTS THIS PERIOD:***			561.55
7. ENDING BALANCE:			33,786.64
8. General Account Number(s):		#6479463223	
		#6124121499	
Depository Name & Location:		Wells Fargo Bank, N.A.	
		2640 Main Street, Suite R	
		Irvine, CA 92614	

RECEIVED 2011 MAY 23 A 11:39
OFFICE OF US TRUSTEE SANTA ANA, CA

* All receipts must be deposited into the general account.
** Include receipts from the sale of any real or personal property out of the ordinary course of business; attach an exhibit specifying what was sold, to whom, terms, and date of Court Order or Report of Sale.
***This amount should be the same as the total from page 2.

TOTAL DISBURSEMENTS FROM GENERAL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee or DIP account	Purpose	*Amount Transfered	**Amount Disbursed	Amount
03/31/11			Open tax accounts	200.00		200.00
04/28/10	1001	U.S. Trustee	trustee fees	325.00		325.00
						0.00
						0.00
						0.00
						0.00
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4/30/2011		Wells Fargo	bank service charge	36.55		36.55
						0.00
						0.00
						0.00
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						0.00
			TOTAL DISBURSEMENTS THIS PERIOD:	561.55	0.00	$561.55

* Fill in amounts in this column if they are TRANSFERS to another DIP account (e.g. Payroll or Tax); the "amount" column will be filled in for you.
** Fill in amounts in this column if they are DISBURSEMENTS to outside payees; the "amount" column will be filled in for you.

GENERAL ACCOUNT
BANK RECONCILIATION

Bank statement Date: 4/30/2011 Balance on Statement: $34,111.64

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount
1001	4/28/2011	325.00

TOTAL OUTSTANDING CHECKS: 325.00

Bank statement Adjustments: check fees - will be reversed (36.55)
Explanation of Adjustments- interest income 0.02

ADJUSTED BANK BALANCE: $33,786.64

I. CASH RECEIPTS AND DISBURSEMENTS
B. (PAYROLL ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
3. BEGINNING BALANCE:	0.00
4. RECEIPTS DURING CURRENT PERIOD: (Transferred from General Account)	
5. BALANCE:	0.00
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	0.00
7. ENDING BALANCE:	0.00
8. PAYROLL Account Number(s):	
Depository Name & Location:	

* It is acceptable to replace this form with a similar form
** Please attach a detailed explanation of any bank statement adjustment.

I. CASH RECEIPTS AND DISBURSEMENTS
B. (PAYROLL ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
3. BEGINNING BALANCE:	0.00
4. RECEIPTS DURING CURRENT PERIOD: (Transferred from General Account)	
5. BALANCE:	0.00
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	0.00
7. ENDING BALANCE:	0.00
8. PAYROLL Account Number(s):	
Depository Name & Location:	

TOTAL DISBURSEMENTS FROM PAYROLL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount

TOTAL DISBURSEMENTS THIS PERIOD: 0.00

PAYROLL ACCOUNT
BANK RECONCILIATION

Bank statement Date: _____ Balance on Statement: _____

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments: _____
Explanation of Adjustments-

ADJUSTED BANK BALANCE: $0.00

* It is acceptable to replace this form with a similar form

** Please attach a detailed explanation of any bank statement adjustment

I. CASH RECEIPTS AND DISBURSEMENTS
C. (TAX ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR TAX ACCOUNT REPORTS	23,724.76
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR TAX ACCOUNT REPORTS	22,981.83
3. BEGINNING BALANCE:	742.93
4. RECEIPTS DURING CURRENT PERIOD: (Transferred from General Account - plus .03 interest)	
5. BALANCE:	742.93
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	706.21
7. ENDING BALANCE:	36.72

8. TAX Account Number(s):	#6124121473, #6479463231
Depository Name & Location:	Wells Fargo Bank, N.A. 2540 Main Street, Suite % Irvine, CA 92614

TOTAL DISBURSEMENTS FROM TAX ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
11/2/2011		BBC DIP Operating	transfer for expenses	$594.21
11/2/2011		BBC DIP Operating	transfer for expenses	$100.00
11/30/2011		Wells Fargo	service fees	$12.00
			TOTAL DISBURSEMENTS THIS PERIOD:	$706.21

TAX ACCOUNT
BANK RECONCILIATION

Bank statement Date: 11/30/2011 Balance on Statement: $36.72

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments:

Explanation of Adjustments-

ADJUSTED BANK BALANCE: $36.72

* It is acceptable to replace this form with a similar form
** Please attach a detailed explanation of any bank statement adjustment

I. SUMMARY SCHEDULE OF CASH

ENDING BALANCES FOR THE PERIOD:
(Provide a copy of monthly account statements for each of the below)

	General Account:	72.85
	Payroll Account:	
	Tax Account:	36.72
*Other Accounts:		
*Other Monies:		
	**Petty Cash (from below):	0.00

TOTAL CASH AVAILABLE:	109.57

Petty Cash Transactions:

Date	Purpose	Amount

TOTAL PETTY CASH TRANSACTIONS:	0.00

* Specify the type of banking (e.g. CD, Savings Account, Investment/Security), and the depository name, location and account #
** Attach Exhibit itemizing all petty cash transactions

II. STATUS OF PAYMENTS TO SECURED CREDITORS, LESSORS AND OTHER PARTIES TO EXECUTORY CONTRACTS

Creditor, Lessor, Etc.	Frequency of Payments (Mo/Qtr)	Amount of Payment	Post-Petition payments not made (Number)	Total Due
			TOTAL DUE:	0.00

III. TAX LIABILITIES

FOR THE REPORTING PERIOD:

Gross Sales Subject to Sales Tax: _____

Total Wages Paid: _____

	Total Post-Petition Amounts Owing	Amount Delinquent	Date Delinquent Amount Due
Federal Withholding			
State Withholding			
FICA- Employer's Share			
FICA- Employee's Share			
Federal Unemployment			
Sales and Use			
Real Property			
Other: _____			

TOTAL: 0.00

IV. AGING OF ACCOUNTS PAYABLE AND RECEIVABLE

	*Accounts Payable	Accounts Receivable	
	Post-Petition	Pre-Petition	Post-Petition
30 days or less			
31 - 60 days			206.53
61 - 90 days			221.28
91 - 120 days			
Over 120 days	800.00	155,904.59	
TOTAL:	800.00	155,904.59	427.81

V. INSURANCE COVERAGE

	Name of Carrier	Amount of Coverage	Policy Expiration Date	Premium Paid Through (Date)
General Liability	Golden Eagle Ins	$1mm	2/22/2012	2/22/2012
Worker's Compensation				
Casualty				
Vehicle				
Others:				

VI. UNITED STATES TRUSTEE QUARTERLY FEES
(TOTAL PAYMENTS)

Quarterly Period Ending (Date)	Total Disbursements	Quarterly Fees	Date Paid	Amount Paid	Quarterly Fees Still Owing
31-Mar-2011		325.00	28-Apr-2011	325.00	0.00
30-Jun-2011		650.00	26-Jul-2011	650.00	0.00
30-Sep-2011		325.00	31-Oct-2011	325.00	0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
		1,300.00		1,300.00	0.00

* Post-Petition Accounts Payable SHOULD NOT include professionals' fees and expenses which have been incurred but not yet awarded by the court. Post-Petition Accounts Payable SHOULD include professionals' fees and expenses authorized by Court Order but which remain unpaid as of the close of the period report

VII. SCHEDULE OF COMPENSATION PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	*Authorized Gross Compensation	Gross Compensation Paid During the Month

VIII. SCHEDULE OF OTHER AMOUNTS PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	Description	Amount Paid During the Month
CMG, LLC - Heritage Capital Mgmt		management fees	5,700.00

* Please indicate how compensation was identified in the order (e.g. $1,000/week, $2,500/month)

EX. PROFIT AND LOSS STATEMENT
(ACCRUAL BASIS ONLY)

	Current Month	Cumulative Post-Petition
Sales/Revenue:		
Gross Sales/Revenue	3,692.34	14,099.94
Less: Returns/Discounts		
Net Sales/Revenue	3,692.34	14,099.94
Cost of Goods Sold:		
Beginning Inventory at cost		
Purchases		
Less: Ending Inventory at cost		
Cost of Goods Sold (COGS)	0.00	0.00
Gross Profit	3,692.34	14,099.94
Other Operating Income (Itemize)		
Operating Expenses:		
Payroll - Insiders		
Payroll - Other Employees		
Payroll Taxes		
Other Taxes (Itemize)		
Depreciation and Amortization		
Rent Expense - Real Property		
Lease Expense - Personal Property		
Insurance		
Real Property Taxes	4,171.36	58,710.97
Telephone and Utilities		
Repairs and Maintenance		
Travel and Entertainment (Itemize)		
Miscellaneous Operating Expenses (Itemize)		
Total Operating Expenses	4,171.36	58,710.97
Net Gain/(Loss) from Operations	(479.02)	(44,611.03)
Non-Operating Income:		
Interest Income	0.09	7.06
Net Gain on Sale of Assets (Itemize)		
Other (Itemize)		
Total Non-Operating income	0.09	7.06
Non-Operating Expenses:		
Interest Expense	132,670.83	1,057,855.25
Legal and Professional (Itemize)	46,727.77	333,571.07
Other (Itemize) - (Itemize)	9,866.01	96,674.72
Total Non-Operating Expenses	189,264.61	1,488,101.04
NET INCOME/(LOSS)	(189,743.54)	(1,532,705.01)

(Attach exhibit listing all itemizations required above)

X. BALANCE SHEET
(ACCRUAL BASIS ONLY)

ASSETS		Current Month End	
Current Assets:			
Unrestricted Cash		109.57	
Restricted Cash			
Accounts Receivable		156,332.40	
Inventory			
Notes Receivable		13,441,296.10	
Prepaid Expenses			
Other (Itemize) - Retainers		106,943.35	
	Total Current Assets		13,704,681.42
Property, Plant, and Equipment			
Accumulated Depreciation/Depletion			
	Net Property, Plant, and Equipment		0.00
Other Assets (Net of Amortization):			
Due from Insiders			
Other (Itemize)		12,475,089.10	
	Total Other Assets		12,475,089.10
TOTAL ASSETS			26,179,770.52
LIABILITIES			
Post-petition Liabilities:			
Accounts Payable		800.00	
Taxes Payable		31,648.33	
Notes Payable - Interest		757,878.49	
Professional fees - Legal		182,612.39	
Secured Debt - Interest		170,314.39	
Other (Itemize)		151,701.68	
	Total Post-petition Liabilities		1,294,955.28
Pre-petition Liabilities:			
Secured Liabilities		7,044,741.59	
Priority Liabilities		198,094.24	
Unsecured Liabilities		40,636,009.27	
Other (Itemize)			
	Total Pre-petition Liabilities		47,878,845.10
TOTAL LIABILITIES			49,173,800.38
EQUITY:			
Pre-petition Owners' Equity		(21,593,515.09)	
Post-petition Profit/(Loss)		(1,532,705.01)	
Direct Charges to Equity			
TOTAL EQUITY			(23,126,220.10)
TOTAL LIABILITIES & EQUITY			26,047,580.28

Accounting	$ 87,230.16
Trustee Fees	325.00
Mgmt Fees	64,146.52
	$ 151,701.68

XI. QUESTIONNAIRE

	No	Yes
1. Has the debtor-in-possession made any payments on its pre-petition unsecured debt, except as have been authorized by the court? If "Yes", explain below:	X	

	No	Yes
2. Has the debtor-in-possession during this reporting period provided compensation or remuneration to any officers, directors, principals, or other insiders without appropriate authorization? If "Yes", explain below:	X	

3. State what progress was made during the reporting period toward filing a plan of reorganization
Continuing to work with the Creditors Committee on gathering their comments on the DS

4. Describe potential future developments which may have a significant impact on the case:

5. Attach copies of all Orders granting relief from the automatic stay that were entered during the reporting period.

	No	Yes
6. Did you receive any exempt income this month, which is not set forth in the operating report? If "Yes", please set forth the amounts and sources of the income below.	X	

I, David Lawlor
declare under penalty of perjury that I have fully read and understood the foregoing debtor-in-possession operating report and that the information contained herein is true and complete to the best of my knowledge.

2/5/12
Date

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Principal for debtor-in-possession

Wells Fargo Combined Statement of Accounts

Primary account number: 6479463223 ■ November 1, 2011 - November 30, 2011 ■ Page 1 of 7

WELLS FARGO

BOUNDARY BAY CAPITAL LLC
DEBTOR IN POSSESSION
CH11CASE#11-14298 (CCA)
OPERATING ACCOUNT
2102 BUSINESS CENTER DR # 130
IRVINE CA 92612-1001

Questions?

Available by phone 24 hours a day, 7 days a week:
1-800-CALL-WELLS (1-800-225-5935)
TTY: 1-800-877-4833
En español: 1-877-337-7454

Online: wellsfargo.com/biz

Write: Wells Fargo Bank, N.A. (114)
P.O. Box 6995
Portland, OR 97228-6995

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Account options

A check mark in the box indicates you have these convenient services with your account. Go to wellsfargo.com/biz or call the number above if you have questions or if you would like to add new services.

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Online Statements	☑
Business Bill Pay	☐
Business Spending Report	☑
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Save money with a new Wells Fargo Merchant Services account and receive a rebate for the first three months of your equipment lease.

When you accept card payments through Wells Fargo Merchant Services, you have peace of mind with payment processing that's reliable, secure, and fast. In fact, you'll receive funds from most transactions the next business day when funding to a Wells Fargo deposit account. And until December 31, 2011, we're offering customers who sign up and get a new equipment lease a rebate on the first three months of lease fees. For offer details, contact Wells Fargo Merchant Services at 1-866-689-3027.

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(114)
Sheet Seq = 0003504
Sheet 00001 of 00004

UNITED STATES DEPARTMENT OF JUSTICE
OFFICE OF THE UNITED STATES TRUSTEE
CENTRAL DISTRICT OF CALIFORNIA

In Re:	CHAPTER 11 (BUSINESS)	
Boundary Bay Capital, LLC	Case Number:	8:11-bk-14298-RK
	Operating Report Number:	9
Debtor(s).	For the Month Ending:	31-Dec-11

I. CASH RECEIPTS AND DISBURSEMENTS
A. (GENERAL ACCOUNT*)

1. TOTAL RECEIPTS PER ALL PRIOR GENERAL ACCOUNT REPORTS			45,058.40
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR GENERAL ACCOUNT REPORTS			44,985.55
3. BEGINNING BALANCE:			72.85
4. RECEIPTS DURING CURRENT PERIOD:			
Accounts Receivable - Post-filing			
Accounts Receivable - Pre-filing			
General Sales			
Other (Specify)			
**Other (Specify)			
TOTAL RECEIPTS THIS PERIOD:			0.00
5. BALANCE:			72.85
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD			
Transfers to Other DIP Accounts (from page 2)		0.00	
Disbursements (from page 2)		18.00	
TOTAL DISBURSEMENTS THIS PERIOD:***			18.00
7. ENDING BALANCE:			54.85

8. General Account Number(s): #6479463223
#6124121499

Depository Name & Location: Wells Fargo Bank, N.A.
2640 Main Street, Suite R
Irvine, CA 92614

* All receipts must be deposited into the general account.
** Include receipts from the sale of any real or personal property out of the ordinary course of business; attach an exhibit specifying what was sold, to whom, terms, and date of Court Order or Report of Sale.
***This amount should be the same as the total from page 2.

TOTAL DISBURSEMENTS FROM GENERAL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee or DIP account	Purpose	*Amount Transfered	**Amount Disbursed	Amount
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						325.00
11/30/2011		Wells Fargo	Service Charge		18.00	6.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
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						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
			TOTAL DISBURSEMENTS THIS PERIOD:	0.00	18.00	$331.00

* Fill in amounts in this column if they are TRANSFERS to another DIP account (e.g. Payroll or Tax); the "amount" column will be filled in for you.

** Fill in amounts in this column if they are DISBURSEMENTS to outside payees; the "amount" column will be filled in for you.

GENERAL ACCOUNT
BANK RECONCILIATION

Bank statement Date: 12/31/2011 Balance on Statement: $54.85

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Explanation of Adjustments-

ADJUSTED BANK BALANCE: $54.85

* It is acceptable to replace this form with a similar form
** Please attach a detailed explanation of any bank statement adjustment.

I. CASH RECEIPTS AND DISBURSEMENTS
B. (PAYROLL ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
3. BEGINNING BALANCE:	0.00
4. RECEIPTS DURING CURRENT PERIOD: (Transferred from General Account)	
5. BALANCE:	0.00
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	0.00
7. ENDING BALANCE:	0.00
8. PAYROLL Account Number(s):	
Depository Name & Location:	

TOTAL DISBURSEMENTS FROM PAYROLL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
			Page 5 of 16	
			TOTAL DISBURSEMENTS THIS PERIOD:	0.00

PAYROLL ACCOUNT
BANK RECONCILIATION

Bank statement Date: _____ Balance on Statement: _____

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments: _____

Explanation of Adjustments-

ADJUSTED BANK BALANCE: $0.00

* It is acceptable to replace this form with a similar form
** Please attach a detailed explanation of any bank statement adjustment

1. CASH RECEIPTS AND DISBURSEMENTS
C. (TAX ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR TAX ACCOUNT REPORTS	23,724.76
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR TAX ACCOUNT REPORTS	23,688.04
3. BEGINNING BALANCE:	36.72
4. RECEIPTS DURING CURRENT PERIOD: (Transferred from General Account - plus .03 interest)	
5. BALANCE:	36.72
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	12.00
7. ENDING BALANCE:	24.72

8. TAX Account Number(s): #6124121473, #6479463231

Depository Name & Location: Wells Fargo Bank, N.A.
2540 Main Street, Suite %
Irvine, CA 92614

TOTAL DISBURSEMENTS FROM TAX ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
12/31/2011		Wells Fargo	service fees	$12.00
			TOTAL DISBURSEMENTS THIS PERIOD:	$12.00

TAX ACCOUNT
BANK RECONCILIATION

Bank statement Date: 12/31/2011 Balance on Statement: $24.72

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments:
Explanation of Adjustments-

ADJUSTED BANK BALANCE: $24.72

* It is acceptable to replace this form with a similar form
** Please attach a detailed explanation of any bank statement adjustment

I. SUMMARY SCHEDULE OF CASH:

ENDING BALANCES FOR THE PERIOD:
(Provide a copy of monthly account statements for each of the below)

	General Account:	54.85
	Payroll Account:	
	Tax Account:	24.72
*Other Accounts:		
*Other Monies:		
	**Petty Cash (from below):	0.00

TOTAL CASH AVAILABLE: 79.57

Petty Cash Transactions:

Date	Purpose	Amount

TOTAL PETTY CASH TRANSACTIONS: 0.00

* Specify the Type of Holding (e.g. CD, Savings Account, Investment Security) and the depository name, location & account#

** Attach Exhibit Itemizing all petty cash transactions

II. STATUS OF PAYMENTS TO SECURED CREDITORS, LESSORS AND OTHER PARTIES TO EXECUTORY CONTRACTS

Creditor, Lessor, Etc.	Frequency of Payments (Mo/Qtr)	Amount of Payment	Post-Petition payments not made (Number)	Total Due
			TOTAL DUE:	0.00

III. TAX LIABILITIES

FOR THE REPORTING PERIOD:

Gross Sales Subject to Sales Tax: _____

Total Wages Paid: _____

	Total Post-Petition Amounts Owing	Amount Delinquent	Date Delinquent Amount Due
Federal Withholding			
State Withholding			
FICA- Employer's Share			
FICA- Employee's Share			
Federal Unemployment			
Sales and Use			
Real Property			
Other: _____			

TOTAL: 0.00 0.00

IV. AGING OF ACCOUNTS PAYABLE AND RECEIVABLE

	*Accounts Payable	Accounts Receivable	
	Post-Petition	Pre-Petition	Post-Petition
30 days or less			
31 - 60 days			206.53
61 - 90 days			221.28
91 - 120 days			
Over 120 days	800.00	155,904.59	
TOTAL:	800.00	155,904.59	427.81

V. INSURANCE COVERAGE

	Name of Carrier	Amount of Coverage	Policy Expiration Date	Premium Paid Through (Date)
General Liability	Golden Eagle Ins	$1mm	2/22/2012	2/22/2012
Worker's Compensation				
Casualty				
Vehicle				
Others:				

VI. UNITED STATES TRUSTEE QUARTERLY FEES
(TOTAL PAYMENTS)

Quarterly Period Ending (Date)	Total Disbursements	Quarterly Fees	Date Paid	Amount Paid	Quarterly Fees Still Owing
31-Mar-2011		325.00	28-Apr-2011	325.00	0.00
30-Jun-2011		650.00	26-Jul-2011	650.00	0.00
30-Sep-2011		325.00	31-Oct-2011	325.00	0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
		1,300.00		1,300.00	0.00

* Post-Petition Accounts Payable SHOULD NOT include professionals' fees and expenses which have been incurred but not yet awarded by the court. Post-Petition Accounts Payable SHOULD include professionals' fees and expenses authorized by Court Order but which remain unpaid as of the close of the period report

VII. SCHEDULE OF COMPENSATION PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	*Authorized Gross Compensation	Gross Compensation Paid During the Month

VIII. SCHEDULE OF OTHER AMOUNTS PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	Description	Amount Paid During the Month

* Please indicate how compensation was identified in the order (e.g. $1,000/week, $2,500/month)

IX. PROFIT AND LOSS STATEMENT
(ACCRUAL BASIS ONLY)

	Current Month	Cumulative Post-Petition
Sales/Revenue:		
Gross Sales/Revenue		14,099.94
Less: Returns/Discounts		
Net Sales/Revenue	0.00	14,099.94
Cost of Goods Sold:		
Beginning Inventory at cost		
Purchases		
Less: Ending Inventory at cost		
Cost of Goods Sold (COGS)	0.00	0.00
Gross Profit	0.00	14,099.94
Other Operating Income (Itemize)		
Operating Expenses:		
Payroll - Insiders		
Payroll - Other Employees		
Payroll Taxes		
Other Taxes (Itemize)		
Depreciation and Amortization		
Rent Expense - Real Property		
Lease Expense - Personal Property		
Insurance		
Real Property Taxes	4,171.36	62,882.33
Telephone and Utilities		
Repairs and Maintenance		
Travel and Entertainment (Itemize)		
Miscellaneous Operating Expenses (Itemize)		
Total Operating Expenses	4,171.36	62,882.33
Net Gain/(Loss) from Operations	(4,171.36)	(48,782.39)
Non-Operating Income:		
Interest Income	0.09	7.06
Net Gain on Sale of Assets (Itemize)		
Other (Itemize)		
Total Non-Operating income	0.09	7.06
Non-Operating Expenses:		
Interest Expense	132,670.83	1,190,526.08
Legal and Professional (Itemize)	27,556.91	333,571.07
Other (Itemize) - (Itemize)	9,878.01	96,674.72
Total Non-Operating Expenses	170,105.75	1,620,771.87
NET INCOME/(LOSS)	(174,277.02)	(1,669,547.20)

(Attach exhibit listing all itemizations required above)

A. BALANCE SHEET
(ACCRUAL BASIS ONLY)

ASSETS	Current Month End	
Current Assets:		
Unrestricted Cash	79.57	
Restricted Cash		
Accounts Receivable	156,332.40	
Inventory		
Notes Receivable	13,441,296.10	
Prepaid Expenses		
Other (Itemize) - Retainers	106,943.35	
Total Current Assets		13,704,651.42
Property, Plant, and Equipment		
Accumulated Depreciation/Depletion		
Net Property, Plant, and Equipment		0.00
Other Assets (Net of Amortization):		
Due from Insiders		
Other (Itemize)	12,475,089.10	
Total Other Assets		12,475,089.10
TOTAL ASSETS		26,179,740.52
LIABILITIES		
Post-petition Liabilities:		
Accounts Payable	800.00	
Taxes Payable	31,648.33	
Notes Payable - Interest	757,878.49	
Professional fees - Legal	201,169.30	
Secured Debt - Interest	170,314.39	
Other (Itemize)	170,224.67	
Total Post-petition Liabilities		1,332,035.18
Pre-petition Liabilities:		
Secured Liabilities	7,044,741.59	
Priority Liabilities	198,094.24	
Unsecured Liabilities	40,636,009.27	
Other (Itemize)		
Total Pre-petition Liabilities		47,878,845.10
TOTAL LIABILITIES		49,210,880.28
EQUITY:		
Pre-petition Owners' Equity	(21,593,515.09)	
Post-petition Profit/(Loss)	(1,669,547.20)	
Direct Charges to Equity		
TOTAL EQUITY		(23,263,062.29)
TOTAL LIABILITIES & EQUITY		25,947,817.99

Accounting	$ 96,230.16
Trustee Fees	
Mgmt Fees	73,994.51
	$ 170,224.67

XI. QUESTIONNAIRE

		No	Yes
1.	Has the debtor-in-possession made any payments on its pre-petition unsecured debt, except as have been authorized by the court? If "Yes", explain below:	x	
2.	Has the debtor-in-possession during this reporting period provided compensation or remuneration to any officers, directors, principals, or other insiders without appropriate authorization? If "Yes", explain below:	x	
3.	State what progress was made during the reporting period toward filing a plan of reorganization Continuing to work with the Creditors Committee on gathering their comments on the DS		
4.	Describe potential future developments which may have a significant impact on the case:		
5.	Attach copies of all Orders granting relief from the automatic stay that were entered during the reporting period.		
6.	Did you receive any exempt income this month, which is not set forth in the operating report? If "Yes", please set forth the amounts and sources of the income below.	x	

I, David Lawlor
declare under penalty of perjury that I have fully read and understood the foregoing debtor-in-possession operating report and that the information contained herein is true and complete to the best of my knowledge.

2/6/12
Date

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Principal for debtor-in-possession

UNITED STATES DEPARTMENT OF JUSTICE
OFFICE OF THE UNITED STATES TRUSTEE
CENTRAL DISTRICT OF CALIFORNIA

In Re:	CHAPTER 11 (BUSINESS)	
Boundary Bay Capital, LLC	Case Number:	8:11-bk-14298-RK
	Operating Report Number:	10
Debtor(s).	For the Month Ending:	31-Jan-12

I. CASH RECEIPTS AND DISBURSEMENTS
A. (GENERAL ACCOUNT*)

1. TOTAL RECEIPTS PER ALL PRIOR GENERAL ACCOUNT REPORTS			45,058.40
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR GENERAL ACCOUNT REPORTS			45,003.55
3. BEGINNING BALANCE:			54.85
4. RECEIPTS DURING CURRENT PERIOD:			
Accounts Receivable - Post-filing			
Accounts Receivable - Pre-filing			
General Sales			
Other (Specify)			
**Other (Specify)			
TOTAL RECEIPTS THIS PERIOD:			0.00
5. BALANCE:			54.85
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD			
Transfers to Other DIP Accounts (from page 2)		0.00	
Disbursements (from page 2)		18.00	
TOTAL DISBURSEMENTS THIS PERIOD:***			18.00
7. ENDING BALANCE:			36.85

8. General Account Number(s): #6479463223
#6124121499

Depository Name & Location: Wells Fargo Bank, N.A.
2640 Main Street, Suite R
Irvine, CA 92614

* All receipts must be deposited into the general account.
** Include receipts from the sale of any real or personal property out of the ordinary course of business; attach an exhibit specifying what was sold, to whom, terms, and date of Court Order or Report of Sale.
***This amount should be the same as the total from page 2.

TOTAL DISBURSEMENTS FROM GENERAL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee or DIP account	Purpose	*Amount Transfered	**Amount Disbursed	Amount
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
1/31/2012		Wells Fargo	Service Charge		18.00	18.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
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						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
			TOTAL DISBURSEMENTS THIS PERIOD:	0.00	18.00	$18.00

* Fill in amounts in this column if they are TRANSFERS to another DIP account (e.g. Payroll or Tax); the "amount" column will be filled in for you.

** Fill in amounts in this column if they are DISBURSEMENTS to outside payees; the "amount" column will be filled in for you.

GENERAL ACCOUNT
BANK RECONCILIATION

Bank statement Date: 1/31/2012 Balance on Statement: $36.85

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Explanation of Adjustments-

ADJUSTED BANK BALANCE: $36.85

* It is acceptable to replace this form with a similar form
** Please attach a detailed explanation of any bank statement adjustment

I. CASH RECEIPTS AND DISBURSEMENTS
B. (PAYROLL ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
3. BEGINNING BALANCE:	0.00
4. RECEIPTS DURING CURRENT PERIOD: (Transferred from General Account)	
5. BALANCE:	0.00
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	0.00
7. ENDING BALANCE:	0.00

8. PAYROLL Account Number(s): _____

Depository Name & Location: _____

TOTAL DISBURSEMENTS FROM PAYROLL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
			TOTAL DISBURSEMENTS THIS PERIOD:	0.00

PAYROLL ACCOUNT
BANK RECONCILIATION

Bank statement Date: _____ Balance on Statement: _____

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments: _____
Explanation of Adjustments-

ADJUSTED BANK BALANCE: $0.00

* It is acceptable to replace this form with a similar form

** Please attach a detailed explanation of any bank statement adjustment

I. CASH RECEIPTS AND DISBURSEMENTS
C. (TAX ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR TAX ACCOUNT REPORTS	23,724.76
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR TAX ACCOUNT REPORTS	23,700.04
3. BEGINNING BALANCE:	24.72
4. RECEIPTS DURING CURRENT PERIOD:	
5. BALANCE:	24.72
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	24.00
7. ENDING BALANCE:	0.72
8. TAX Account Number(s):	#6124121473, #6479463231
Depository Name & Location:	Wells Fargo Bank, N.A. 2540 Main Street, Suite % Irvine, CA 92614

TOTAL DISBURSEMENTS FROM TAX ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
1/31/2012		Wells Fargo	service fees	$24.00

TOTAL DISBURSEMENTS THIS PERIOD: $24.00

TAX ACCOUNT
BANK RECONCILIATION

Bank statement Date: 1/31/2012 Balance on Statement: $0.72

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments:

Explanation of Adjustments-

ADJUSTED BANK BALANCE: $0.72

* It is acceptable to replace this form with a similar form
** Please attach a detailed explanation of any bank statement adjustment

I. D SUMMARY SCHEDULE OF CASH

ENDING BALANCES FOR THE PERIOD:
(Provide a copy of monthly account statements for each of the below)

	General Account:	36.85
	Payroll Account:	
	Tax Account:	0.72
*Other Accounts:		
*Other Monies:		
	**Petty Cash (from below):	0.00

TOTAL CASH AVAILABLE: 37.57

Petty Cash Transactions:

Date	Purpose	Amount

TOTAL PETTY CASH TRANSACTIONS: 0.00

* Specify the Type of Holding (e.g. CD, Savings Account, Investment Security), and the depository name, location & account#
** Attach Exhibit Itemizing all petty cash transactions

II. STATUS OF PAYMENTS TO SECURED CREDITORS, LESSORS AND OTHER PARTIES TO EXECUTORY CONTRACTS

Creditor, Lessor, Etc.	Frequency of Payments (Mo/Qtr)	Amount of Payment	Post-Petition payments not made (Number)	Total Due
			TOTAL DUE:	0.00

III. TAX LIABILITIES

FOR THE REPORTING PERIOD:

Gross Sales Subject to Sales Tax: _____

Total Wages Paid: _____

	Total Post-Petition Amounts Owing	Amount Delinquent	Date Delinquent Amount Due
Federal Withholding			
State Withholding			
FICA- Employer's Share			
FICA- Employee's Share			
Federal Unemployment			
Sales and Use			
Real Property			
Other: _____			

TOTAL: 0.05 0.00

IV. AGING OF ACCOUNTS PAYABLE AND RECEIVABLE

	*Accounts Payable	Accounts Receivable	
	Post-Petition	Pre-Petition	Post-Petition
30 days or less			
31 - 60 days			
61 - 90 days			
91 - 120 days			
Over 120 days	800.00	155,904.59	427.81
TOTAL:	800.00	155,904.59	427.81

V. INSURANCE COVERAGE

	Name of Carrier	Amount of Coverage	Policy Expiration Date	Premium Paid Through (Date)
General Liability				
Worker's Compensation				
Casualty				
Vehicle				
Others:				

VI. UNITED STATES TRUSTEE QUARTERLY FEES
(TOTAL PAYMENTS)

Quarterly Period Ending (Date)	Total Disbursements	Quarterly Fees	Date Paid	Amount Paid	Quarterly Fees Still Owing
31-Mar-2011		325.00	28-Apr-2011	325.00	0.00
30-Jun-2011		650.00	26-Jul-2011	650.00	0.00
30-Sep-2011		325.00	31-Oct-2011	325.00	0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
		1,300.00		1,300.00	0.00

* Post-Petition Accounts Payable SHOULD NOT include professionals' fees and expenses which have been incurred but not yet awarded by the court. Post-Petition Accounts Payable SHOULD include professionals' fees and expenses authorized by Court Order but which remain unpaid as of the close of the period report

VII. SCHEDULE OF COMPENSATION PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	*Authorized Gross Compensation	Gross Compensation Paid During the Month

VIII. SCHEDULE OF OTHER AMOUNTS PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	Description	Amount Paid During the Month

* Please indicate how compensation was identified in the order (e.g. $1,000/week, $2,500/month)

IX. PROFIT AND LOSS STATEMENT
(ACCRUAL BASIS ONLY)

	Current Month	Cumulative Post-Petition
Sales/Revenue:		
Gross Sales/Revenue		14,099.94
Less: Returns/Discounts		
Net Sales/Revenue	0.00	14,099.94
Cost of Goods Sold:		
Beginning Inventory at cost		
Purchases		
Less: Ending Inventory at cost		
Cost of Goods Sold (COGS)	0.00	0.00
Gross Profit	0.00	14,099.94
Other Operating Income (Itemize)		
Operating Expenses:		
Payroll - Insiders		
Payroll - Other Employees		
Payroll Taxes		
Other Taxes (Itemize)		
Depreciation and Amortization		
Rent Expense - Real Property		
Lease Expense - Personal Property		
Insurance		
Real Property Taxes	4,171.36	62,882.33
Telephone and Utilities		
Repairs and Maintenance		
Travel and Entertainment (Itemize)		
Miscellaneous Operating Expenses (Itemize)		
Total Operating Expenses	4,171.36	62,882.33
Net Gain/(Loss) from Operations	(4,171.36)	(48,782.39)
Non-Operating Income:		
Interest Income	0.09	7.06
Net Gain on Sale of Assets (Itemize)		
Other (Itemize)		
Total Non-Operating income	0.09	7.06
Non-Operating Expenses:		
Interest Expense	132,670.83	1,323,196.91
Legal and Professional (Itemize)	31,707.86	365,278.93
Other (Itemize) - (Itemize)	9,878.01	106,552.73
Total Non-Operating Expenses	174,256.70	1,795,028.57
NET INCOME/(LOSS)	(178,427.97)	(1,843,803.90)

(Attach exhibit listing all itemizations required above)

X. BALANCE SHEET
(ACCRUAL BASIS ONLY)

ASSETS	Current Month End	
Current Assets:		
Unrestricted Cash	37.57	
Restricted Cash		
Accounts Receivable	156,332.40	
Inventory		
Notes Receivable	13,441,296.10	
Prepaid Expenses		
Other (Itemize) - Retainers	106,943.35	
Total Current Assets		13,704,609.42
Property, Plant, and Equipment		
Accumulated Depreciation/Depletion		
Net Property, Plant, and Equipment		0.00
Other Assets (Net of Amortization):		
Due from Insiders		
Other (Itemize)	12,475,089.10	
Total Other Assets		12,475,089.10
TOTAL ASSETS		26,179,698.52
LIABILITIES		
Post-petition Liabilities:		
Accounts Payable	800.00	
Taxes Payable	31,648.33	
Notes Payable - Interest	757,878.49	
Professional fees - Legal	215,383.16	
Secured Debt - Interest	177,994.34	
Other (Itemize)	197,566.66	
Total Post-petition Liabilities		1,381,270.98
Pre-petition Liabilities:		
Secured Liabilities	7,044,741.59	
Priority Liabilities	198,094.24	
Unsecured Liabilities	40,636,009.27	
Other (Itemize)		
Total Pre-petition Liabilities		47,878,845.10
TOTAL LIABILITIES		49,260,116.08
EQUITY:		
Pre-petition Owners' Equity	(21,593,515.09)	
Post-petition Profit/(Loss)	(1,843,803.90)	
Direct Charges to Equity		
TOTAL EQUITY		(23,437,318.99)
TOTAL LIABILITIES & EQUITY		25,822,797.09

Accounting	$ 113,724.16
Trustee Fees	
Mgmt Fees	83,842.50
	$ 197,566.66

XI. QUESTIONNAIRE

	No	Yes
1. Has the debtor-in-possession made any payments on its pre-petition unsecured debt, except as have been authorized by the court? If "Yes", explain below:	x	

	No	Yes
2. Has the debtor-in-possession during this reporting period provided compensation or remuneration to any officers, directors, principals, or other insiders without appropriate authorization? If "Yes", explain below:	x	

3. State what progress was made during the reporting period toward filing a plan of reorganization
Continuing to work with the Creditors Committee on gathering their comments on the DS

4. Describe potential future developments which may have a significant impact on the case:

5. Attach copies of all Orders granting relief from the automatic stay that were entered during the reporting period.

	No	Yes
6. Did you receive any exempt income this month, which is not set forth in the operating report? If "Yes", please set forth the amounts and sources of the income below.	x	

I, David Lawlor
declare under penalty of perjury that I have fully read and understood the foregoing debtor-in-possession operating report and that the information contained herein is true and complete to the best of my knowledge.

3/20/12
Date

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Principal for debtor-in-possession

ORIGINAL

UNITED STATES DEPARTMENT OF JUSTICE
OFFICE OF THE UNITED STATES TRUSTEE
CENTRAL DISTRICT OF CALIFORNIA

Filed Electronically
on 4-26-12
Docket No. 253

In Re:	CHAPTER 11 (BUSINESS)	
Boundary Bay Capital, LLC	Case Number:	8:11-bk-14298-CB
	Operating Report Number:	11
Debtor(s).	For the Month Ending:	29-Feb-12

I. CASH RECEIPTS AND DISBURSEMENTS
A. (GENERAL ACCOUNT*)

1. TOTAL RECEIPTS PER ALL PRIOR GENERAL ACCOUNT REPORTS			45,058.40
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR GENERAL ACCOUNT REPORTS			45,021.55
3. BEGINNING BALANCE:			36.85
4. RECEIPTS DURING CURRENT PERIOD:			
Accounts Receivable - Post-filing			
Accounts Receivable - Pre-filing			
General Sales			
Other (Specify)		1,500.00	
**Other (Specify)			
TOTAL RECEIPTS THIS PERIOD:			1,500.00
5. BALANCE:			1,536.85
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD			
Transfers to Other DIP Accounts (from page 2)		0.00	
Disbursements (from page 2)		1,355.00	
TOTAL DISBURSEMENTS THIS PERIOD:***			1,355.00
7. ENDING BALANCE:			181.85

8. General Account Number(s): #6479463223
#6124121499

Depository Name & Location: Wells Fargo Bank, N.A.
2640 Main Street, Suite R
Irvine, CA 92614

* All receipts must be deposited into the general account.
** Include receipts from the sale of any real or personal property out of the ordinary course of business; attach an exhibit specifying what was sold, to whom, terms, and date of Court Order or Report of Sale.
***This amount should be the same as the total from page 2.

TOTAL DISBURSEMENTS FROM GENERAL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee or DIP account	Purpose	*Amount Transfered	**Amount Disbursed	Amount
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
		US Trustee	US Trustee Fee		325.00	325.00
		Andrea Jupina	Reimbuse Comm. Expenses		500.00	500.00
		Lynell Burmark	Reimbuse Comm. Expenses		500.00	500.00
2/29/2012		Wells Fargo	Service Charge		30.00	30.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
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						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
			TOTAL DISBURSEMENTS THIS PERIOD:	0.00	1,355.00	$1,355.00

* Fill in amounts in this column if they are TRANSFERS to another DIP account (e.g. Payroll or Tax); the "amount" column will be filled in for you.

** Fill in amounts in this column if they are DISBURSEMENTS to outside payees; the "amount" column will be filled in for you.

GENERAL ACCOUNT
BANK RECONCILIATION

Bank statement Date: 2/29/2012 Balance on Statement: $681.85

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount
	2/20/2012	500.00

TOTAL OUTSTANDING CHECKS: 500.00

Explanation of Adjustments-

ADJUSTED BANK BALANCE: $181.85

I. CASH RECEIPTS AND DISBURSEMENTS
B. (PAYROLL ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
3. BEGINNING BALANCE:	0.00
4. RECEIPTS DURING CURRENT PERIOD: (Transferred from General Account)	
5. BALANCE:	0.00
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	0.00
7. ENDING BALANCE:	0.00

8. PAYROLL Account Number(s):

Depository Name & Location:

TOTAL DISBURSEMENTS FROM PAYROLL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
			TOTAL DISBURSEMENTS THIS PERIOD:	0.00

PAYROLL ACCOUNT
BANK RECONCILIATION

Bank statement Date: _____ Balance on Statement: _____

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments: _____
Explanation of Adjustments-

ADJUSTED BANK BALANCE: $0.00

I. CASH RECEIPTS AND DISBURSEMENTS
C. (TAX ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR TAX ACCOUNT REPORTS	23,724.76
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR TAX ACCOUNT REPORTS	23,724.04
3. BEGINNING BALANCE:	0.72
4. RECEIPTS DURING CURRENT PERIOD:	12.00
5. BALANCE:	12.72
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	18.00
7. ENDING BALANCE:	(5.28)
8. TAX Account Number(s):	#6124121473, #6479463231
Depository Name & Location:	Wells Fargo Bank, N.A. 2540 Main Street, Suite % Irvine, CA 92614

TOTAL DISBURSEMENTS FROM TAX ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
2/29/2012		Wells Fargo	service fees	$18.00

TOTAL DISBURSEMENTS THIS PERIOD: $18.00

TAX ACCOUNT
BANK RECONCILIATION

Bank statement Date: 2/29/2012 Balance on Statement: $0.72

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments:
Explanation of Adjustments-

ADJUSTED BANK BALANCE: $0.72

I. D SUMMARY SCHEDULE OF CASH

ENDING BALANCES FOR THE PERIOD:
(Provide a copy of monthly account statements for each of the below)

	General Account:	181.85
	Payroll Account:	
	Tax Account:	(5.28)
*Other Accounts:		
*Other Monies:		
	**Petty Cash (from below):	0.00

TOTAL CASH AVAILABLE: 176.57

Petty Cash Transactions:

Date	Purpose	Amount

TOTAL PETTY CASH TRANSACTIONS: 0.00

II. STATUS OF PAYMENTS TO SECURED CREDITORS, LESSORS AND OTHER PARTIES TO EXECUTORY CONTRACTS

Creditor, Lessor, Etc.	Frequency of Payments (Mo/Qtr)	Amount of Payment	Post-Petition payments not made (Number)	Total Due
			TOTAL DUE:	0.00

III. TAX LIABILITIES

FOR THE REPORTING PERIOD:

Gross Sales Subject to Sales Tax: _____

Total Wages Paid: _____

	Total Post-Petition Amounts Owing	Amount Delinquent	Date Delinquent Amount Due
Federal Withholding			
State Withholding			
FICA- Employer's Share			
FICA- Employee's Share			
Federal Unemployment			
Sales and Use			
Real Property			
Other: _____			

TOTAL:	0.00	0.00

IV. AGING OF ACCOUNTS PAYABLE AND RECEIVABLE

	*Accounts Payable Post-Petition	Accounts Receivable	
		Pre-Petition	Post-Petition
30 days or less			
31 - 60 days			
61 - 90 days			
91 - 120 days			
Over 120 days	800.00	155,904.59	427.81
TOTAL:	800.00	155,904.59	427.81

V. INSURANCE COVERAGE

	Name of Carrier	Amount of Coverage	Policy Expiration Date	Premium Paid Through (Date)
General Liability				
Worker's Compensation				
Casualty				
Vehicle				
Others:				

VI. UNITED STATES TRUSTEE QUARTERLY FEES (TOTAL PAYMENTS)

Quarterly Period Ending (Date)	Total Disbursements	Quarterly Fees	Date Paid	Amount Paid	Quarterly Fees Still Owing
31-Mar-2011		325.00	28-Apr-2011	325.00	0.00
30-Jun-2011		650.00	26-Jul-2011	650.00	0.00
30-Sep-2011		325.00	31-Oct-2011	325.00	0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
		1,300.00		1,300.00	0.00

* Post-Petition Accounts Payable SHOULD NOT include professionals' fees and expenses which have been incurred but not yet awarded by the court. Post-Petition Accounts Payable SHOULD include professionals' fees and expenses authorized by Court Order but which remain unpaid as of the close of the period report

VII SCHEDULE OF COMPENSATION PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	*Authorized Gross Compensation	Gross Compensation Paid During the Month

VIII. SCHEDULE OF OTHER AMOUNTS PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	Description	Amount Paid During the Month

* Please indicate how compensation was identified in the order (e.g. $1,000/week, $2,500/month)

IX. PROFIT AND LOSS STATEMENT
(ACCRUAL BASIS ONLY)

	Current Month	Cumulative Post-Petition
Sales/Revenue:		
Gross Sales/Revenue	1,500.00	14,099.94
Less: Returns/Discounts		
Net Sales/Revenue	1,500.00	14,099.94
Cost of Goods Sold:		
Beginning Inventory at cost		
Purchases		
Less: Ending Inventory at cost		
Cost of Goods Sold (COGS)	0.00	0.00
Gross Profit	1,500.00	14,099.94
Other Operating Income (Itemize)		
Operating Expenses:		
Payroll - Insiders		
Payroll - Other Employees		
Payroll Taxes		
Other Taxes (Itemize)		
Depreciation and Amortization		
Rent Expense - Real Property		
Lease Expense - Personal Property		
Insurance		
Real Property Taxes	4,171.36	62,882.33
Telephone and Utilities		
Repairs and Maintenance		
Travel and Entertainment (Itemize)		
Miscellaneous Operating Expenses (Itemize)		
Total Operating Expenses	4,171.36	62,882.33
Net Gain/(Loss) from Operations	(2,671.36)	(48,782.39)
Non-Operating Income:		
Interest Income	0.09	7.06
Net Gain on Sale of Assets (Itemize)		
Other (Itemize)		
Total Non-Operating income	0.09	7.06
Non-Operating Expenses:		
Interest Expense	132,670.83	1,323,196.91
Legal and Professional (Itemize)	31,707.86	365,278.93
Other (Itemize) - (Itemize)	9,878.01	106,552.73
Total Non-Operating Expenses	174,256.70	1,795,028.57
NET INCOME/(LOSS)	(176,927.97)	(1,843,803.90)

(Attach exhibit listing all itemizations required above)

X. BALANCE SHEET
(ACCRUAL BASIS ONLY)

ASSETS	Current Month End	
Current Assets:		
Unrestricted Cash	176.57	
Restricted Cash	156,332.40	
Accounts Receivable	13,441,296.10	
Inventory		
Notes Receivable		
Prepaid Expenses		
Other (Itemize) - Retainers	106,943.35	
Total Current Assets		13,704,748.42
Property, Plant, and Equipment		
Accumulated Depreciation/Depletion		
Net Property, Plant, and Equipment		0.00
Other Assets (Net of Amortization):		
Due from Insiders		
Other (Itemize)	12,475,089.10	
Total Other Assets		12,475,089.10
TOTAL ASSETS		26,179,837.52
LIABILITIES		
Post-petition Liabilities:		
Accounts Payable	800.00	
Taxes Payable	31,648.33	
Notes Payable - Interest	757,878.49	
Professional fees - Legal	236,742.40	
Secured Debt - Interest	177,994.34	
Other (Itemize)	202,623.66	
Total Post-petition Liabilities		1,407,687.22
Pre-petition Liabilities:		
Secured Liabilities	7,044,741.59	
Priority Liabilities	198,094.24	
Unsecured Liabilities	40,636,009.27	
Other (Itemize)		
Total Pre-petition Liabilities		47,878,845.10
TOTAL LIABILITIES		49,286,532.32
EQUITY:		
Pre-petition Owners' Equity	(21,593,515.09)	
Post-petition Profit/(Loss)	(1,843,803.90)	
Direct Charges to Equity		
TOTAL EQUITY		(23,437,318.99)
TOTAL LIABILITIES & EQUITY		25,849,213.33

Accounting	$ 116,252.66
Trustee Fees	
Mgmt Fees	86,371.00
	$ 202,623.66

XI. QUESTIONNAIRE

	No	Yes
1. Has the debtor-in-possession made any payments on its pre-petition unsecured debt, except as have been authorized by the court? If "Yes", explain below:	x	

	No	Yes
2. Has the debtor-in-possession during this reporting period provided compensation or remuneration to any officers, directors, principals, or other insiders without appropriate authorization? If "Yes", explain below:	x	

3. State what progress was made during the reporting period toward filing a plan of reorganization
Continuing to work with the Creditors Committee on gathering their comments on the DS

4. Describe potential future developments which may have a significant impact on the case:
Filing the First Amended Disclosure Statement during the week of 4/25/12

5. Attach copies of all Orders granting relief from the automatic stay that were entered during the reporting period.

	No	Yes
6. Did you receive any exempt income this month, which is not set forth in the operating report? If "Yes", please set forth the amounts and sources of the income below.	x	

I, David Lawlor
declare under penalty of perjury that I have fully read and understood the foregoing debtor-in-possession operating report and that the information contained herein is true and complete to the best of my knowledge.

Date

Principal for debtor-in-possession

QUESTIONNAIRE

	No	Yes
1. Has the debtor-in-possession made any payments on its pre-petition unsecured debt, except as have been authorized by the court? If "Yes", explain below:	x	

	No	Yes
2. Has the debtor-in-possession during this reporting period provided compensation or remuneration to any officers, directors, principals, or other insiders without appropriate authorization? If "Yes", explain below:	x	

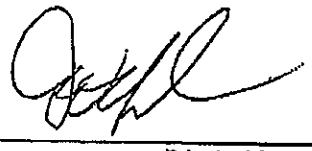
3. State what progress was made during the reporting period toward filing a plan of reorganization
Continuing to work with the Creditors Committee on gathering their comments on the DS

4. Describe potential future developments which may have a significant impact on the case:
Filing the First Amended Disclosure Statement during the week of 4/25/12
5. Attach copies of all Orders granting relief from the automatic stay that were entered during the reporting period.

	No	Yes
6. Did you receive any exempt income this month, which is not set forth in the operating report? If "Yes", please set forth the amounts and sources of the income below.	x	

I, David Lawlor
declare under penalty of perjury that I have fully read and understood the foregoing debtor-in-possession operating report and that the information contained herein is true and complete to the best of my knowledge.

4/25/12
Date



Principal for debtor-in-possession

COPY

UNITED STATES DEPARTMENT OF JUSTICE
OFFICE OF THE UNITED STATES TRUSTEE
CENTRAL DISTRICT OF CALIFORNIA

Filed Electronically
on 5-16-12
Docket No. 272

In Re:	CHAPTER 11 (BUSINESS)	
Boundary Bay Capital, LLC	Case Number:	8:11-bk-14298-RK
	Operating Report Number:	12
Debtor(s).	For the Month Ending:	31-Mar-12

I. CASH RECEIPTS AND DISBURSEMENTS
A. (GENERAL ACCOUNT*)

1. TOTAL RECEIPTS PER ALL PRIOR GENERAL ACCOUNT REPORTS		46,564.40
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR GENERAL ACCOUNT REPORTS		46,376.55
3. BEGINNING BALANCE:		187.85
4. RECEIPTS DURING CURRENT PERIOD:		
Accounts Receivable - Post-filing		
Accounts Receivable - Pre-filing		
General Sales	1,610.62	
Other (Specify)		
**Other (Specify)		
TOTAL RECEIPTS THIS PERIOD:		1,610.62
5. BALANCE:		1,798.47
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD		
Transfers to Other DIP Accounts (from page 2)	0.00	
Disbursements (from page 2)	1,424.00	
TOTAL DISBURSEMENTS THIS PERIOD:***		1,424.00
7. ENDING BALANCE:		374.47
8. General Account Number(s):	#6479463223 #6124121499	
Depository Name & Location:	Wells Fargo Bank, N.A. 2640 Main Street, Suite R Irvine, CA 92614	

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* All receipts must be deposited into the general account.
** Include receipts from the sale of any real or personal property out of the ordinary course of business; attach an exhibit specifying what was sold, to whom, terms, and date of Court Order or Report of Sale.
***This amount should be the same as the total from page 2.

TOTAL DISBURSEMENTS FROM GENERAL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee or DIP account	Purpose	*Amount Transfered	**Amount Disbursed	Amount
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
03/23/12		Andrea Jupina	Reimbuse Comm. Expenses		700.00	700.00
3/23/2012		Lynell Burmark	Reimbuse Comm. Expenses		700.00	700.00
3/31/2012		Wells Fargo	Service Charge		24.00	24.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
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						0.00
						0.00
						0.00
						0.00
			TOTAL DISBURSEMENTS THIS PERIOD:	0.00	1,424.00	$1,424.00

* Fill in amounts in this column if they are TRANSFERS to another DIP account (e.g. Payroll or Tax); the "amount" column will be filled in for you.

** Fill in amounts in this column if they are DISBURSEMENTS to outside payees; the "amount" column will be filled in for you.

GENERAL ACCOUNT
BANK RECONCILIATION

Bank statement Date: 3/31/2012 Balance on Statement: $374.47

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Explanation of Adjustments-

ADJUSTED BANK BALANCE: $374.47

I. CASH RECEIPTS AND DISBURSEMENTS
B. (PAYROLL ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
3. BEGINNING BALANCE:	0.00
4. RECEIPTS DURING CURRENT PERIOD: (Transferred from General Account)	
5. BALANCE:	0.00
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	0.00
7. ENDING BALANCE:	0.00

8. PAYROLL Account Number(s): _____

Depository Name & Location: _____

TOTAL DISBURSEMENTS FROM PAYROLL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount

TOTAL DISBURSEMENTS THIS PERIOD: 0.00

PAYROLL ACCOUNT
BANK RECONCILIATION

Bank statement Date: _____ Balance on Statement: _____

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments: _____
Explanation of Adjustments-

ADJUSTED BANK BALANCE: $0.00

I. CASH RECEIPTS AND DISBURSEMENTS
C. (TAX ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR TAX ACCOUNT REPORTS	23,724.76
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR TAX ACCOUNT REPORTS	23,724.04
3. BEGINNING BALANCE:	0.72
4. RECEIPTS DURING CURRENT PERIOD:	
5. BALANCE:	0.72
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	24.00
7. ENDING BALANCE:	(23.28)
8. TAX Account Number(s):	#6124121473, #6479463231
Depository Name & Location:	Wells Fargo Bank, N.A. 2540 Main Street, Suite % Irvine, CA 92614

TOTAL DISBURSEMENTS FROM TAX ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
3/31/2012		Wells Fargo	service fees	$24.00

TOTAL DISBURSEMENTS THIS PERIOD: $24.00

TAX ACCOUNT
BANK RECONCILIATION

Bank statement Date: 3/31/2012 Balance on Statement: ($23.28)

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments:
Explanation of Adjustments-

ADJUSTED BANK BALANCE: ($23.28)

I. D SUMMARY SCHEDULE OF CASH

ENDING BALANCES FOR THE PERIOD:
(Provide a copy of monthly account statements for each of the below)

	General Account:	374.47
	Payroll Account:	
	Tax Account:	(23.28)
*Other Accounts:		
*Other Monies:		
	**Petty Cash (from below):	0.00

TOTAL CASH AVAILABLE: 351.19

Petty Cash Transactions:

Date	Purpose	Amount

TOTAL PETTY CASH TRANSACTIONS: 0.00

II. STATUS OF PAYMENTS TO SECURED CREDITORS, LESSORS AND OTHER PARTIES TO EXECUTORY CONTRACTS

Creditor, Lessor, Etc.	Frequency of Payments (Mo/Qtr)	Amount of Payment	Post-Petition payments not made (Number)	Total Due
			TOTAL DUE:	0.00

III. TAX LIABILITIES

FOR THE REPORTING PERIOD:

Gross Sales Subject to Sales Tax: _____

Total Wages Paid: _____

	Total Post-Petition Amounts Owing	Amount Delinquent	Date Delinquent Amount Due
Federal Withholding			
State Withholding			
FICA- Employer's Share			
FICA- Employee's Share			
Federal Unemployment			
Sales and Use			
Real Property			
Other: _____			

IV. AGING OF ACCOUNTS PAYABLE AND RECEIVABLE

	*Accounts Payable	Accounts Receivable	
	Post-Petition	Pre-Petition	Post-Petition
30 days or less			
31 - 60 days			
61 - 90 days			
91 - 120 days			
Over 120 days	800.00	155,904.59	427.81
TOTAL:	800.00	155,904.59	427.81

V. INSURANCE COVERAGE

	Name of Carrier	Amount of Coverage	Policy Expiration Date	Premium Paid Through (Date)
General Liability				
Worker's Compensation				
Casualty				
Vehicle				
Others:				

VI. UNITED STATES TRUSTEE QUARTERLY FEES (TOTAL PAYMENTS)

Quarterly Period Ending (Date)	Total Disbursements	Quarterly Fees	Date Paid	Amount Paid	Quarterly Fees Still Owing
31-Mar-2011		325.00	28-Apr-2011	325.00	0.00
30-Jun-2011		650.00	26-Jul-2011	650.00	0.00
30-Sep-2011		325.00	31-Oct-2011	325.00	0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
		1,300.00		1,300.00	0.00

* Post-Petition Accounts Payable SHOULD NOT include professionals' fees and expenses which have been incurred but not yet awarded by the court. Post-Petition Accounts Payable SHOULD include professionals' fees and expenses authorized by Court Order but which remain unpaid as of the close of the period report

VII SCHEDULE OF COMPENSATION PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	*Authorized Gross Compensation	Gross Compensation Paid During the Month

VIII. SCHEDULE OF OTHER AMOUNTS PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	Description	Amount Paid During the Month

* Please indicate how compensation was identified in the order (e.g. $1,000/week, $2,500/month)

IX. PROFIT AND LOSS STATEMENT
(ACCRUAL BASIS ONLY)

	Current Month	Cumulative Post-Petition
Sales/Revenue:		
Gross Sales/Revenue	1,610.62	17,210.26
Less: Returns/Discounts		
Net Sales/Revenue	1,610.62	17,210.26
Cost of Goods Sold:		
Beginning Inventory at cost		
Purchases		
Less: Ending Inventory at cost		
Cost of Goods Sold (COGS)	0.00	0.00
Gross Profit	1,610.62	17,210.26
Other Operating Income (Itemize)		
Operating Expenses:		
Payroll - Insiders		
Payroll - Other Employees		
Payroll Taxes		
Other Taxes (Itemize)		
Depreciation and Amortization		
Rent Expense - Real Property		
Lease Expense - Personal Property		
Insurance		
Real Property Taxes	4,171.36	62,882.33
Telephone and Utilities		
Repairs and Maintenance		
Travel and Entertainment (Itemize)		
Miscellaneous Operating Expenses (Itemize)		
Total Operating Expenses	4,171.36	62,882.33
Net Gain/(Loss) from Operations	(2,560.74)	(45,672.07)
Non-Operating Income:		
Interest Income	0.09	7.06
Net Gain on Sale of Assets (Itemize)		
Other (Itemize)		
Total Non-Operating income	0.09	7.06
Non-Operating Expenses:		
Interest Expense	132,670.83	1,323,196.91
Legal and Professional (Itemize)	31,707.86	365,278.93
Other (Itemize) - (Itemize)	9,878.01	106,552.73
Total Non-Operating Expenses	174,256.70	1,795,028.57
NET INCOME/(LOSS)	(176,817.35)	(1,840,693.58)

(Attach exhibit listing all itemizations required above)

X. BALANCE SHEET
(ACCRUAL BASIS ONLY)

ASSETS	Current Month End	
Current Assets:		
Unrestricted Cash	351.19	
Restricted Cash		
Accounts Receivable	156,332.40	
Inventory		
Notes Receivable	13,441,296.10	
Prepaid Expenses		
Other (Itemize) - Retainers	106,943.35	
Total Current Assets		13,704,923.04
Property, Plant, and Equipment		
Accumulated Depreciation/Depletion		
Net Property, Plant, and Equipment		0.00
Other Assets (Net of Amortization):		
Due from Insiders		
Other (Itemize)	12,475,089.10	
Total Other Assets		12,475,089.10
TOTAL ASSETS		26,180,012.14
LIABILITIES		
Post-petition Liabilities:		
Accounts Payable	800.00	
Taxes Payable	31,648.33	
Notes Payable - Interest	757,878.49	
Professional fees - Legal	270,708.60	
Secured Debt - Interest	177,994.34	
Other (Itemize)	204,015.66	
Total Post-petition Liabilities		1,443,045.42
Pre-petition Liabilities:		
Secured Liabilities	7,044,741.59	
Priority Liabilities	198,094.24	
Unsecured Liabilities	40,636,009.27	
Other (Itemize)		
Total Pre-petition Liabilities		47,878,845.10
TOTAL LIABILITIES		49,321,890.52
EQUITY:		
Pre-petition Owners' Equity	(21,593,515.09)	
Post-petition Profit/(Loss)	(1,840,693.58)	
Direct Charges to Equity		
TOTAL EQUITY		(23,434,208.67)
TOTAL LIABILITIES & EQUITY		25,887,681.85

XI. QUESTIONNAIRE

	No	Yes
1. Has the debtor-in-possession made any payments on its pre-petition unsecured debt, except as have been authorized by the court? If "Yes", explain below:	x	

	No	Yes
2. Has the debtor-in-possession during this reporting period provided compensation or remuneration to any officers, directors, principals, or other insiders without appropriate authorization? If "Yes", explain below:	x	

3. State what progress was made during the reporting period toward filing a plan of reorganization
First Amended Disclosure Statement Hearing on May 9, 2012

4. Describe potential future developments which may have a significant impact on the case:

5. Attach copies of all Orders granting relief from the automatic stay that were entered during the reporting period.

	No	Yes
6. Did you receive any exempt income this month, which is not set forth in the operating report? If "Yes", please set forth the amounts and sources of the income below.	x	

I, David Lawlor
declare under penalty of perjury that I have fully read and understood the foregoing debtor-in-possession operating report and that the information contained herein is true and complete to the best of my knowledge.

May 8, 2012
Date

Page 16 of 16

Principal for debtor-in-possession

COPY

UNITED STATES DEPARTMENT OF JUSTICE
OFFICE OF THE UNITED STATES TRUSTEE
CENTRAL DISTRICT OF CALIFORNIA

Filed Electronically
on 6-5-12
Docket No. 282

In Re:	CHAPTER 11 (BUSINESS)	
Boundary Bay Capital, LLC	Case Number:	8:11-bk-14298-CB
	Operating Report Number:	13
Debtor(s).	For the Month Ending:	30-Apr-12

I. CASH RECEIPTS AND DISBURSEMENTS
A. (GENERAL ACCOUNT*)

1. TOTAL RECEIPTS PER ALL PRIOR GENERAL ACCOUNT REPORTS		48,175.02
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR GENERAL ACCOUNT REPORTS		47,800.55
3. BEGINNING BALANCE:		374.47
4. RECEIPTS DURING CURRENT PERIOD:		
Accounts Receivable - Post-filing		
Accounts Receivable - Pre-filing		
General Sales	1,028.47	
Other (Specify)		
**Other (Specify)		
TOTAL RECEIPTS THIS PERIOD:		1,028.47
5. BALANCE:		1,402.94
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD		
Transfers to Other DIP Accounts (from page 2)	0.00	
Disbursements (from page 2)	719.61	
TOTAL DISBURSEMENTS THIS PERIOD:***		719.61
7. ENDING BALANCE:		683.33

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8. General Account Number(s): #6479463223
#6124121499

Depository Name & Location: Wells Fargo Bank, N.A.
2640 Main Street, Suite R
Irvine, CA 92614

* All receipts must be deposited into the general account.
** Include receipts from the sale of any real or personal property out of the ordinary course of business; attach an exhibit specifying what was sold, to whom, terms, and date of Court Order or Report of Sale.
***This amount should be the same as the total from page 2.

TOTAL DISBURSEMENTS FROM GENERAL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee or DIP account	Purpose	*Amount Transfered	**Amount Disbursed	Amount
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
04/15/12		Andrea Jupina	Reimbuse Comm. Expenses		336.10	336.10
4/15/2012		Lynell Burmark	Reimbuse Comm. Expenses		353.51	353.51
4/30/2012		Wells Fargo	Service Charge		30.00	30.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
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						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
			TOTAL DISBURSEMENTS THIS PERIOD:	0.00	719.61	$719.61

* Fill in amounts in this column if they are TRANSFERS to another DIP account (e.g. Payroll or Tax); the "amount" column will be filled in for you.
** Fill in amounts in this column if they are DISBURSEMENTS to outside payees; the "amount" column will be filled in for you.

GENERAL ACCOUNT
BANK RECONCILIATION

Bank statement Date: 3/31/2012 Balance on Statement: $374.47

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Explanation of Adjustments-

ADJUSTED BANK BALANCE: $374.47

I. CASH RECEIPTS AND DISBURSEMENTS
B. (PAYROLL ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
3. BEGINNING BALANCE:	0.00
4. RECEIPTS DURING CURRENT PERIOD: (Transferred from General Account)	
5. BALANCE:	0.00
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	0.00
7. ENDING BALANCE:	0.00
8. PAYROLL Account Number(s):	
Depository Name & Location:	

TOTAL DISBURSEMENTS FROM PAYROLL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount

TOTAL DISBURSEMENTS THIS PERIOD: 0.00

PAYROLL ACCOUNT
BANK RECONCILIATION

Bank statement Date: _____ Balance on Statement: _____

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments: _____
Explanation of Adjustments-

ADJUSTED BANK BALANCE: $0.00

I. CASH RECEIPTS AND DISBURSEMENTS
C. (TAX ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR TAX ACCOUNT REPORTS	23,724.76
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR TAX ACCOUNT REPORTS	23,748.04
3. BEGINNING BALANCE:	(23.28)
4. RECEIPTS DURING CURRENT PERIOD:	12.00
5. BALANCE:	(11.28)
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	18.00
7. ENDING BALANCE:	(29.28)
8. TAX Account Number(s):	#6124121473, #6479463231
Depository Name & Location:	Wells Fargo Bank, N.A. 2540 Main Street, Suite % Irvine, CA 92614

TOTAL DISBURSEMENTS FROM TAX ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
3/31/2012		Wells Fargo	service fees	$18.00

Page 8 of 16

TOTAL DISBURSEMENTS THIS PERIOD: $18.00

TAX ACCOUNT
BANK RECONCILIATION

Bank statement Date: 4/30/2012 Balance on Statement: ($29.28)

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments:
Explanation of Adjustments-

ADJUSTED BANK BALANCE: ($29.28)

I. D SUMMARY SCHEDULE OF CASH

ENDING BALANCES FOR THE PERIOD:
(Provide a copy of monthly account statements for each of the below)

	General Account:	683.33
	Payroll Account:	
	Tax Account:	(29.28)
*Other Accounts:		
*Other Monies:		
	**Petty Cash (from below):	0.00

TOTAL CASH AVAILABLE: 654.05

Petty Cash Transactions:

Date	Purpose	Amount

TOTAL PETTY CASH TRANSACTIONS: 0.00

II. STATUS OF PAYMENTS TO SECURED CREDITORS, LESSORS AND OTHER PARTIES TO EXECUTORY CONTRACTS

Creditor, Lessor, Etc.	Frequency of Payments (Mo/Qtr)	Amount of Payment	Post-Petition payments not made (Number)	Total Due
			TOTAL DUE:	0.00

III. TAX LIABILITIES

FOR THE REPORTING PERIOD:

Gross Sales Subject to Sales Tax: _____

Total Wages Paid: _____

	Total Post-Petition Amounts Owing	Amount Delinquent	Date Delinquent Amount Due
Federal Withholding			
State Withholding			
FICA- Employer's Share			
FICA- Employee's Share			
Federal Unemployment			
Sales and Use			
Real Property			
Other: _____	Page 11 of 16		
TOTAL:	0.00	0.00	

IV. AGING OF ACCOUNTS PAYABLE AND RECEIVABLE

	*Accounts Payable	Accounts Receivable	
	Post-Petition	Pre-Petition	Post-Petition
30 days or less			
31 - 60 days			
61 - 90 days			
91 - 120 days			
Over 120 days	800.00	155,904.59	427.81
TOTAL:	800.00	155,904.59	427.81

V. INSURANCE COVERAGE

	Name of Carrier	Amount of Coverage	Policy Expiration Date	Premium Paid Through (Date)
General Liability				
Worker's Compensation				
Casualty				
Vehicle				
Others:				

VI. UNITED STATES TRUSTEE QUARTERLY FEES (TOTAL PAYMENTS)

Quarterly Period Ending (Date)	Total Disbursements	Quarterly Fees	Date Paid	Amount Paid	Quarterly Fees Still Owing
31-Mar-2011		325.00	28-Apr-2011	325.00	0.00
30-Jun-2011		650.00	26-Jul-2011	650.00	0.00
30-Sep-2011		325.00	31-Oct-2011	325.00	0.00
30-Dec-2011		325.00	15-Jan-2012	325.00	0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
		1,625.00		1,625.00	0.00

* Post-Petition Accounts Payable SHOULD NOT include professionals' fees and expenses which have been incurred but not yet awarded by the court. Post-Petition Accounts Payable SHOULD include professionals' fees and expenses authorized by Court Order but which remain unpaid as of the close of the period report

VII SCHEDULE OF COMPENSATION PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	*Authorized Gross Compensation	Gross Compensation Paid During the Month

VIII. SCHEDULE OF OTHER AMOUNTS PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	Description	Amount Paid During the Month

* Please indicate how compensation was identified in the order (e.g. $1,000/week, $2,500/month)

IX. PROFIT AND LOSS STATEMENT
(ACCRUAL BASIS ONLY)

	Current Month	Cumulative Post-Petition
Sales/Revenue:		
Gross Sales/Revenue	1,610.62	17,210.26
Less: Returns/Discounts		
Net Sales/Revenue	1,610.62	17,210.26
Cost of Goods Sold:		
Beginning Inventory at cost		
Purchases		
Less: Ending Inventory at cost		
Cost of Goods Sold (COGS)	0.00	0.00
Gross Profit	1,610.62	17,210.26
Other Operating Income (Itemize)		
Operating Expenses:		
Payroll - Insiders		
Payroll - Other Employees		
Payroll Taxes		
Other Taxes (Itemize)		
Depreciation and Amortization		
Rent Expense - Real Property		
Lease Expense - Personal Property		
Insurance		
Real Property Taxes	1,409.50	18,322.00
Telephone and Utilities		
Repairs and Maintenance		
Travel and Entertainment (Itemize)		
Miscellaneous Operating Expenses (Itemize)		
Total Operating Expenses	1,409.50	18,322.00
Net Gain/(Loss) from Operations	201.12	(1,111.74)
Non-Operating Income:		
Interest Income		
Net Gain on Sale of Assets (Itemize)		
Other (Itemize)		
Total Non-Operating income	0.00	0.00
Non-Operating Expenses:		
Interest Expense	132,670.83	1,323,196.91
Legal and Professional (Itemize)	79,212.10	365,278.93
Other (Itemize) - (Itemize)	9,878.01	106,552.73
Total Non-Operating Expenses	221,760.94	1,795,028.57
NET INCOME/(LOSS)	(221,559.82)	(1,796,140.31)

(Attach exhibit listing all itemizations required above)

X. BALANCE SHEET
(ACCRUAL BASIS ONLY)

ASSETS	Current Month End	
Current Assets:		
Unrestricted Cash	654.05	
Restricted Cash		
Accounts Receivable	156,332.40	
Inventory		
Notes Receivable	13,441,296.10	
Prepaid Expenses		
Other (Itemize) - Retainers	106,943.35	
Total Current Assets		13,705,225.90
Property, Plant, and Equipment		
Accumulated Depreciation/Depletion		
Net Property, Plant, and Equipment		0.00
Other Assets (Net of Amortization):		
Due from Insiders		
Other (Itemize)	12,475,089.10	
Total Other Assets		12,475,089.10
TOTAL ASSETS		26,180,315.00
LIABILITIES		
Post-petition Liabilities:		
Accounts Payable	800.00	
Taxes Payable	31,648.33	
Notes Payable - Interest	757,878.49	
Professional fees - Legal	339,162.70	
Secured Debt - Interest	177,994.34	
Other (Itemize)	214,782.66	
Total Post-petition Liabilities		1,522,266.52
Pre-petition Liabilities:		
Secured Liabilities	7,044,741.59	
Priority Liabilities	198,094.24	
Unsecured Liabilities	40,636,009.27	
Other (Itemize)		
Total Pre-petition Liabilities		47,878,845.10
TOTAL LIABILITIES		49,401,111.62
EQUITY:		
Pre-petition Owners' Equity	(21,593,515.09)	
Post-petition Profit/(Loss)	(1,796,140.31)	
Direct Charges to Equity		
TOTAL EQUITY		(23,389,655.40)
TOTAL LIABILITIES & EQUITY		26,011,456.22

XI. QUESTIONNAIRE

	No	Yes
1. Has the debtor-in-possession made any payments on its pre-petition unsecured debt, except as have been authorized by the court? If "Yes", explain below:	x	

	No	Yes
2. Has the debtor-in-possession during this reporting period provided compensation or remuneration to any officers, directors, principals, or other insiders without appropriate authorization? If "Yes", explain below:	x	

3. State what progress was made during the reporting period toward filing a plan of reorganization
Second Amended Disclosure Statement Hearing on July 18, 2012

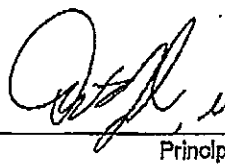
4. Describe potential future developments which may have a significant impact on the case:

5. Attach copies of all Orders granting relief from the automatic stay that were entered during the reporting period.

	No	Yes
6. Did you receive any exempt income this month, which is not set forth in the operating report? If "Yes", please set forth the amounts and sources of the income below.	x	

I, David Lawlor
declare under penalty of perjury that I have fully read and understood the foregoing debtor-in-possession operating report and that the information contained herein is true and complete to the best of my knowledge.

6/5/12
Date



Principal for debtor-in-possession

COPY

UNITED STATES DEPARTMENT OF JUSTICE
OFFICE OF THE UNITED STATES TRUSTEE
CENTRAL DISTRICT OF CALIFORNIA

Filed Electronically
on 6-26-12
Docket No. 304

In Re:	CHAPTER 11 (BUSINESS)	
Boundary Bay Capital, LLC	Case Number:	8:11-bk-14298-CB
	Operating Report Number:	14
Debtor(s).	For the Month Ending:	31-May-12

I. CASH RECEIPTS AND DISBURSEMENTS
A. (GENERAL ACCOUNT*)

1. TOTAL RECEIPTS PER ALL PRIOR GENERAL ACCOUNT REPORTS		49,203.49
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR GENERAL ACCOUNT REPORTS		48,520.16
3. BEGINNING BALANCE:		683.33
4. RECEIPTS DURING CURRENT PERIOD:		
Accounts Receivable - Post-filing		
Accounts Receivable - Pre-filing		
General Sales	5,054.91	
Other (Specify)		
**Other (Specify)		
TOTAL RECEIPTS THIS PERIOD:		5,054.91
5. BALANCE:		5,738.24
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD		
Transfers to Other DIP Accounts (from page 2)	0.00	
Disbursements (from page 2)	2,666.28	
TOTAL DISBURSEMENTS THIS PERIOD:***		2,666.28
7. ENDING BALANCE:		3,071.96

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CLERK OF US TRUSTEE
SANTA ANA, CA

8. General Account Number(s): #6479463223
#6124121499

Depository Name & Location: Wells Fargo Bank, N.A.
2640 Main Street, Suite R
Irvine, CA 92614

* All receipts must be deposited into the general account.
** Include receipts from the sale of any real or personal property out of the ordinary course of business; attach an exhibit specifying what was sold, to whom, terms, and date of Court Order or Report of Sale.
***This amount should be the same as the total from page 2.

TOTAL DISBURSEMENTS FROM GENERAL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee or DIP account	Purpose	*Amount Transfered	**Amount Disbursed	Amount
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
05/07/12	1014	CMG, LLC	Management Fee		1,500.00	1,500.00
5/14/2012	1016	CMG, LLC	Management Fee		800.00	800.00
5/15/2012	1015	US Trustee	Quarterly Trustee Fee		325.00	325.00
5/31/2012		Wells Fargo	Service Charge		41.28	41.28
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
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						0.00
						0.00
			TOTAL DISBURSEMENTS THIS PERIOD:	0.00	2,666.28	$2,666.28

* Fill in amounts in this column if they are TRANSFERS to another DIP account (e.g. Payroll or Tax); the "amount" column will be filled in for you.
** Fill in amounts in this column if they are DISBURSEMENTS to outside payees; the "amount" column will be filled in for you.

GENERAL ACCOUNT
BANK RECONCILIATION

Bank statement Date: 5/31/2012 Balance on Statement: $3,071.96

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Explanation of Adjustments-

ADJUSTED BANK BALANCE: $3,071.96

I. CASH RECEIPTS AND DISBURSEMENTS
B. (PAYROLL ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
3. BEGINNING BALANCE:	0.00
4. RECEIPTS DURING CURRENT PERIOD: (Transferred from General Account)	
5. BALANCE:	0.00
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	0.00
7. ENDING BALANCE:	0.00

8. PAYROLL Account Number(s): _____

Depository Name & Location: _____

TOTAL DISBURSEMENTS FROM PAYROLL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
			TOTAL DISBURSEMENTS THIS PERIOD:	0.00

PAYROLL ACCOUNT
BANK RECONCILIATION

Bank statement Date: _____ Balance on Statement: _____

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments: _____

Explanation of Adjustments-

ADJUSTED BANK BALANCE: $0.00

I. CASH RECEIPTS AND DISBURSEMENTS
C. (TAX ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR TAX ACCOUNT REPORTS	23,748.04
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR TAX ACCOUNT REPORTS	23,754.04
3. BEGINNING BALANCE:	(6.00)
4. RECEIPTS DURING CURRENT PERIOD:	0.00
5. BALANCE:	(6.00)
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	18.00
7. ENDING BALANCE:	(24.00)
8. TAX Account Number(s):	#6124121473, #6479463231
Depository Name & Location:	Wells Fargo Bank, N.A. 2540 Main Street, Suite % Irvine, CA 92614

TOTAL DISBURSEMENTS FROM TAX ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
5/31/2012		Wells Fargo	service fees	$18.00
			TOTAL DISBURSEMENTS THIS PERIOD:	$18.00

TAX ACCOUNT
BANK RECONCILIATION

Bank statement Date: 5/31/2012 Balance on Statement: ($24.00)

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments:
Explanation of Adjustments:

ADJUSTED BANK BALANCE: ($24.00)

I. D SUMMARY SCHEDULE OF CASH

ENDING BALANCES FOR THE PERIOD:
(Provide a copy of monthly account statements for each of the below)

	General Account:	3,071.96
	Payroll Account:	
	Tax Account:	(24.00)
*Other Accounts:		
*Other Monies:		
	**Petty Cash (from below):	0.00

TOTAL CASH AVAILABLE: 3,047.96

Petty Cash Transactions:

Date	Purpose	Amount

TOTAL PETTY CASH TRANSACTIONS: 0.00

II. STATUS OF PAYMENTS TO SECURED CREDITORS, LESSORS AND OTHER PARTIES TO EXECUTORY CONTRACTS

Creditor, Lessor, Etc.	Frequency of Payments (Mo/Qtr)	Amount of Payment	Post-Petition payments not made (Number)	Total Due
			TOTAL DUE:	0.00

III. TAX LIABILITIES

FOR THE REPORTING PERIOD:

Gross Sales Subject to Sales Tax: _____

Total Wages Paid: _____

	Total Post-Petition Amounts Owing	Amount Delinquent	Date Delinquent Amount Due
Federal Withholding			
State Withholding			
FICA- Employer's Share			
FICA- Employee's Share			
Federal Unemployment			
Sales and Use			
Real Property			
Other: _____	Page 11 of 16		
TOTAL:	0.00	0.00	

IV. AGING OF ACCOUNTS PAYABLE AND RECEIVABLE

	*Accounts Payable	Accounts Receivable	
	Post-Petition	Pre-Petition	Post-Petition
30 days or less			
31 - 60 days			
61 - 90 days			
91 - 120 days			
Over 120 days	800.00	155,904.59	427.81
TOTAL:	800.00	155,904.59	427.81

V. INSURANCE COVERAGE

	Name of Carrier	Amount of Coverage	Policy Expiration Date	Premium Paid Through (Date)
General Liability				
Worker's Compensation				
Casualty				
Vehicle				
Others:				

VI. UNITED STATES TRUSTEE QUARTERLY FEES (TOTAL PAYMENTS)

Quarterly Period Ending (Date)	Total Disbursements	Quarterly Fees	Date Paid	Amount Paid	Quarterly Fees Still Owing
31-Mar-2011		325.00	28-Apr-2011	325.00	0.00
30-Jun-2011		650.00	26-Jul-2011	650.00	0.00
30-Sep-2011		325.00	31-Oct-2011	325.00	0.00
30-Dec-2011		325.00	15-Jan-2012	325.00	0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
		1,625.00		1,625.00	0.00

* Post-Petition Accounts Payable SHOULD NOT include professionals' fees and expenses which have been incurred but not yet awarded by the court. Post-Petition Accounts Payable SHOULD include professionals' fees and expenses authorized by Court Order but which remain unpaid as of the close of the period report

VII SCHEDULE OF COMPENSATION PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	*Authorized Gross Compensation	Gross Compensation Paid During the Month
CMG, LLC		$10,000	2,800.00

VIII. SCHEDULE OF OTHER AMOUNTS PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	Description	Amount Paid During the Month

* Please indicate how compensation was identified in the order (e.g. $1,000/week, $2,500/month)

IX. PROFIT AND LOSS STATEMENT
(ACCRUAL BASIS ONLY)

	Current Month	Cumulative Post-Petition
Sales/Revenue:		
Gross Sales/Revenue	5,054.91	17,210.26
Less: Returns/Discounts		
Net Sales/Revenue	5,054.91	17,210.26
Cost of Goods Sold:		
Beginning Inventory at cost		
Purchases		
Less: Ending Inventory at cost		
Cost of Goods Sold (COGS)	0.00	0.00
Gross Profit	5,054.91	17,210.26
Other Operating Income (Itemize)		
Operating Expenses:		
Payroll - Insiders		
Payroll - Other Employees		
Payroll Taxes		
Other Taxes (Itemize)		
Depreciation and Amortization		
Rent Expense - Real Property		
Lease Expense - Personal Property		
Insurance		
Real Property Taxes	1,409.50	19,731.00
Telephone and Utilities		
Repairs and Maintenance		
Travel and Entertainment (Itemize)		
Miscellaneous Operating Expenses (Itemize)	2,800.00	
Total Operating Expenses	4,209.50	19,731.00
Net Gain/(Loss) from Operations	845.41	(2,520.74)
Non-Operating Income:		
Interest Income		
Net Gain on Sale of Assets (Itemize)		
Other (Itemize)		
Total Non-Operating income	0.00	0.00
Non-Operating Expenses:		
Interest Expense	132,670.83	1,323,196.91
Legal and Professional (Itemize)	34,048.00	365,278.93
Other (Itemize) - (Itemize)	9,878.01	106,552.73
Total Non-Operating Expenses	176,596.84	1,795,028.57
NET INCOME/(LOSS)	(175,751.43)	(1,797,549.31)

(Attach exhibit listing all itemizations required above)

X. BALANCE SHEET
(ACCRUAL BASIS ONLY)

ASSETS	Current Month End	
Current Assets:		
Unrestricted Cash	3,047.96	
Restricted Cash		
Accounts Receivable	156,332.40	
Inventory		
Notes Receivable	13,441,296.10	
Prepaid Expenses		
Other (Itemize) - Retainers	106,943.35	
Total Current Assets		13,707,619.81
Property, Plant, and Equipment		
Accumulated Depreciation/Depletion		
Net Property, Plant, and Equipment		0.00
Other Assets (Net of Amortization):		
Due from Insiders		
Other (Itemize)	12,475,089.10	
Total Other Assets		12,475,089.10
TOTAL ASSETS		26,182,708.91
LIABILITIES		
Post-petition Liabilities:		
Accounts Payable	800.00	
Taxes Payable	18,500.00	
Notes Payable - Interest	757,878.49	
Professional fees - Legal	371,138.70	
Secured Debt - Interest	177,994.34	
Other (Itemize)	216,854.66	
Total Post-petition Liabilities		1,543,166.19
Pre-petition Liabilities:		
Secured Liabilities	7,044,741.59	
Priority Liabilities	198,094.24	
Unsecured Liabilities	40,636,009.27	
Other (Itemize)		
Total Pre-petition Liabilities		47,878,845.10
TOTAL LIABILITIES		49,422,011.29
EQUITY:		
Pre-petition Owners' Equity	(21,593,515.09)	
Post-petition Profit/(Loss)	(1,797,549.31)	
Direct Charges to Equity:		
TOTAL EQUITY		(23,391,064.40)
TOTAL LIABILITIES & EQUITY		26,030,946.89

XI. QUESTIONNAIRE

	No	Yes
1. Has the debtor-in-possession made any payments on its pre-petition unsecured debt, except as have been authorized by the court? If "Yes", explain below:	x	

	No	Yes
2. Has the debtor-in-possession during this reporting period provided compensation or remuneration to any officers, directors, principals, or other insiders without appropriate authorization? If "Yes", explain below:	x	

3. State what progress was made during the reporting period toward filing a plan of reorganization
Second Amended Disclosure Statement Hearing on July 18, 2012

4. Describe potential future developments which may have a significant impact on the case:

5. Attach copies of all Orders granting relief from the automatic stay that were entered during the reporting period.

	No	Yes
6. Did you receive any exempt income this month, which is not set forth in the operating report? If "Yes", please set forth the amounts and sources of the income below.	x	

I, David Lawlor
declare under penalty of perjury that I have fully read and understood the foregoing debtor-in-possession operating report and that the information contained herein is true and complete to the best of my knowledge.

6/25/2012
Date

Page 16 of 16

Principal for debtor-in-possession

COPY

UNITED STATES DEPARTMENT OF JUSTICE
OFFICE OF THE UNITED STATES TRUSTEE
CENTRAL DISTRICT OF CALIFORNIA

Filed Electronically
on 8-21-12
Docket No. 322

In Re:	CHAPTER 11 (BUSINESS)	
Boundary Bay Capital, LLC	Case Number:	8:11-bk-14298-CB
	Operating Report Number:	15
Debtor(s).	For the Month Ending:	30-Jun-12

I. CASH RECEIPTS AND DISBURSEMENTS
A. (GENERAL ACCOUNT*)

1. TOTAL RECEIPTS PER ALL PRIOR GENERAL ACCOUNT REPORTS		54,258.40
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR GENERAL ACCOUNT REPORTS		51,186.44
3. BEGINNING BALANCE:		3,071.96
4. RECEIPTS DURING CURRENT PERIOD:		
Accounts Receivable - Post-filing		
Accounts Receivable - Pre-filing		
General Sales	1,500.00	
Other (Specify)		
**Other (Specify)		
TOTAL RECEIPTS THIS PERIOD:		1,500.00
5. BALANCE:		4,571.96
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD		
Transfers to Other DIP Accounts (from page 2)	0.00	
Disbursements (from page 2)	2,030.00	
TOTAL DISBURSEMENTS THIS PERIOD:***		2,030.00
7. ENDING BALANCE:		2,541.96

8. General Account Number(s): #6479463223
#6124121499

Depository Name & Location: Wells Fargo Bank, N.A.
2640 Main Street, Suite R
Irvine, CA 92614

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2012 AUG 22 A 10:49
OFFICE OF US TRUSTEE
SANTA ANA, CA

* All receipts must be deposited into the general account.
** Include receipts from the sale of any real or personal property out of the ordinary course of business; attach an exhibit specifying what was sold, to whom, terms, and date of Court Order or Report of Sale.
***This amount should be the same as the total from page 2.

TOTAL DISBURSEMENTS FROM GENERAL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee or DIP account	Purpose	*Amount Transfered	**Amount Disbursed	Amount
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
06/08/12	1017	CMG, LLC	Management Fee		800.00	800.00
6/14/2012	1018	CMG, LLC	Management Fee		1,200.00	1,200.00
6/29/2012		Wells Fargo	Service Charge		30.00	30.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
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						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
			TOTAL DISBURSEMENTS THIS PERIOD:	0.00	2,030.00	$2,030.00

* Fill in amounts in this column if they are TRANSFERS to another DIP account (e.g. Payroll or Tax); the "amount" column will be filled in for you.
** Fill in amounts in this column if they are DISBURSEMENTS to outside payees; the "amount" column will be filled in for you.

GENERAL ACCOUNT
BANK RECONCILIATION

Bank statement Date: 6/30/2012 Balance on Statement: $2,541.96

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Explanation of Adjustments-

ADJUSTED BANK BALANCE: $2,541.96

I. CASH RECEIPTS AND DISBURSEMENTS
B. (PAYROLL ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
3. BEGINNING BALANCE:	0.00
4. RECEIPTS DURING CURRENT PERIOD: (Transferred from General Account)	
5. BALANCE:	0.00
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	0.00
7. ENDING BALANCE:	0.00
8. PAYROLL Account Number(s):	
Depository Name & Location:	

TOTAL DISBURSEMENTS FROM PAYROLL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
			TOTAL DISBURSEMENTS THIS PERIOD:	0.00

PAYROLL ACCOUNT
BANK RECONCILIATION

Bank statement Date: _____ Balance on Statement: _____

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments: _____
Explanation of Adjustments-

ADJUSTED BANK BALANCE: $0.00

I. CASH RECEIPTS AND DISBURSEMENTS
C. (TAX ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR TAX ACCOUNT REPORTS	23,748.04
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR TAX ACCOUNT REPORTS	23,766.04
3. BEGINNING BALANCE:	(18.00)
4. RECEIPTS DURING CURRENT PERIOD:	6.00
5. BALANCE:	(12.00)
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	18.00
7. ENDING BALANCE:	(30.00)
8. TAX Account Number(s):	#6124121473, #6479463231
Depository Name & Location:	Wells Fargo Bank, N.A. 2540 Main Street, Suite % Irvine, CA 92614

TOTAL DISBURSEMENTS FROM TAX ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
6/29/2012		Wells Fargo	service fees	$18.00
			TOTAL DISBURSEMENTS THIS PERIOD:	$18.00

TAX ACCOUNT
BANK RECONCILIATION

Bank statement Date: 6/30/2012 Balance on Statement: ($30.00)

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments:
Explanation of Adjustments-

ADJUSTED BANK BALANCE: ($30.00)

I. D SUMMARY SCHEDULE OF CASH

ENDING BALANCES FOR THE PERIOD:
(Provide a copy of monthly account statements for each of the below)

	General Account:	2,541.96
	Payroll Account:	
	Tax Account:	(30.00)
*Other Accounts:		
*Other Monies:		
	**Petty Cash (from below):	0.00

TOTAL CASH AVAILABLE: 2,511.96

Petty Cash Transactions:

Date	Purpose	Amount

TOTAL PETTY CASH TRANSACTIONS: 0.00

II. STATUS OF PAYMENTS TO SECURED CREDITORS, LESSORS AND OTHER PARTIES TO EXECUTORY CONTRACTS

Creditor, Lessor, Etc.	Frequency of Payments (Mo/Qtr)	Amount of Payment	Post-Petition payments not made (Number)	Total Due
			TOTAL DUE:	0.00

III. TAX LIABILITIES

FOR THE REPORTING PERIOD:

Gross Sales Subject to Sales Tax: _____

Total Wages Paid: _____

	Total Post-Petition Amounts Owing	Amount Delinquent	Date Delinquent Amount Due
Federal Withholding			
State Withholding			
FICA- Employer's Share			
FICA- Employee's Share			
Federal Unemployment			
Sales and Use			
Real Property			
Other: _____	Page 11 of 16		
TOTAL:	0.00	0.00	

IV. AGING OF ACCOUNTS PAYABLE AND RECEIVABLE

	*Accounts Payable	Accounts Receivable	
	Post-Petition	Pre-Petition	Post-Petition
30 days or less			
31 - 60 days			
61 - 90 days			
91 - 120 days			
Over 120 days	800.00	155,904.59	427.81
TOTAL:	800.00	155,904.59	427.81

V. INSURANCE COVERAGE

	Name of Carrier	Amount of Coverage	Policy Expiration Date	Premium Paid Through (Date)
General Liability				
Worker's Compensation				
Casualty				
Vehicle				
Others:				

VI. UNITED STATES TRUSTEE QUARTERLY FEES (TOTAL PAYMENTS)

Quarterly Period Ending (Date)	Total Disbursements	Quarterly Fees	Date Paid	Amount Paid	Quarterly Fees Still Owing
31-Mar-2011		325.00	28-Apr-2011	325.00	0.00
30-Jun-2011		650.00	26-Jul-2011	650.00	0.00
30-Sep-2011		325.00	31-Oct-2011	325.00	0.00
30-Dec-2011		325.00	15-Jan-2012	325.00	0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
		1,625.00		1,625.00	0.00

* Post-Petition Accounts Payable SHOULD NOT include professionals' fees and expenses which have been incurred but not yet awarded by the court. Post-Petition Accounts Payable SHOULD include professionals' fees and expenses authorized by Court Order but which remain unpaid as of the close of the period report

VII SCHEDULE OF COMPENSATION PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	*Authorized Gross Compensation	Gross Compensation Paid During the Month
CMG, LLC		$10,000	2,000.00

VIII. SCHEDULE OF OTHER AMOUNTS PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	Description	Amount Paid During the Month

* Please indicate how compensation was identified in the order (e.g. $1,000/week, $2,500/month)

IX. PROFIT AND LOSS STATEMENT
(ACCRUAL BASIS ONLY)

	Current Month	Cumulative Post-Petition
Sales/Revenue:		
Gross Sales/Revenue	5,054.91	17,210.26
Less: Returns/Discounts		
Net Sales/Revenue	5,054.91	17,210.26
Cost of Goods Sold:		
Beginning Inventory at cost		
Purchases		
Less: Ending Inventory at cost		
Cost of Goods Sold (COGS)	0.00	0.00
Gross Profit	5,054.91	17,210.26
Other Operating Income (Itemize)		
Operating Expenses:		
Payroll - Insiders		
Payroll - Other Employees		
Payroll Taxes		
Other Taxes (Itemize)		
Depreciation and Amortization		
Rent Expense - Real Property		
Lease Expense - Personal Property		
Insurance		
Real Property Taxes	1,409.50	19,731.00
Telephone and Utilities		
Repairs and Maintenance		
Travel and Entertainment (Itemize)		
Miscellaneous Operating Expenses (Itemize)	2,800.00	
Total Operating Expenses	4,209.50	19,731.00
Net Gain/(Loss) from Operations	845.41	(2,520.74)
Non-Operating Income:		
Interest Income		
Net Gain on Sale of Assets (Itemize)		
Other (Itemize)		
Total Non-Operating income	0.00	0.00
Non-Operating Expenses:		
Interest Expense	132,670.83	1,323,196.91
Legal and Professional (Itemize)	34,048.00	365,278.93
Other (Itemize) - (Itemize)	9,878.01	106,552.73
Total Non-Operating Expenses	176,596.84	1,795,028.57
NET INCOME/(LOSS)	(175,751.43)	(1,797,549.31)

(Attach exhibit listing all itemizations required above)

X. BALANCE SHEET
(ACCRUAL BASIS ONLY)

ASSETS	Current Month End	
Current Assets:		
Unrestricted Cash	2,511.96	
Restricted Cash		
Accounts Receivable	156,332.40	
Inventory		
Notes Receivable	13,441,296.10	
Prepaid Expenses		
Other (Itemize) - Retainers	106,943.35	
Total Current Assets		13,707,083.81
Property, Plant, and Equipment		
Accumulated Depreciation/Depletion		
Net Property, Plant, and Equipment		0.00
Other Assets (Net of Amortization):		
Due from Insiders		
Other (Itemize)	12,475,089.10	
Total Other Assets		12,475,089.10
TOTAL ASSETS		26,182,172.91
LIABILITIES		
Post-petition Liabilities:		
Accounts Payable	800.00	
Taxes Payable	18,500.00	
Notes Payable - Interest		
Professional fees - Legal	384,874.39	
Secured Debt - Interest		
Other (Itemize)	217,002.66	
Total Post-petition Liabilities		621,177.05
Pre-petition Liabilities:		
Secured Liabilities	7,044,741.59	
Priority Liabilities	198,094.24	
Unsecured Liabilities	40,636,009.27	
Other (Itemize)		
Total Pre-petition Liabilities		47,878,845.10
TOTAL LIABILITIES		48,500,022.15
EQUITY:		
Pre-petition Owners' Equity	(21,593,515.09)	
Post-petition Profit/(Loss)	(1,797,549.31)	
Direct Charges to Equity		
TOTAL EQUITY		(23,391,064.40)
TOTAL LIABILITIES & EQUITY		25,108,957.75

XI. QUESTIONNAIRE

	No	Yes
1. Has the debtor-in-possession made any payments on its pre-petition unsecured debt, except as have been authorized by the court? If "Yes", explain below:	x	

	No	Yes
2. Has the debtor-in-possession during this reporting period provided compensation or remuneration to any officers, directors, principals, or other insiders without appropriate authorization? If "Yes", explain below:	x	

3. State what progress was made during the reporting period toward filing a plan of reorganization
Second Amended Disclosure Statement Hearing on September 12, 2012

4. Describe potential future developments which may have a significant impact on the case:

5. Attach copies of all Orders granting relief from the automatic stay that were entered during the reporting period.

	No	Yes
6. Did you receive any exempt income this month, which is not set forth in the operating report? If "Yes", please set forth the amounts and sources of the income below.	x	

I, David Lawlor
declare under penalty of perjury that I have fully read and understood the foregoing debtor-in-possession operating report and that the information contained herein is true and complete to the best of my knowledge.

8/20/12
Date

Manager
Principal for debtor-in-possession

COPY

UNITED STATES DEPARTMENT OF JUSTICE
OFFICE OF THE UNITED STATES TRUSTEE
CENTRAL DISTRICT OF CALIFORNIA

Filed Electronically
on 8-21-12
Docket No. 323

In Re:	CHAPTER 11 (BUSINESS)	
Boundary Bay Capital, LLC	Case Number:	8:11-bk-14298-CB
	Operating Report Number:	16
Debtor(s).	For the Month Ending:	31-Jul-12

I. CASH RECEIPTS AND DISBURSEMENTS
A. (GENERAL ACCOUNT*)

1. TOTAL RECEIPTS PER ALL PRIOR GENERAL ACCOUNT REPORTS		55,758.40
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR GENERAL ACCOUNT REPORTS		53,216.44
3. BEGINNING BALANCE:		2,541.96
4. RECEIPTS DURING CURRENT PERIOD:		
Accounts Receivable - Post-filing		
Accounts Receivable - Pre-filing		
General Sales		
Other (Specify) _____		
**Other (Specify) _____		
TOTAL RECEIPTS THIS PERIOD:		0.00
5. BALANCE:		2,541.96
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD		
Transfers to Other DIP Accounts (from page 2)	0.00	
Disbursements (from page 2)	1,842.00	
TOTAL DISBURSEMENTS THIS PERIOD:***		1,842.00
7. ENDING BALANCE:		699.96

RECEIVED
2012 AUG 22 A 10:49
OFFICE OF THE U.S. TRUSTEE
SANTA ANA, CA

8. General Account Number(s): #6479463223
#6124121499

Depository Name & Location: Wells Fargo Bank, N.A.
2640 Main Street, Suite R
Irvine, CA 92614

* All receipts must be deposited into the general account.
** Include receipts from the sale of any real or personal property out of the ordinary course of business; attach an exhibit specifying what was sold, to whom, terms, and date of Court Order or Report of Sale.
***This amount should be the same as the total from page 2.

TOTAL DISBURSEMENTS FROM GENERAL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee or DIP account	Purpose	*Amount Transfered	**Amount Disbursed	Amount
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
7/2/2012	1018	CMG, LLC	Management Fee		1,800.00	1,800.00
7/31/2012		Wells Fargo	Service Charge		42.00	42.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
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						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
			TOTAL DISBURSEMENTS THIS PERIOD:	0.00	1,842.00	$1,842.00

* Fill in amounts in this column if they are TRANSFERS to another DIP account (e.g. Payroll or Tax); the "amount" column will be filled in for you.

** Fill in amounts in this column if they are DISBURSEMENTS to outside payees; the "amount" column will be filled in for you.

GENERAL ACCOUNT
BANK RECONCILIATION

Bank statement Date: 7/31/2012 Balance on Statement: $2,541.96

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Explanation of Adjustments-

ADJUSTED BANK BALANCE: $2,541.96

I. CASH RECEIPTS AND DISBURSEMENTS
B. (PAYROLL ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
3. BEGINNING BALANCE:	0.00
4. RECEIPTS DURING CURRENT PERIOD: (Transferred from General Account)	
5. BALANCE:	0.00
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	0.00
7. ENDING BALANCE:	0.00
8. PAYROLL Account Number(s):	
Depository Name & Location:	

TOTAL DISBURSEMENTS FROM PAYROLL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
			Page 5 of 16	
			TOTAL DISBURSEMENTS THIS PERIOD:	0.00

PAYROLL ACCOUNT
BANK RECONCILIATION

Bank statement Date: _____ Balance on Statement: _____

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments: _____

Explanation of Adjustments-

ADJUSTED BANK BALANCE: $0.00

I. CASH RECEIPTS AND DISBURSEMENTS
C. (TAX ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR TAX ACCOUNT REPORTS	23,754.04
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR TAX ACCOUNT REPORTS	23,766.04
3. BEGINNING BALANCE:	(12.00)
4. RECEIPTS DURING CURRENT PERIOD:	24.00
5. BALANCE:	12.00
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	36.00
7. ENDING BALANCE:	(24.00)
8. TAX Account Number(s):	#6124121473, #6479463231
Depository Name & Location:	Wells Fargo Bank, N.A. 2540 Main Street, Suite % Irvine, CA 92614

TOTAL DISBURSEMENTS FROM TAX ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
7/31/2012		Wells Fargo	service fees	$36.00

TOTAL DISBURSEMENTS THIS PERIOD: $36.00

TAX ACCOUNT
BANK RECONCILIATION

Bank statement Date: 7/31/2012 Balance on Statement: ($24.00)

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments:

Explanation of Adjustments-

ADJUSTED BANK BALANCE: ($24.00)

I. D SUMMARY SCHEDULE OF CASH

ENDING BALANCES FOR THE PERIOD:
(Provide a copy of monthly account statements for each of the below)

	General Account:	699.96
	Payroll Account:	
	Tax Account:	(24.00)
*Other Accounts:		
*Other Monies:		
	**Petty Cash (from below):	0.00

TOTAL CASH AVAILABLE: 675.96

Petty Cash Transactions:

Date	Purpose	Amount

TOTAL PETTY CASH TRANSACTIONS: 0.00

II. STATUS OF PAYMENTS TO SECURED CREDITORS, LESSORS AND OTHER PARTIES TO EXECUTORY CONTRACTS

Creditor, Lessor, Etc.	Frequency of Payments (Mo/Qtr)	Amount of Payment	Post-Petition payments not made (Number)	Total Due
			TOTAL DUE:	0.00

III. TAX LIABILITIES

FOR THE REPORTING PERIOD:

Gross Sales Subject to Sales Tax: _____

Total Wages Paid: _____

	Total Post-Petition Amounts Owing	Amount Delinquent	Date Delinquent Amount Due
Federal Withholding			
State Withholding			
FICA- Employer's Share			
FICA- Employee's Share			
Federal Unemployment			
Sales and Use			
Real Property			
Other: _____			
TOTAL:	0.00	0.00	

IV. AGING OF ACCOUNTS PAYABLE AND RECEIVABLE

	*Accounts Payable Post-Petition	Accounts Receivable	
		Pre-Petition	Post-Petition
30 days or less			
31 - 60 days			
61 - 90 days			
91 - 120 days			
Over 120 days	800.00	155,904.59	427.81
TOTAL:	800.00	155,904.59	427.81

V. INSURANCE COVERAGE

	Name of Carrier	Amount of Coverage	Policy Expiration Date	Premium Paid Through (Date)
General Liability				
Worker's Compensation				
Casualty				
Vehicle				
Others:				

VI. UNITED STATES TRUSTEE QUARTERLY FEES (TOTAL PAYMENTS)

Quarterly Period Ending (Date)	Total Disbursements	Quarterly Fees	Date Paid	Amount Paid	Quarterly Fees Still Owing
31-Mar-2011		325.00	28-Apr-2011	325.00	0.00
30-Jun-2011		650.00	26-Jul-2011	650.00	0.00
30-Sep-2011		325.00	31-Oct-2011	325.00	0.00
30-Dec-2011		325.00	15-Jan-2012	325.00	0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
		1,625.00		1,625.00	0.00

* Post-Petition Accounts Payable SHOULD NOT include professionals' fees and expenses which have been incurred but not yet awarded by the court. Post-Petition Accounts Payable SHOULD include professionals' fees and expenses authorized by Court Order but which remain unpaid as of the close of the period report

VII SCHEDULE OF COMPENSATION PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	*Authorized Gross Compensation	Gross Compensation Paid During the Month
CMG, LLC		$10,000	1,800.00

VIII. SCHEDULE OF OTHER AMOUNTS PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	Description	Amount Paid During the Month

* Please indicate how compensation was identified in the order (e.g. $1,000/week, $2,500/month)

IX. PROFIT AND LOSS STATEMENT
(ACCRUAL BASIS ONLY)

	Current Month	Cumulative Post-Petition
Sales/Revenue:		
Gross Sales/Revenue	5,054.91	17,210.26
Less: Returns/Discounts		
Net Sales/Revenue	5,054.91	17,210.26
Cost of Goods Sold:		
Beginning Inventory at cost		
Purchases		
Less: Ending Inventory at cost		
Cost of Goods Sold (COGS)	0.00	0.00
Gross Profit	5,054.91	17,210.26
Other Operating Income (Itemize)		
Operating Expenses:		
Payroll - Insiders		
Payroll - Other Employees		
Payroll Taxes		
Other Taxes (Itemize)		
Depreciation and Amortization		
Rent Expense - Real Property		
Lease Expense - Personal Property		
Insurance		
Real Property Taxes	1,409.50	19,731.00
Telephone and Utilities		
Repairs and Maintenance		
Travel and Entertainment (Itemize)		
Miscellaneous Operating Expenses (Itemize)	2,800.00	
Total Operating Expenses	4,209.50	19,731.00
Net Gain/(Loss) from Operations	845.41	(2,520.74)
Non-Operating Income:		
Interest Income		
Net Gain on Sale of Assets (Itemize)		
Other (Itemize)		
Total Non-Operating income	0.00	0.00
Non-Operating Expenses:		
Interest Expense		
Legal and Professional (Itemize)	20,713.17	516,623.76
Other (Itemize) - (Itemize)	9,878.01	106,552.73
Total Non-Operating Expenses	30,591.18	623,176.49
NET INCOME/(LOSS)	(29,745.77)	(625,697.23)

(Attach exhibit listing all itemizations required above)

X. BALANCE SHEET
(ACCRUAL BASIS ONLY)

ASSETS	Current Month End	
Current Assets:		
Unrestricted Cash	675.96	
Restricted Cash		
Accounts Receivable	156,332.40	
Inventory		
Notes Receivable	13,441,296.10	
Prepaid Expenses		
Other (Itemize) - Retainers	106,943.35	
Total Current Assets		13,705,247.81
Property, Plant, and Equipment		
Accumulated Depreciation/Depletion		
Net Property, Plant, and Equipment		0.00
Other Assets (Net of Amortization):		
Due from Insiders		
Other (Itemize)	12,475,089.10	
Total Other Assets		12,475,089.10
TOTAL ASSETS		26,180,336.91
LIABILITIES		
Post-petition Liabilities:		
Accounts Payable	800.00	
Taxes Payable	18,500.00	
Notes Payable - Interest		
Professional fees - Legal	391,851.87	
Secured Debt - Interest		
Other (Itemize)	217,002.66	
Total Post-petition Liabilities		628,154.53
Pre-petition Liabilities:		
Secured Liabilities	7,044,741.59	
Priority Liabilities	198,094.24	
Unsecured Liabilities	40,636,009.27	
Other (Itemize)		
Total Pre-petition Liabilities		47,878,845.10
TOTAL LIABILITIES		48,506,999.63
EQUITY:		
Pre-petition Owners' Equity	(21,593,515.09)	
Post-petition Profit/(Loss)	(625,697.23)	
Direct Charges to Equity		
TOTAL EQUITY		(22,219,212.32)
TOTAL LIABILITIES & EQUITY		26,287,787.31

XI. QUESTIONNAIRE

		No	Yes
1.	Has the debtor-in-possession made any payments on its pre-petition unsecured debt, except as have been authorized by the court? If "Yes", explain below:	x	

		No	Yes
2.	Has the debtor-in-possession during this reporting period provided compensation or remuneration to any officers, directors, principals, or other insiders without appropriate authorization? If "Yes", explain below:	x	

3. State what progress was made during the reporting period toward filing a plan of reorganization
Second Amended Disclosure Statement Hearing on September 12, 2012

4. Describe potential future developments which may have a significant impact on the case:

5. Attach copies of all Orders granting relief from the automatic stay that were entered during the reporting period.

		No	Yes
6.	Did you receive any exempt income this month, which is not set forth in the operating report? If "Yes", please set forth the amounts and sources of the income below.	x	

I, David Lawlor
declare under penalty of perjury that I have fully read and understood the foregoing debtor-in-possession operating report and that the information contained herein is true and complete to the best of my knowledge.

8/21/12
Date

Manager
Principal for debtor-in-possession

COPY

UNITED STATES DEPARTMENT OF JUSTICE
OFFICE OF THE UNITED STATES TRUSTEE
CENTRAL DISTRICT OF CALIFORNIA

OFFICE OF THE U.S. TRUSTEE
SANTA ANA, CA

Filed Electronically
on 10-9-12
Docket No. 352

In Re:	CHAPTER 11 (BUSINESS)	
Boundary Bay Capital, LLC	Case Number:	8:11-bk-14298-CB
2012 OCT 10 P 2:55	Operating Report Number:	17
Debtor(s).	For the Month Ending:	31-Aug-12

I. CASH RECEIPTS AND DISBURSEMENTS

RECEIVED

A. (GENERAL ACCOUNT*)

1. TOTAL RECEIPTS PER ALL PRIOR GENERAL ACCOUNT REPORTS			55,758.40
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR GENERAL ACCOUNT REPORTS			55,058.44
3. BEGINNING BALANCE:			699.96
4. RECEIPTS DURING CURRENT PERIOD:			
Accounts Receivable - Post-filing			
Accounts Receivable - Pre-filing			
General Sales			
Other (Specify)	Refund of Murietta Prop Tax	30,237.08	
**Other (Specify)			
TOTAL RECEIPTS THIS PERIOD:			30,237.08
5. BALANCE:			30,937.04
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD			
Transfers to Other DIP Accounts (from page 2)		300.00	
Disbursements (from page 2)		10,331.00	
TOTAL DISBURSEMENTS THIS PERIOD:***			10,631.00
7. ENDING BALANCE:			20,306.04
8. General Account Number(s):		#6479463223	
		#6124121499	
Depository Name & Location:		Wells Fargo Bank, N.A.	
		2640 Main Street, Suite R	
		Irvine, CA 92614	

* All receipts must be deposited into the general account.
** Include receipts from the sale of any real or personal property out of the ordinary course of business; attach an exhibit specifying what was sold, to whom, terms, and date of Court Order or Report of Sale.
***This amount should be the same as the total from page 2.

TOTAL DISBURSEMENTS FROM GENERAL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee or DIP account	Purpose	*Amount Transfered	**Amount Disbursed	Amount
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
08/20/12		#6479463231		150.00		150.00
08/20/12		#6124121473		150.00		150.00
8/20/2012	1021	CMG, LLC	Management Fee		10,000.00	10,000.00
8/27/2012	1022	US Trustee	Trustee Fee		325.00	325.00
8/30/2012		Wells Fargo	Service Charge		6.00	6.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
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						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
			TOTAL DISBURSEMENTS THIS PERIOD:	300.00	10,331.00	$10,631.00

* Fill in amounts in this column if they are TRANSFERS to another DIP account (e.g. Payroll or Tax); the "amount" column will be filled in for you.

** Fill in amounts in this column if they are DISBURSEMENTS to outside payees; the "amount" column will be filled in for you.

GENERAL ACCOUNT
BANK RECONCILIATION

Bank statement Date: 8/30/2012 Balance on Statement: $20,306.04

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Explanation of Adjustments-

ADJUSTED BANK BALANCE: $20,306.04

I. CASH RECEIPTS AND DISBURSEMENTS
B. (PAYROLL ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
3. BEGINNING BALANCE:	0.00
4. RECEIPTS DURING CURRENT PERIOD: (Transferred from General Account)	
5. BALANCE:	0.00
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	0.00
7. ENDING BALANCE:	0.00
8. PAYROLL Account Number(s):	
Depository Name & Location:	

TOTAL DISBURSEMENTS FROM PAYROLL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
			TOTAL DISBURSEMENTS THIS PERIOD:	0.00

PAYROLL ACCOUNT
BANK RECONCILIATION

Bank statement Date: _____ Balance on Statement: _____

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments: _____
Explanation of Adjustments-

ADJUSTED BANK BALANCE: $0.00

I. CASH RECEIPTS AND DISBURSEMENTS
C. (TAX ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR TAX ACCOUNT REPORTS	23,754.04
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR TAX ACCOUNT REPORTS	23,778.04
3. BEGINNING BALANCE:	(24.00)
4. RECEIPTS DURING CURRENT PERIOD:	300.00
5. BALANCE:	276.00
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	18.00
7. ENDING BALANCE:	258.00
8. TAX Account Number(s):	#6124121473, #6479463231
Depository Name & Location:	Wells Fargo Bank, N.A. 2540 Main Street, Suite % Irvine, CA 92614

TOTAL DISBURSEMENTS FROM TAX ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
8/30/2012		Wells Fargo	service fees	$18.00
			TOTAL DISBURSEMENTS THIS PERIOD:	$18.00

TAX ACCOUNT
BANK RECONCILIATION

Bank statement Date: 8/30/2012 Balance on Statement: $258.00

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments:
Explanation of Adjustments-

ADJUSTED BANK BALANCE: $258.00

I. D SUMMARY SCHEDULE OF CASH

ENDING BALANCES FOR THE PERIOD:
(Provide a copy of monthly account statements for each of the below)

	General Account:	20,306.04
	Payroll Account:	
	Tax Account:	258.00
*Other Accounts:		
*Other Monies:		
	**Petty Cash (from below):	0.00

TOTAL CASH AVAILABLE: 20,564.04

Petty Cash Transactions:

Date	Purpose	Amount

TOTAL PETTY CASH TRANSACTIONS: 0.00

II. STATUS OF PAYMENTS TO SECURED CREDITORS, LESSORS AND OTHER PARTIES TO EXECUTORY CONTRACTS

Creditor, Lessor, Etc.	Frequency of Payments (Mo/Qtr)	Amount of Payment	Post-Petition payments not made (Number)	Total Due
			TOTAL DUE:	0.00

III. TAX LIABILITIES

FOR THE REPORTING PERIOD:

Gross Sales Subject to Sales Tax: _____

Total Wages Paid: _____

	Total Post-Petition Amounts Owing	Amount Delinquent	Date Delinquent Amount Due
Federal Withholding			
State Withholding			
FICA- Employer's Share			
FICA- Employee's Share			
Federal Unemployment			
Sales and Use			
Real Property			
Other: _____	Page 11 of 16		
TOTAL:	0.00	0.00	

IV. AGING OF ACCOUNTS PAYABLE AND RECEIVABLE

	*Accounts Payable Post-Petition	Accounts Receivable	
		Pre-Petition	Post-Petition
30 days or less			
31 - 60 days			
61 - 90 days			
91 - 120 days			
Over 120 days	800.00	155,904.59	427.81
TOTAL:	800.00	155,904.59	427.81

V. INSURANCE COVERAGE

	Name of Carrier	Amount of Coverage	Policy Expiration Date	Premium Paid Through (Date)
General Liability				
Worker's Compensation				
Casualty				
Vehicle				
Others:				

VI. UNITED STATES TRUSTEE QUARTERLY FEES (TOTAL PAYMENTS)

Quarterly Period Ending (Date)	Total Disbursements	Quarterly Fees	Date Paid	Amount Paid	Quarterly Fees Still Owing
31-Mar-2011		325.00	28-Apr-2011	325.00	0.00
30-Jun-2011		650.00	26-Jul-2011	650.00	0.00
30-Sep-2011		325.00	31-Oct-2011	325.00	0.00
30-Dec-2011		325.00	15-Jan-2012	325.00	0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
		1,625.00		1,625.00	0.00

* Post-Petition Accounts Payable SHOULD NOT include professionals' fees and expenses which have been incurred but not yet awarded by the court. Post-Petition Accounts Payable SHOULD include professionals' fees and expenses authorized by Court Order but which remain unpaid as of the close of the period report

VII SCHEDULE OF COMPENSATION PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	*Authorized Gross Compensation	Gross Compensation Paid During the Month
CMG, LLC		$10,000	10,000.00

VIII. SCHEDULE OF OTHER AMOUNTS PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	Description	Amount Paid During the Month

* Please indicate how compensation was identified in the order (e.g. $1,000/week, $2,500/month)

IX. PROFIT AND LOSS STATEMENT
(ACCRUAL BASIS ONLY)

	Current Month	Cumulative Post-Petition
Sales/Revenue:		
Gross Sales/Revenue		22,265.17
Less: Returns/Discounts		
Net Sales/Revenue	0.00	22,265.17
Cost of Goods Sold:		
Beginning Inventory at cost		
Purchases		
Less: Ending Inventory at cost		
Cost of Goods Sold (COGS)	0.00	0.00
Gross Profit	0.00	22,265.17
Other Operating Income (Itemize)		
Operating Expenses:		
Payroll - Insiders		
Payroll - Other Employees		
Payroll Taxes		
Other Taxes (Itemize)		
Depreciation and Amortization		
Rent Expense - Real Property		
Lease Expense - Personal Property		
Insurance		
Real Property Taxes	(28,827.57)	19,731.00
Telephone and Utilities		
Repairs and Maintenance		
Travel and Entertainment (Itemize)		
Miscellaneous Operating Expenses (Itemize)		
Total Operating Expenses	(28,827.57)	19,731.00
Net Gain/(Loss) from Operations	28,827.57	2,534.17
Non-Operating Income:		
Interest Income		
Net Gain on Sale of Assets (Itemize)		
Other (Itemize)		
Total Non-Operating income	0.00	0.00
Non-Operating Expenses:		
Interest Expense		
Legal and Professional (Itemize)	38,280.92	537,336.93
Other (Itemize) - (Itemize)	9,878.01	106,400.63
Total Non-Operating Expenses	48,158.93	643,737.56
NET INCOME/(LOSS)	(19,331.36)	(641,203.39)

(Attach exhibit listing all itemizations required above)

X. BALANCE SHEET
(ACCRUAL BASIS ONLY)

ASSETS	Current Month End	
Current Assets:		
Unrestricted Cash	20,564.04	
Restricted Cash		
Accounts Receivable	156,332.40	
Inventory		
Notes Receivable	13,441,296.10	
Prepaid Expenses		
Other (Itemize) - Retainers	106,943.35	
Total Current Assets		13,725,135.89
Property, Plant, and Equipment		
Accumulated Depreciation/Depletion		
Net Property, Plant, and Equipment		0.00
Other Assets (Net of Amortization):		
Due from Insiders		
Other (Itemize)	12,475,089.10	
Total Other Assets		12,475,089.10
TOTAL ASSETS		26,200,224.99
LIABILITIES		
Post-petition Liabilities:		
Accounts Payable	800.00	
Taxes Payable	18,500.00	
Notes Payable - Interest		
Professional fees - Legal	427,246.79	
Secured Debt - Interest		
Other (Itemize)	239,918.29	
Total Post-petition Liabilities		686,465.08
Pre-petition Liabilities:		
Secured Liabilities	7,044,741.59	
Priority Liabilities	198,094.24	
Unsecured Liabilities	40,636,009.27	
Other (Itemize)		
Total Pre-petition Liabilities		47,878,845.10
TOTAL LIABILITIES		48,565,310.18
EQUITY:		
Pre-petition Owners' Equity	(21,593,515.09)	
Post-petition Profit/(Loss)	(641,203.39)	
Direct Charges to Equity		
TOTAL EQUITY		(22,234,718.48)
TOTAL LIABILITIES & EQUITY		26,330,591.70

XI. QUESTIONNAIRE

	No	Yes
1. Has the debtor-in-possession made any payments on its pre-petition unsecured debt, except as have been authorized by the court? If "Yes", explain below:	x	

	No	Yes
2. Has the debtor-in-possession during this reporting period provided compensation or remuneration to any officers, directors, principals, or other insiders without appropriate authorization? If "Yes", explain below:	x	

3. State what progress was made during the reporting period toward filing a plan of reorganization
Second Amended Disclosure Statement Hearing on October 10, 2012

4. Describe potential future developments which may have a significant impact on the case:

5. Attach copies of all Orders granting relief from the automatic stay that were entered during the reporting period.

	No	Yes
6. Did you receive any exempt income this month, which is not set forth in the operating report? If "Yes", please set forth the amounts and sources of the income below.	x	

I, David Lawlor
declare under penalty of perjury that I have fully read and understood the foregoing debtor-in-possession operating report and that the information contained herein is true and complete to the best of my knowledge.

10/9/2012
Date

Page 16 of 16

Principal for debtor-in-possession

COPY

UNITED STATES DEPARTMENT OF JUSTICE
OFFICE OF THE UNITED STATES TRUSTEE
CENTRAL DISTRICT OF CALIFORNIA

Filed Electronically
on 11-19-12
Docket No. 367

In Re:	CHAPTER 11 (BUSINESS)	
Boundary Bay Capital, LLC	Case Number:	8:11-bk-14298-CB
	Operating Report Number:	18
Debtor(s).	For the Month Ending:	30-Sep-12

I. CASH RECEIPTS AND DISBURSEMENTS
A. (GENERAL ACCOUNT*)

1. TOTAL RECEIPTS PER ALL PRIOR GENERAL ACCOUNT REPORTS			85,995.48
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR GENERAL ACCOUNT REPORTS			65,689.44
3. BEGINNING BALANCE:			20,306.04
4. RECEIPTS DURING CURRENT PERIOD:			
Accounts Receivable - Post-filing			
Accounts Receivable - Pre-filing			
General Sales			
Other (Specify)			
**Other (Specify)	Interest Earned	0.01	
TOTAL RECEIPTS THIS PERIOD:			0.01
5. BALANCE:			20,306.05
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD			
Transfers to Other DIP Accounts (from page 2)		0.00	
Disbursements (from page 2).		6.00	
TOTAL DISBURSEMENTS THIS PERIOD:***			6.00
7. ENDING BALANCE:			20,300.05

8. General Account Number(s): #6479463223
#6124121499

Depository Name & Location: Wells Fargo Bank, N.A.
2640 Main Street, Suite R
Irvine, CA 92614

RECEIVED
2012 NOV 20 P 3:32
OFFICE OF US TRUSTEE
SANTA ANA, CA

* All receipts must be deposited into the general account,
** Include receipts from the sale of any real or personal property out of the ordinary course of business; attach an exhibit specifying what was sold, to whom, terms, and date of Court Order or Report of Sale.
***This amount should be the same as the total from page 2.

TOTAL DISBURSEMENTS FROM GENERAL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee or DIP account	Purpose	*Amount Transfered	**Amount Disbursed	Amount
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
9/30/2012		Wells Fargo	Service Charge			6.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
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						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
			TOTAL DISBURSEMENTS THIS PERIOD:	0.00	0.00	$6.00

* Fill in amounts in this column if they are TRANSFERS to another DIP account (e.g. Payroll or Tax); the "amount" column will be filled in for you.
** Fill in amounts in this column if they are DISBURSEMENTS to outside payees; the "amount" column will be filled in for you.

GENERAL ACCOUNT
BANK RECONCILIATION

Bank statement Date: 9/30/2012 Balance on Statement: $20,300.05

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Explanation of Adjustments-

ADJUSTED BANK BALANCE: $20,300.05

I. CASH RECEIPTS AND DISBURSEMENTS
B. (PAYROLL ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
3. BEGINNING BALANCE:	0.00
4. RECEIPTS DURING CURRENT PERIOD: (Transferred from General Account)	
5. BALANCE:	0.00
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	0.00
7. ENDING BALANCE:	0.00
8. PAYROLL Account Number(s):	
Depository Name & Location:	

TOTAL DISBURSEMENTS FROM PAYROLL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
			TOTAL DISBURSEMENTS THIS PERIOD:	0.00

PAYROLL ACCOUNT
BANK RECONCILIATION

Bank statement Date: _____ Balance on Statement: _____

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments: _____

Explanation of Adjustments-

ADJUSTED BANK BALANCE: $0.00

I. CASH RECEIPTS AND DISBURSEMENTS
C. (TAX ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR TAX ACCOUNT REPORTS	24,054.04
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR TAX ACCOUNT REPORTS	23,796.04
3. BEGINNING BALANCE:	258.00
4. RECEIPTS DURING CURRENT PERIOD:	0.02
5. BALANCE:	258.02
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	18.00
7. ENDING BALANCE:	240.02
8. TAX Account Number(s):	#6124121473, #6479463231
Depository Name & Location:	Wells Fargo Bank, N.A. 2540 Main Street, Suite % Irvine, CA 92614

TOTAL DISBURSEMENTS FROM TAX ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
9/30/2012		Wells Fargo	service fees	$18.00
			TOTAL DISBURSEMENTS THIS PERIOD:	$18.00

TAX ACCOUNT
BANK RECONCILIATION

Bank statement Date: 9/30/2012 Balance on Statement: $240.02

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments:

Explanation of Adjustments-

ADJUSTED BANK BALANCE: $240.02

I. D SUMMARY SCHEDULE OF CASH

ENDING BALANCES FOR THE PERIOD:
(Provide a copy of monthly account statements for each of the below)

	General Account:	20,300.05
	Payroll Account:	
	Tax Account:	240.02
*Other Accounts:		
*Other Monies:		
	**Petty Cash (from below):	0.00

TOTAL CASH AVAILABLE: 20,540.07

Petty Cash Transactions:

Date	Purpose	Amount

TOTAL PETTY CASH TRANSACTIONS: 0.00

II. STATUS OF PAYMENTS TO SECURED CREDITORS, LESSORS AND OTHER PARTIES TO EXECUTORY CONTRACTS

Creditor, Lessor, Etc.	Frequency of Payments (Mo/Qtr)	Amount of Payment	Post-Petition payments not made (Number)	Total Due
			TOTAL DUE:	0.00

III. TAX LIABILITIES

FOR THE REPORTING PERIOD:

Gross Sales Subject to Sales Tax: _____

Total Wages Paid: _____

	Total Post-Petition Amounts Owing	Amount Delinquent	Date Delinquent Amount Due
Federal Withholding			
State Withholding			
FICA- Employer's Share			
FICA- Employee's Share			
Federal Unemployment			
Sales and Use			
Real Property			
Other: _____			
TOTAL:	0.00	0.00	

IV. AGING OF ACCOUNTS PAYABLE AND RECEIVABLE

	*Accounts Payable Post-Petition	Accounts Receivable	
		Pre-Petition	Post-Petition
30 days or less			
31 - 60 days			
61 - 90 days			
91 - 120 days			
Over 120 days	800.00	155,904.59	427.81
TOTAL:	800.00	155,904.59	427.81

V. INSURANCE COVERAGE

	Name of Carrier	Amount of Coverage	Policy Expiration Date	Premium Paid Through (Date)
General Liability				
Worker's Compensation				
Casualty				
Vehicle				
Others:				

VI. UNITED STATES TRUSTEE QUARTERLY FEES (TOTAL PAYMENTS)

Quarterly Period Ending (Date)	Total Disbursements	Quarterly Fees	Date Paid	Amount Paid	Quarterly Fees Still Owing
31-Mar-2011		325.00	28-Apr-2011	325.00	0.00
30-Jun-2011		650.00	26-Jul-2011	650.00	0.00
30-Sep-2011		325.00	31-Oct-2011	325.00	0.00
30-Dec-2011		325.00	15-Jan-2012	325.00	0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
		1,625.00		1,625.00	0.00

* Post-Petition Accounts Payable SHOULD NOT include professionals' fees and expenses which have been incurred but not yet awarded by the court. Post-Petition Accounts Payable SHOULD include professionals' fees and expenses authorized by Court Order but which remain unpaid as of the close of the period report

VII SCHEDULE OF COMPENSATION PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	*Authorized Gross Compensation	Gross Compensation Paid During the Month

VIII. SCHEDULE OF OTHER AMOUNTS PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	Description	Amount Paid During the Month

* Please indicate how compensation was identified in the order (e.g. $1,000/week, $2,500/month)

IX. PROFIT AND LOSS STATEMENT
(ACCRUAL BASIS ONLY)

	Current Month	Cumulative Post-Petition
Sales/Revenue:		
Gross Sales/Revenue		22,265.17
Less: Returns/Discounts		
Net Sales/Revenue	0.00	22,265.17
Cost of Goods Sold:		
Beginning Inventory at cost		
Purchases		
Less: Ending Inventory at cost		
Cost of Goods Sold (COGS)	0.00	0.00
Gross Profit	0.00	22,265.17
Other Operating Income (Itemize)		
Operating Expenses:		
Payroll - Insiders		
Payroll - Other Employees		
Payroll Taxes		
Other Taxes (Itemize)		
Depreciation and Amortization		
Rent Expense - Real Property		
Lease Expense - Personal Property		
Insurance		
Real Property Taxes		19,731.00
Telephone and Utilities		
Repairs and Maintenance		
Travel and Entertainment (Itemize)		
Miscellaneous Operating Expenses (Itemize)		
Total Operating Expenses	0.00	19,731.00
Net Gain/(Loss) from Operations	0.00	2,534.17
Non-Operating Income:		
Interest Income		
Net Gain on Sale of Assets (Itemize)		
Other (Itemize)		
Total Non-Operating income	0.00	0.00
Non-Operating Expenses:		
Interest Expense		
Legal and Professional (Itemize)	45,063.48	537,336.93
Other (Itemize) - (Itemize)	9,878.01	106,400.63
Total Non-Operating Expenses	54,941.49	643,737.56
NET INCOME/(LOSS)	(54,941.49)	(641,203.39)

(Attach exhibit listing all itemizations required above)

X. BALANCE SHEET
(ACCRUAL BASIS ONLY)

ASSETS	Current Month End	
Current Assets:		
Unrestricted Cash	20,540.07	
Restricted Cash		
Accounts Receivable	156,332.40	
Inventory		
Notes Receivable	13,441,296.10	
Prepaid Expenses		
Other (Itemize) - Retainers	106,943.35	
Total Current Assets		13,725,111.92
Property, Plant, and Equipment		
Accumulated Depreciation/Depletion		
Net Property, Plant, and Equipment		0.00
Other Assets (Net of Amortization):		
Due from Insiders		
Other (Itemize)	12,475,089.10	
Total Other Assets		12,475,089.10
TOTAL ASSETS		26,200,201.02
LIABILITIES		
Post-petition Liabilities:		
Accounts Payable	800.00	
Taxes Payable	18,500.00	
Notes Payable - Interest		
Professional fees - Legal	471,643.79	
Secured Debt - Interest		
Other (Itemize)	250,432.28	
Total Post-petition Liabilities		741,376.07
Pre-petition Liabilities:		
Secured Liabilities	7,044,741.59	
Priority Liabilities	198,094.24	
Unsecured Liabilities	40,636,009.27	
Other (Itemize)		
Total Pre-petition Liabilities		47,878,845.10
TOTAL LIABILITIES		48,620,221.17
EQUITY:		
Pre-petition Owners' Equity	(21,593,515.09)	
Post-petition Profit/(Loss)	(641,203.39)	
Direct Charges to Equity		
TOTAL EQUITY		(22,234,718.48)
TOTAL LIABILITIES & EQUITY		26,385,502.69

XI. QUESTIONNAIRE

	No	Yes
1. Has the debtor-in-possession made any payments on its pre-petition unsecured debt, except as have been authorized by the court? If "Yes", explain below:	x	

	No	Yes
2. Has the debtor-in-possession during this reporting period provided compensation or remuneration to any officers, directors, principals, or other insiders without appropriate authorization? If "Yes", explain below:	x	

3. State what progress was made during the reporting period toward filing a plan of reorganization
Have reached deals with the remaining secured creditor, next DS Hearing 11/28

4. Describe potential future developments which may have a significant impact on the case:

5. Attach copies of all Orders granting relief from the automatic stay that were entered during the reporting period.

	No	Yes
6. Did you receive any exempt income this month, which is not set forth in the operating report? If "Yes", please set forth the amounts and sources of the income below.	x	

I, David Lawlor
declare under penalty of perjury that I have fully read and understood the foregoing debtor-in-possession operating report and that the information contained herein is true and complete to the best of my knowledge.

11/19/2012
Date

Page 16 of 16

Principal for debtor-in-possession

COPY

UNITED STATES DEPARTMENT OF JUSTICE
OFFICE OF THE UNITED STATES TRUSTEE
CENTRAL DISTRICT OF CALIFORNIA

Filed Electronically
on 11-19-12
Docket No. 368

In Re:	CHAPTER 11 (BUSINESS)	
Boundary Bay Capital, LLC	Case Number:	8:11-bk-14298-CB
	Operating Report Number:	19
Debtor(s).	For the Month Ending:	31-Oct-12

I. CASH RECEIPTS AND DISBURSEMENTS
A. (GENERAL ACCOUNT*)

1. TOTAL RECEIPTS PER ALL PRIOR GENERAL ACCOUNT REPORTS			85,995.49
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR GENERAL ACCOUNT REPORTS			65,695.44
3. BEGINNING BALANCE:			20,300.05
4. RECEIPTS DURING CURRENT PERIOD:			
Accounts Receivable - Post-filing			
Accounts Receivable - Pre-filing			
General Sales			
Other (Specify)			
**Other (Specify)	Interest Earned	0.01	
TOTAL RECEIPTS THIS PERIOD:			0.01
5. BALANCE:			20,300.06
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD			
Transfers to Other DIP Accounts (from page 2)		0.00	
Disbursements (from page 2)		2,006.00	
TOTAL DISBURSEMENTS THIS PERIOD:***			2,006.00
7. ENDING BALANCE:			18,294.06

8. General Account Number(s): #6479463223
#6124121499

Depository Name & Location: Wells Fargo Bank, N.A.
2640 Main Street, Suite R
Irvine, CA 92614

RECEIVED
2012 NOV 20 P 3:33
OFFICE OF US TRUSTEE
SANTA ANA, CA

* All receipts must be deposited into the general account.
** Include receipts from the sale of any real or personal property out of the ordinary course of business; attach an exhibit specifying what was sold, to whom, terms, and date of Court Order or Report of Sale.
***This amount should be the same as the total from page 2.

TOTAL DISBURSEMENTS FROM GENERAL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee or DIP account	Purpose	*Amount Transfered	**Amount Disbursed	Amount
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
						0.00
10/1/2012		CMG	Management Fee			2,000.00
10/31/2012		Wells Fargo	Service Charge			6.00
						0.00
						0.00
						0.00
						0.00
						0.00
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						0.00
						0.00
						0.00
						0.00
			TOTAL DISBURSEMENTS THIS PERIOD:	0.00	0.00	$2,006.00

* Fill in amounts in this column if they are TRANSFERS to another DIP account (e.g. Payroll or Tax); the "amount" column will be filled in for you.

** Fill in amounts in this column if they are DISBURSEMENTS to outside payees; the "amount" column will be filled in for you.

GENERAL ACCOUNT
BANK RECONCILIATION

Bank statement Date: 10/31/2012 Balance on Statement: $18,294.06

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Explanation of Adjustments-

ADJUSTED BANK BALANCE: $18,294.06

I. CASH RECEIPTS AND DISBURSEMENTS
B. (PAYROLL ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	
3. BEGINNING BALANCE:	0.00
4. RECEIPTS DURING CURRENT PERIOD: (Transferred from General Account)	
5. BALANCE:	0.00
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	0.00
7. ENDING BALANCE:	0.00

8. PAYROLL Account Number(s): _____

Depository Name & Location: _____

TOTAL DISBURSEMENTS FROM PAYROLL ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
			Page 5 of 16	
			TOTAL DISBURSEMENTS THIS PERIOD:	0.00

PAYROLL ACCOUNT
BANK RECONCILIATION

Bank statement Date: _____ Balance on Statement: _____

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments: _____
Explanation of Adjustments-

ADJUSTED BANK BALANCE: $0.00

I. CASH RECEIPTS AND DISBURSEMENTS
C. (TAX ACCOUNT)

1. TOTAL RECEIPTS PER ALL PRIOR TAX ACCOUNT REPORTS	24,054.06
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR TAX ACCOUNT REPORTS	23,814.04
3. BEGINNING BALANCE:	240.02
4. RECEIPTS DURING CURRENT PERIOD:	0.01
5. BALANCE:	240.03
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	18.00
7. ENDING BALANCE:	222.03
8. TAX Account Number(s):	#6124121473, #6479463231
Depository Name & Location:	Wells Fargo Bank, N.A. 2540 Main Street, Suite % Irvine, CA 92614

TOTAL DISBURSEMENTS FROM TAX ACCOUNT FOR CURRENT PERIOD

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
10/31/2012		Wells Fargo	service fees	$18.00
			TOTAL DISBURSEMENTS THIS PERIOD:	$18.00

TAX ACCOUNT
BANK RECONCILIATION

Bank statement Date: 10/31/2012 Balance on Statement: $222.03

Plus deposits in transit (a):

Deposit Date	Deposit Amount

TOTAL DEPOSITS IN TRANSIT 0.00

Less Outstanding Checks (a):

Check Number	Check Date	Check Amount

TOTAL OUTSTANDING CHECKS: 0.00

Bank statement Adjustments:

Explanation of Adjustments-

ADJUSTED BANK BALANCE: $222.03

I. D SUMMARY SCHEDULE OF CASH

ENDING BALANCES FOR THE PERIOD:
(Provide a copy of monthly account statements for each of the below)

	General Account:	18,294.06
	Payroll Account:	
	Tax Account:	222.03
*Other Accounts:		
*Other Monies:		
	**Petty Cash (from below):	0.00

TOTAL CASH AVAILABLE: 18,516.09

Petty Cash Transactions:

Date	Purpose	Amount

TOTAL PETTY CASH TRANSACTIONS: 0.00

II. STATUS OF PAYMENTS TO SECURED CREDITORS, LESSORS AND OTHER PARTIES TO EXECUTORY CONTRACTS

Creditor, Lessor, Etc.	Frequency of Payments (Mo/Qtr)	Amount of Payment	Post-Petition payments not made (Number)	Total Due
			TOTAL DUE:	0.00

III. TAX LIABILITIES

FOR THE REPORTING PERIOD:

Gross Sales Subject to Sales Tax: _____

Total Wages Paid: _____

	Total Post-Petition Amounts Owing	Amount Delinquent	Date Delinquent Amount Due
Federal Withholding			
State Withholding			
FICA- Employer's Share			
FICA- Employee's Share			
Federal Unemployment			
Sales and Use			
Real Property			
Other: _____			
TOTAL:	0.00	0.00	

IV. AGING OF ACCOUNTS PAYABLE AND RECEIVABLE

	*Accounts Payable	Accounts Receivable	
	Post-Petition	Pre-Petition	Post-Petition
30 days or less			
31 - 60 days			
61 - 90 days			
91 - 120 days			
Over 120 days	800.00	155,904.59	427.81
TOTAL:	800.00	155,904.59	427.81

V. INSURANCE COVERAGE

	Name of Carrier	Amount of Coverage	Policy Expiration Date	Premium Paid Through (Date)
General Liability				
Worker's Compensation				
Casualty				
Vehicle				
Others:				

VI. UNITED STATES TRUSTEE QUARTERLY FEES (TOTAL PAYMENTS)

Quarterly Period Ending (Date)	Total Disbursements	Quarterly Fees	Date Paid	Amount Paid	Quarterly Fees Still Owing
31-Mar-2011		325.00	28-Apr-2011	325.00	0.00
30-Jun-2011		650.00	26-Jul-2011	650.00	0.00
30-Sep-2011		325.00	31-Oct-2011	325.00	0.00
30-Dec-2011		325.00	15-Jan-2012	325.00	0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
		1,625.00		1,625.00	0.00

* Post-Petition Accounts Payable SHOULD NOT include professionals' fees and expenses which have been incurred but not yet awarded by the court. Post-Petition Accounts Payable SHOULD include professionals' fees and expenses authorized by Court Order but which remain unpaid as of the close of the period report

VII SCHEDULE OF COMPENSATION PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	*Authorized Gross Compensation	Gross Compensation Paid During the Month
CMG		$10,000	$ 2,000.00

VIII. SCHEDULE OF OTHER AMOUNTS PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	Description	Amount Paid During the Month

* Please indicate how compensation was identified in the order (e.g. $1,000/week, $2,500/month)

IX. PROFIT AND LOSS STATEMENT
(ACCRUAL BASIS ONLY)

	Current Month	Cumulative Post-Petition
Sales/Revenue:		
Gross Sales/Revenue		22,265.17
Less: Returns/Discounts		
Net Sales/Revenue	0.00	22,265.17
Cost of Goods Sold:		
Beginning Inventory at cost		
Purchases		
Less: Ending Inventory at cost		
Cost of Goods Sold (COGS)	0.00	0.00
Gross Profit	0.00	22,265.17
Other Operating Income (Itemize)		
Operating Expenses:		
Payroll - Insiders		
Payroll - Other Employees		
Payroll Taxes		
Other Taxes (Itemize)		
Depreciation and Amortization		
Rent Expense - Real Property		
Lease Expense - Personal Property		
Insurance		
Real Property Taxes		19,731.00
Telephone and Utilities		
Repairs and Maintenance		
Travel and Entertainment (Itemize)		
Miscellaneous Operating Expenses (Itemize)		
Total Operating Expenses	0.00	19,731.00
Net Gain/(Loss) from Operations	0.00	2,534.17
Non-Operating Income:		
Interest Income		
Net Gain on Sale of Assets (Itemize)		
Other (Itemize)		
Total Non-Operating income	0.00	0.00
Non-Operating Expenses:		
Interest Expense		
Legal and Professional (Itemize)	24,368.43	631,196.51
Other (Itemize) - (Itemize)	9,878.01	126,096.61
Total Non-Operating Expenses	34,246.44	757,293.12
NET INCOME/(LOSS)	(34,246.44)	(754,758.95)

(Attach exhibit listing all itemizations required above)

X. BALANCE SHEET
(ACCRUAL BASIS ONLY)

ASSETS	Current Month End	
Current Assets:		
Unrestricted Cash	18,516.09	
Restricted Cash		
Accounts Receivable	156,332.40	
Inventory		
Notes Receivable	13,441,296.10	
Prepaid Expenses		
Other (Itemize) - Retainers	106,943.35	
Total Current Assets		13,723,087.94
Property, Plant, and Equipment		
Accumulated Depreciation/Depletion		
Net Property, Plant, and Equipment		0.00
Other Assets (Net of Amortization):		
Due from Insiders		
Other (Itemize)	12,475,089.10	
Total Other Assets		12,475,089.10
TOTAL ASSETS		26,198,177.04
LIABILITIES		
Post-petition Liabilities:		
Accounts Payable	800.00	
Taxes Payable	18,500.00	
Notes Payable - Interest		
Professional fees - Legal	496,901.85	
Secured Debt - Interest		
Other (Itemize)	260,391.27	
Total Post-petition Liabilities		776,593.12
Pre-petition Liabilities:		
Secured Liabilities	7,044,741.59	
Priority Liabilities	198,094.24	
Unsecured Liabilities	40,636,009.27	
Other (Itemize)		
Total Pre-petition Liabilities		47,878,845.10
TOTAL LIABILITIES		48,655,438.22
EQUITY:		
Pre-petition Owners' Equity	(21,593,515.09)	
Post-petition Profit/(Loss)	(754,758.95)	
Direct Charges to Equity		
TOTAL EQUITY		(22,348,274.04)
TOTAL LIABILITIES & EQUITY		26,307,164.18

XI. QUESTIONNAIRE

	No	Yes
1. Has the debtor-in-possession made any payments on its pre-petition unsecured debt, except as have been authorized by the court? If "Yes", explain below:	x	

	No	Yes
2. Has the debtor-in-possession during this reporting period provided compensation or remuneration to any officers, directors, principals, or other insiders without appropriate authorization? If "Yes", explain below:	x	

3. State what progress was made during the reporting period toward filing a plan of reorganization
Have reached deals with the remaining secured creditor, next DS Hearing 11/28

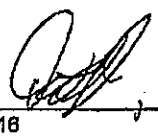
4. Describe potential future developments which may have a significant impact on the case:

5. Attach copies of all Orders granting relief from the automatic stay that were entered during the reporting period.

	No	Yes
6. Did you receive any exempt income this month, which is not set forth in the operating report? If "Yes", please set forth the amounts and sources of the income below.	x	

I, David Lawlor
declare under penalty of perjury that I have fully read and understood the foregoing debtor-in-possession operating report and that the information contained herein is true and complete to the best of my knowledge.

11/19/2012
Date



Page 16 of 16 Principal for debtor-in-possession

BOUNDARY BAY CAPITAL, LLC
AS OF MARCH 28, 2011

	Chapter 7	Chapter 11	
SOURCES OF CASH			
Current Assets			
Cash	$ 15,000.00	$ 15,000.00	Effective Date 3/01/13
Interest Income on Bank Account	$ 6,500.00	$ 62,363.58	
Total Current Assets	*$ 21,500.00*	*$ 77,363.58*	
Other CurrentAssets			
Investments			
Distributions from NewCo		$ 12,331,587.80	
Heritage Orcas Partners, LP (a)	-	$ 959,305.69	
Murrieta	900,000.00	$ 4,800,000.00	
PCH	-	$ -	
Total Investments	*900,000.00*	*$ 18,090,893.49*	
Notes Receivable			
1st LV Note & DOT	4,692,600.00		
2nd LV Note & DOT			
3rd LV Note & DOT	-	0.00	
CMG, LLC (b)	-	293,831.62	
Birch Bay Partners, LP (c)	31,661.22	160,583.38	
Gilmartin/Humphrey (d)	184,976.06	264,251.51	
Total Receivables	*4,909,237.28*	*718,666.51*	
Total Assets at Liquidation	**$ 5,830,737.28**	**$ 18,886,923.58**	
USES OF CASH			
Non-Professional Administrative Claims			
Riverside County Tax Collector	$ 16,850.00	$ 16,850.00	
Professional Fee Claims			
Chapter 11			
Debtor Counsel	$ 184,450.00	$ 184,450.00	
Committee Counsel and Financial Advisors	$ 332,217.00	$ 332,217.00	
Chapter 7			
Trustee Fees	$ 198,000.00		
Trustee Counsel	$ 200,000.00		

BOUNDARY BAY CAPITAL, LLC
AS OF MARCH 28, 2011

	Chapter 7		Chapter 11	
Prority Tax Claims				
Franchise Tax Board (Covenant Bancorp, Inc. 2008 taxes)	93,576.80		$ 103,401.60	
Franchise Tax Board	$ 3,200.00		$ 6,400.00	
Secured Claims				
Class 1 - The 8% Notes (e)	$ 201,553.92		$ 168,157.00	
Class 2 - Enhanced Income (f)	0.00		$ 1,350,000.00	
Class 3(a) - Riverside County Tax Collector	$ 40,511.15		$ 64,963.20	
Class 3(b) - Claim of Dunn Creditors	$ 349,689.67		$ 349,689.67	
Class 4(b) - California Bank and Trust - PCH	$ -		$ -	
Priority Unsecured Claims				
Class 6 - Los Angeles County Tax Collector	$ 19,058.61		$ 22,773.57	
General Unsecured Claims				
Class 7(b) - Less Than $2000			$ 812.12	
Buy Back (g)			$ 300,000.00	
Operating Expenses			$ 1,216,677.57	
Total Uses of Cash	**$ 1,639,107.15**		**$ 4,116,391.73**	
Balance for unsecured Claims	**$ 4,191,630.13**	8.60%	**$ 14,770,531.85**	36.50%
Class 7(a) - Total amount of unsecured claims (note holders) (h)	**$ 48,723,023.90**		**$ 40,464,958.35**	

Chapter 7 vs. Chapter 11 Analysis

(a) The Debtor assumes a Chapter 7 Trustee will result in litigation by and between the Debtor and related entities such as Heritage Orcas Partners, LP. Since the results and expense of this potential litigation is uncertain the Debtor assumes that the Debtor's Heritage Orcas Partners, LP limited partnership interest will be of no value to the Chapter 7 estate.

(b) The Debtor assumes the Covenant Management Group, LLC (CMG) receivable to be worthless in a Chapter 7 proceeding since CMG will not have the ability to pay this obligation to the Debtor without management fees from the Debtor and/or other related entities. A description of the assumptions behind the CMG receivable under the Chapter 11 is contained on footnote (b) of the Debtor's projection footnotes.

(c) The Debtor assumes a Chapter 7 Trustee would be able to liquidate the Birch Bay Partners, LP (BBP) receivable for 20% of the outstanding balance. This discount assumption is based upon the lack of liquidity, the risk of litigation among related entities with a Chapter 7 Trustee and the potential for a subsequent Chapter 11 filing by Birch Bay Partners, LP.

(d) The Debtor assumes a Chapter 7 Trustee would be able to liquidate the Gilmartin and Humphrey notes at 70% of their current balances.

(e) The Debtor assumes the full repayment of the 8% notes at the pre-petition interest rate.

(f) The Debtor assumes a Chapter 7 will foreclose on the 1st LV leaving EI's secured interest in the 2nd LV worthless. Therefore, the Debtor assumes EI claim will be added to the unsecured claims in Class 7(a). The Chapter 11 projections assume a $1,350,000.00 one time cash payment in full satisfaction of the EI Claim. For a full description of the treatment of the Secured Claim of Enhanced Income please review the Second Amended Disclosure Statement as well as the projections.

(g) Assumes $4,000,000.00 of unsecured claims are tendered.

(h) The Chapter 7 note holder balance is increased by the amount of the Enhanced Income claim as discussed in footnote (f) above. The Chapter 11 note holder balance is reduced by $4,000,000.00 based upon the assumption that $4,000,000 of allowed unsecured claims are tendered under the buy out provision.

BOUNDARY BAY CAPITAL, LLC DEBTOR IN POSSESSION
7-YEAR FORECAST – Plan Projections

		Starting Cash $ 15,000.00 (a)												
SOURCES OF CASH		3/1-3/31/13	4/1-4/30/13	5/1-5/31/13	6/1-6/30/13	7/1-7/31/13	8/1-8/31/13	9/1-9/30/13	10/1-10/31/13	11/1-11/30/13	12/1-12/31/13	1/1-1/31/14	2/1-2/28/14	TOTALS
Notes Receivable														
Covenant Management Group, LLC (b)	277,411.41	3,666.52	3,666.52	3,666.52	3,666.52	3,666.52	3,666.52	3,666.52	3,666.52	3,666.52	3,666.52	3,666.52	3,666.52	$ 43,998.24
Birch Bay Partners, LP (c)	151,575.90	2,002.82	2,002.82	2,002.82	2,002.82	2,002.82	2,002.82	2,002.82	2,002.82	2,002.82	2,002.82	2,002.82	2,002.82	$ 24,033.84
Gilmartin and Humphry (d)	258,331.58	645.83	645.83	645.83	645.83	645.83	123,792.95	336.35	336.35	336.35	336.35	336.35	336.35	$ 129,040.20
Interest income on bank cash balance (e)		12.50	663.57	222.15	192.77	182.53	132.57	196.64	164.90	133.13	161.24	131.15	101.87	$ 2,275.01
Proceeds from new Murietta 2nd Trust Deed (f)	600,000.00	600,000.00												$ 600,000.00
Proceeds from Membership Interest Loan (g)	1,900,000.00	1,900,000.00												$1,900,000.00
Distributions from NewCo (h)										123,880.00				$ 123,880.00
Distributions from Heritage Orcas Partners, LP										7,440.07				$ 7,440.07
Avoidance Actions														
TOTAL SOURCES OF CASH		2,506,327.67	6,978.74	6,537.32	6,507.84	6,477.70	129,594.86	6,202.33	6,170.59	137,458.89	6,166.93	6,136.84	6,107.55	$2,830,567.36
USES OF CASH														
Non-Professional Administrative Claims														
Riverside County Tax Collector (i)	16,850.00	16,850.00												$ 16,850.00
Professional Fee Claims (j)														
Debtor Counsel			71,400.00	5,950.00	5,950.00	5,950.00	5,950.00	5,950.00	5,950.00	5,950.00	5,950.00	5,950.00	5,950.00	$ 130,900.00
Committee Counsel and Financial Advisors			128,600.00	10,716.66	10,716.66	10,716.66	10,716.66	10,716.66	10,716.66	10,716.66	10,716.66	10,716.66	10,716.66	$ 235,766.60
Priority Tax Claims														
Franchise Tax Board (Covenant Bancorp, Inc. 2008 taxes) (k)	93,578.80	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	20,680.32
Franchise Tax Board (l)		$ 1,600.00												$ 1,600.00
CLASSIFIED CLAIMS														
Secured														
Class 1- The 8% Notes (m)	161,950.00													-
Class 2 - Secured Claim of Enhanced Income Fund, I, LLC (n)		$ 1,350,000.00												$1,350,000.00
Class 3(a) Secured Claim of Riverside County Tax Collector (o)	40,511.15	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	12,992.64
Class 3(b) Secured Claim of Dunn Creditors (p)	265,727.78	349,689.87												349,689.87
Priority Unsecured Claims														
Class 6 - Los Angeles County Tax Collector (q)	19,058.61	483.96	483.96	483.96	483.96	483.96	483.96	483.96	483.96	483.96	483.96	483.96	483.96	5,807.52
Unsecured Claims														
Class 7(b) - Convenience Class (r)	$ 8,121.22	$ 609.10												609.10
Buy Back (s)			$ 300,000.00											300,000.00
Operating Expenses														
Management Fees (t)		1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	18,000.00
Trustee Fees			650.00			650.00								1,300.00
Property Taxes - Murieta (u)			8,419.00				8,419.00							16,838.00
Legal Expenses (v)			2,500.00						2,500.00					5,000.00
Development Expenses (w)							2,500.00						2,500.00	5,000.00
Accounting/Bookeeping Expense (x)		500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	6,000.00
Tax Return Preparation Fees								1,500.00						1,500.00
Board of Directors Expense (y)		1,000.00			1,000.00			1,000.00			1,000.00			4,000.00
Interest Payments - Murietta 2nd Trust Deed (z)	$ 600,000.00		4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	44,000.00
Interest Payments - Membership Interest Loan (aa)	$ 1,900,000.00		15,833.33	15,833.33	15,833.33	15,833.33	15,833.33	15,833.33	15,833.33	15,833.33	15,317.17	15,317.17	15,317.17	172,618.16
Principal Payments- Membership Interest Loan (bb)										61,940.00				61,940.00
Class 7(a) - Equity Holders Payments														-
TOTAL USES OF CASH		$ 1,725,035.81	$ 536,692.37	$ 41,790.03	$ 42,790.03	$ 42,440.03	$ 52,709.03	$ 44,290.03	$ 44,290.03	$ 103,730.03	$ 42,273.87	$ 41,273.87	$ 43,773.87	$2,761,092.00
ENDING CASH BALANCE		$ 789,289.86	$ 266,575.23	$ 231,322.52	$ 195,040.43	$ 159,078.10	$ 235,963.93	$ 197,876.22	$ 159,756.78	$ 193,485.64	$ 157,378.70	$ 122,241.67	$ 84,575.36	

SOURCES OF CASH

		Starting Cash $ 84,575.36											
Notes Receivable	Year 2 Start	3/1-3/31/14	4/1-4/30/13	5/1-5/31/14	6/1-6/30/14	7/1-7/31/14	8/1-8/31/14	9/1-9/30/14	10/1-10/31/14	11/1-11/30/14	12/1-12/31/14	1/1-1/31/15	2/1-2/28/15	TOTALS
Covenant Management Group, LLC	241,253.02	3,666.52	3,666.52	3,666.52	3,666.52	3,666.52	3,666.52	3,666.52	3,666.52	3,666.52	3,666.52	3,666.52	3,666.52	$ 43,998.24
Birch Bay Partners, LP	131,819.18	2,002.82	2,002.82	2,002.82	2,002.82	2,002.82	2,002.82	2,002.82	2,002.82	2,002.82	2,002.82	2,002.81	2,002.81	$ 24,033.82
Gilmartin and Humphry (cc)		336.35	336.35	134,538.61										$ 135,211.31
Interest income on bank cash balance		70.48	40.24	3.65	66.23	36.11	4.74	141.84	110.33	80.31	52.35	37.40	21.20	$ 664.70
Distributions from NewCo							371,415.00							$ 371,415.00
Distributions from Heritage Orcas Partners, LP (dd)							22,332.25						$ 250,000.00	$ 272,332.25
Avoidance Actions														
TOTAL SOURCES OF CASH		6,076.17	6,045.93	140,211.63	5,735.57	5,705.45	399,421.33	5,810.98	5,779.67	5,749.65	5,721.69	5,706.73	255,690.53	$ 847,655.32
USES OF CASH														

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Professional Fee Claims															
Debtor Counsel			5,950.00	5,950.00	5,950.00	5,950.00	5,950.00	5,950.00	5,950.00	5,950.00	5,950.00				$ 53,550.00
Committee Counsel and Financial Advisors			10,716.66	10,716.66	10,716.66	10,716.76	10,716.76	10,716.76	10,716.76	10,716.76	10,716.76				$ 96,450.44
Priority Tax Claims															
Franchise Tax Board (Covenant Bancorp, Inc. 2008 taxes)	74,856.63		1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	20,680.32
CLASSIFIED CLAIMS															
Secured															
Class 1 - The 8% Notes	163,958.00														
Class 3(a) - Secured Claim of Riverside County Tax Collector	34,516.74		1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	$ 12,992.64
Priority Unsecured Claims															
Class 6 - Los Angeles County Tax Collector	16,236.52		483.96	483.96	15,998.13										16,966.05
Operating Expenses															
Management Fees			1,545.00	1,545.00	1,545.00	1,545.00	1,545.00	1,545.00	1,545.00	1,545.00	1,545.00	1,545.00	1,545.00	1,545.00	18,540.00
Prop Taxes - Murrieta				8,587.38				8,587.38							17,174.76
Legal Expenses					2,500.00		2,500.00			2,500.00			2,500.00		10,000.00
Development Expenses					5,000.00									5,000.00	10,000.00
Accounting/Bookeeping Expense			515.00	515.00	515.00	515.00	515.00	515.00	515.00	515.00	515.00	515.00	515.00	515.00	6,180.00
Tax Return Preparation Fees									1,500.00						1,500.00
Franchise Tax Board					800.00										800.00
Board of Directors Expense			1,030.00			1,030.00			1,030.00			1,030.00			4,120.00
Interest Payments - Murietta 2nd Trust Deed	$ 800,000.00		4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	48,000.00
Interest Payments - Membership Interest Loan	$ 1,838,060.00		15,317.17	15,317.17	15,317.17	15,317.17	15,317.17	15,317.17	15,317.17	13,769.60	13,769.60	13,769.60	13,769.60	13,769.69	176,068.19
Principal Payments - Membership Interest Loan								185,707.50	-	-					185,707.50
Class 7(a) - Equity Holders Payments															-
TOTAL USES OF CASH			$ 42,363.87	$ 49,921.25	$ 65,148.04	$ 41,879.91	$ 43,350.01	$ 235,144.89	$ 43,380.01	$ 41,802.44	$ 39,302.44	$ 23,665.68	$ 25,135.68	$ 27,635.69	$ 678,729.90
ENDING CASH BALANCE			$ 48,267.66	$ 4,412.34	$ 79,475.92	$ 43,331.58	$ 5,687.02	$ 169,963.46	$ 132,394.43	$ 96,371.66	$ 62,818.87	$ 44,874.88	$ 25,445.92	$ 253,500.78	

SOURCES OF CASH

Starting Cash: 253,500.78

Notes Receivable	Year 3 Start	3/1-3/31/15	4/1-4/30/15	5/1-5/31/15	6/1-6/30/15	7/1-7/31/15	8/1-8/31/15	9/1-9/30/15	10/1-10/31/15	11/1-11/30/15	12/1-12/31/15	1/1-1/31/16	2/1-2/28/18	TOTALS
Covenant Management Group, LLC	207,142.50	3,666.52	3,666.52	3,666.52	3,666.52	3,666.52	3,666.52	3,666.52	3,666.52	3,666.52	3,666.52	3,666.52	165,903.42	$ 205,835.14
Birch Bay Partners, LP	111,461.54	2,002.82	2,002.82	2,002.82	2,002.82	2,002.82	2,002.82	2,002.82	2,002.82	2,002.82	2,002.82	2,002.82	90,484.70	
Interest income on bank cash balance		211.25	198.35	175.03	526.20	514.32	499.14	478.65	464.73	450.35	439.28	425.24	527.72	$ 4,906.26
Distributions from NewCo				792,832.00								247,760.00		$1,040,592.00
Distributions from Heritage Orcas Partners, LP				47,642.03								14,888.15		$ 62,530.23
Avoidance Actions														
TOTAL SOURCES OF CASH		5,880.59	5,865.69	846,318.45	6,195.54	6,183.66	6,168.48	6,145.99	6,134.07	6,119.69	6,108.62	268,742.73	256,515.84	$1,313,563.63

USES OF CASH

Priority Tax Claims															
Franchise Tax Board (Covenant Bancorp, Inc. 2008 taxes)	55,842.71		1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	20,680.32
Secured															
Class 1 - The 8% Notes	166,026.00														
Class 3(a) - Secured Claim of Riverside County Tax Collector	27,853.12		1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	12,992.64
Operating Expenses															
Management Fees			1,591.35	1,591.35	1,591.35	1,591.35	1,591.35	1,591.35	1,591.35	1,591.35	1,591.35	1,591.35	1,591.35	1,591.35	19,096.20
Prop Taxes - Murrieta				8,758.74				8,758.74							17,517.48
Legal Expenses					5,000.00		5,000.00			2,500.00			2,500.00		15,000.00
Development Expenses								5,000.00				2,500.00		5,000.00	12,500.00
Accounting/Bookeeping Expense			530.45	530.45	530.45	530.45	530.45	530.45	530.45	530.45	530.45	530.45	530.45	530.45	6,365.40
Tax Return Preparation Fees									1,500.00						1,500.00
Franchise Tax Board					800.00										800.00
Board of Directors Expense			1,060.90			1,060.90			1,060.90			1,060.90			4,243.60
Interest Payments - Murietta 2nd Trust Deed	800,000.00		4000.00	4000.00	4000.00	4000.00	4000.00	4000.00	4000.00	4000.00	4000.00	4000.00	4000.00	4000.00	48,000.00
Interest Payments - Membership Interest Loan	1,652,352.50		13,769.60	13,769.60	13,769.60	10,466.14	10,466.14	10,466.14	10,466.14	10,466.14	10,466.14	10,466.14	10,466.14	9,433.80	134,471.72
Principal Payments - Membership Interest Loan					395,416.00							123,880.00			520,296.00
Class 7(a) Equity Holders Payments															
USES OF CASH			$ 23,758.38	$ 31,456.22	$ 424,913.48	$ 20,454.92	$ 24,394.02	$ 33,152.76	$ 20,454.92	$ 23,394.02	$ 19,394.02	$ 22,954.92	$ 145,774.02	$ 23,361.68	$ 813,463.36
ENDING CASH BALANCE			$ 235,622.99	$ 210,632.46	$ 631,437.43	$ 617,178.04	$ 596,967.68	$ 571,993.40	$ 557,674.47	$ 540,414.52	$ 527,140.19	$ 510,293.69	$ 633,262.69	$ 865,416.76	

SOURCES OF CASH

Starting Cash: 865,416.76

	Year 4 Start	3/1-3/31/16	4/1-4/30/16	5/1-5/31/16	6/1-6/30/16	7/1-7/31/16	8/1-8/31/16	9/1-9/30/16	10/1-10/31/16	11/1-11/30/16	12/1-12/31/16	1/1-1/31/17	2/1-2/28/17	TOTALS
Interest Income		722.01	644.03	618.32	601.48	584.33	671.36	644.37	628.06	609.31	593.88	577.52	559.96	$ 7,454.64
Distributions from NewCo						222,984.00							2,675,808.00	$2,898,792.00
Distributions from Heritage Orcas Partners, LP						$ 17,419.14							$ 160,792.02	$ 178,211.16
Avoidance Actions														
TOTAL SOURCES OF CASH		722.01	644.03	618.32	601.48	240,987.47	671.36	644.37	628.06	609.31	593.88	577.52	2,837,160.00	3,084,457.80

USES OF CASH															
Priority Tax Claims															
Franchise Tax Board (Covenant Bancorp, Inc. 2008 taxes)	38,074.88		1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	20,680.32
Secured Creditors															
Class 1 - The 6% Notes (ee)	95,000.00		73,157.00												
Class 3(a) Secured Claim of Riverside County Tax Collector	19,885.98		1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	12,992.64
Class 3(b) Secured Claim of Dunn Creditors	249,080.50		1,631.80	1,631.80	1,631.80	1,631.80	1,631.80	1,631.80	1,631.80	1,631.80	1,631.80	1,631.80	1,631.80	1,631.80	19,581.60
Operating Expenses															
Management Fees			1,639.09	1,639.09	1,639.09	1,639.09	1,639.09	1,639.09	1,639.09	1,639.09	1,639.09	1,639.09	1,639.09	1,639.09	19,669.09
Prop Taxes - Murrieta				8,933.91				8,933.91							17,867.82
Legal Expenses				2,500.00			5,000.00			2,500.00				2,500.00	12,500.00
Development Expenses								5,000.00						5,000.00	10,000.00
Accounting/Bookeeping Expense			546.36	546.36	546.36	546.36	546.36	546.36	546.36	546.36	546.36	546.36	546.36	546.36	6,556.36
Tax Return Preparation Fees									1,500.00						1,500.00
Franchise Tax Board					800.00										800.00
Board of Directors Expense			1,091.80			1,091.80			1,091.80			1,091.80			4,367.20
Interest Payments - Murietta 2nd Trust Deed	$ 600,000.00		4000.00	4000.00	4000.00	4000.00	4000.00	4000.00	4000.00	4000.00	4000.00	4000.00	4000.00	4000.00	48,000.00
Principal Payments - Murietta 2nd Trust Deed (ff)														600,000.00	600,000.00
Interest Payments - Membership Interest Loan	1,132,056.50		9,433.80	9,433.80	9,433.80	9,433.80	9,433.80	8,504.97	8,504.97	8,504.97	8,504.97	8,504.97	8,504.97	8,504.97	106,703.79
Principal Payments - Membership Interest Loan							111,492.00							1,020,564.50	1,132,056.50
Class 7(a) - Equity Holders Payments (gg)														$ 1,000,000.00	1,000,000.00
TOTAL USES OF CASH			$ 94,105.93	$ 31,491.04	$ 20,857.13	$ 21,148.93	$ 136,549.13	$ 33,062.21	$ 20,220.10	$ 23,128.30	$ 19,128.30	$ 20,220.10	$ 21,628.30	$ 2,644,692.40	$3,013,276.32
ENDING CASH BALANCE			$ 772,832.84	$ 741,385.63	$ 721,747.01	$ 701,199.54	$ 809,637.87	$ 776,247.03	$ 753,671.29	$ 731,171.05	$ 712,652.05	$ 693,026.83	$ 671,976.04	$ 864,442.24	

SOURCES OF CASH

Starting Cash

		Year 5 Start	864,442.24	3/1-3/31/17	4/1-4/30/17	5/1-5/31/17	6/1-6/30/17	7/1-7/31/17	8/1-8/31/17	9/1-9/30/17	10/1-10/31/17	11/1-11/30/17	12/1-12/31/17	1/1-1/31/18	2/1-2/28/18	TOTALS
Interest Income				720.37	465.82	452.31	448.48	318.70	312.67	301.12	170.55	163.15	159.07	154.05	147.88	$ 3,814.16
Distributions from NewCo															891,936.00	$ 891,936.00
Distributions from Heritage Orcas Partners, LP															$ 53,595.34	$ 53,595.34
Avoidance Actions																
TOTAL SOURCES OF CASH				720.37	465.82	452.31	448.48	318.70	312.67	301.12	170.55	163.15	159.07	154.05	945,679.22	$ 949,345.50
																-
USES OF CASH																-
																-
Priority Tax Claims																
Franchise Tax Board (Covenant Bancorp, Inc. 2008 taxes)	18,536.23			1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	1,723.36	20,680.32
Secured Creditors																
Class 1 - The 8% Notes	95,000.00															
Class 3(a) Secured Claim of Riverside County Tax Collector	10,360.33			1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	1,082.72	12,992.64
Operating Expenses																
Management Fees				1,688.26	1,688.26	1,688.26	1,688.26	1,688.26	1,688.26	1,688.26	1,688.26	1,688.26	1,688.26	1,688.26	1,688.26	20,259.16
Prop Taxes - Murrieta					9,112.59				9,112.59							18,225.18
Legal Expenses					2,500.00			2,500.00			2,500.00			2,500.00		10,000.00
Development Expenses																-
Accounting/Bookkeeping Expense				562.75	562.75	562.75	562.75	562.75	562.75	562.75	562.75	562.75	562.75	562.75	562.75	6,753.01
Tax Return Preparation Fees											1,500.00					1,500.00
Franchise Tax Board										800.00						800.00
Board of Directors Expense				1,124.55			1,124.55			1,124.55			1,124.55			4,498.22
Class 7(a) - Equity Holders Payments				$ 300,000.00			$ 150,000.00			$ 150,000.00					$ 800,000.00	1,400,000.00
TOTAL USES OF CASH				$ 305,181.65	$ 15,669.68	$ 5,057.09	$ 156,181.65	$ 7,557.09	$ 14,169.68	$ 156,981.65	$ 9,057.09	$ 5,057.09	$ 6,181.65	$ 7,557.08	$ 805,057.09	$1,498,708.62
ENDING CASH BALANCE				$ 559,980.96	$ 542,777.10	$ 538,172.32	$ 382,439.15	$ 375,200.75	$ 361,343.73	$ 204,663.21	$ 195,776.57	$ 190,882.72	$ 184,860.14	$ 177,457.10	$ 318,079.23	

		Year 5 Start	Starting Cash 318,079.23	3/1-3/31/18	4/1-4/30/18	5/1-5/31/18	6/1-6/30/18	7/1-7/31/18	8/1-8/31/18	9/1-9/30/18	10/1-10/31/18	11/1-11/30/18	12/1-12/31/18	1/1-1/31/19	2/1-2/28/19	TOTALS
Interest Income				265.07	179.06	167.44	165.65	162.89	159.01	606.29	188.57	183.46	181.68	178.94	175.07	$ 2,615.14
Distributions from NewCo									$ 991,040.00						1,238,800.00	$2,229,840.00
Distributions from Heritage Orcas Partners, LP									$ 59,552.60						$ 74,440.75	$ 133,993.35
Avoidance Actions																-
TOTAL SOURCES OF CASH				265.07	179.06	167.44	165.65	162.89	1,050,751.61	606.29	188.57	183.46	181.68	178.94	1,313,415.82	2,366,449.49
USES OF CASH																
Secured Creditors																
Class 1 - The 8% Notes	95,000.00															
Operating Expenses																
Management Fees				1,738.91	1,738.91	1,738.91	1,738.91	1,738.91	1,738.91	1,738.91	1,738.91	1,738.91	1,738.91	1,738.91	1,738.91	20,866.89
Prop Taxes - Murrieta					9,294.84				9,294.84							18,589.68
Legal Expenses					2,500.00			2,500.00			2,500.00			2,500.00		10,000.00
Accounting/Bookkeeping Expense				579.63	579.63	579.63	579.63	579.63	579.63	579.63	579.63	579.63	579.63	579.63	579.63	6,955.59
Development Expenses																-
Tax Return Preparation Fees											1,500.00					1,500.00
Franchise Tax Board										800.00						800.00
Board of Directors Expense				1,158.29			1,158.29			1,158.29			1,158.29			4,633.15
Class 7(a) - Equity Holders Payments				$ 100,000.00					$ 500,000.00	$ 500,000.00					$ 700,000.00	1,800,000.00
TOTAL USES OF CASH				$ 103,476.83	$ 14,113.38	$ 2,318.54	$ 3,476.83	$ 4,818.54	$ 511,613.38	$ 504,276.81	$ 6,318.54	$ 2,318.54	$ 3,476.83	$ 4,818.54	$ 702,318.54	$1,863,345.31
ENDING CASH BALANCE				$ 214,867.45	$ 200,933.14	$ 198,782.04	$ 195,470.87	$ 190,815.22	$ 729,953.45	$ 226,284.92	$ 220,154.96	$ 218,019.87	$ 214,724.73	$ 210,085.13	$ 821,182.41	

SOURCES OF CASH	Starting Cash

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		821,182.41												
	Year 7 Start		3/1-3/31/19	4/1-4/30/19	5/1-5/31/19	6/1-6/30/19	7/1-7/31/19	8/1-8/31/19	9/1-9/30/19	10/1-10/31/19	11/1-11/30/19	12/1-12/31/19	1/1-1/31/20	2/1-2/28/20	TOTALS
Interest Income			684.32	346.57	336.88	880.47	774.87	771.44	762.19	6,875.83	6,875.23	6,879.97	7,731.30	7,731.59	$ 40,833.68
															$ -
Distributions from NewCo					594,824.00				2,773,232.00			1,337,904.00		69,372.80	$4,775,132.80
Distributions from Heritage Orcas Partners, LP					$ 35,731.56				166,747.28			80,396.01		$4,050.00	$ 251,203.29
Avoidance Actions															
Sale of Murietta (hh)									4,800,000.00						$4,800,000.00
															-
TOTAL SOURCES OF CASH			684.32	346.57	630,892.44	880.47	774.87	771.44	7,740,741.47	6,875.83	6,875.23	1,425,179.98	7,731.30	81,164.39	9,902,781.33
															-
USES OF CASH															
Secured Creditors															
Class 1 - The 8% Notes	95,000.00													95,000.00	95,000.00
Operating Expenses															
Management Fees			1,791.08	1,791.08	1,791.08	1,791.08	1,791.08	1,791.08	1,791.08	1,791.08	1,791.08	1,791.08	1,791.08	1,791.08	21,492.93
Prop Taxes - Murietta				9,484.82				9,484.82							18,969.64
Legal Expenses				2,500.00			2,500.00			2,500.00			5,000.00		12,500.00
Accounting/Bookeeping Expense			597.02	597.02	597.02	597.02	597.02	597.02	597.02	597.02	597.02	597.02	597.02	597.02	7,164.23
Tax Return Preparation Fees										1,500.00					1,500.00
Franchise Tax Board									800.00						800.00
Board of Directors Expense			1,193.04			1,193.04			1,193.04			1,193.04			4,772.16
Class 7(a) - Equity Holders Payments			$ 400,000.00			$ 100,000.00			$ 400,000.00			$ 400,000.00			1,300,000.00
TOTAL USES OF CASH			$ 403,581.13	$ 14,372.92	$ 2,388.10	$ 103,581.13	$ 4,888.10	$ 11,872.92	$ 404,381.13	$ 6,388.10	$ 2,388.10	$ 403,581.13	$ 7,388.10	$ 97,388.10	$1,367,196.95
ENDING CASH BALANCE			$ 418,265.59	$ 404,261.26	$ 1,032,565.60	$ 929,844.93	$ 925,731.71	$ 914,830.23	$ 8,250,990.57	$ 8,251,478.30	$ 8,255,866.44	$ 9,277,565.28	$ 9,277,908.49	$ 9,251,684.78	

Remaining Balance 9,261,684.78

Remaining Cash Balance	9,261,684.78
Equity Payments made during 7 year plan	5,500,000.00
TOTAL EQUITY PAYMENTS	$14,761,684.78
EQUITY HOLDERS BALANCE (i)	40,464,958.35
	Return to Investors
	36.5%

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BBC 7 Year Forecast Footnotes

(a) Beginning cash is based upon the Debtor's estimate of cash available at the Effective Date

(b) The principal and interest payment is based upon a 7 year amortization, 3% per annum interest rate and 36 month balloon payment and will be secured by a security interest in the management fee of NewCo. The amount of the amortized receivable is $277,411.41 and the monthly principal and interest payment is $3666.52 and the balloon payment is $165,603.42. The CMG receivable listed on Schedule B of the Debtor's petition is $403,508.02 which will be reduced at Plan confirmation by the unpaid accrued management fees of $126,096.61 resulting in the $277,411.41 amortized amount.

(c) The principal and interest payment is based upon a 7 year amortization, 3% per annum interest rate and a 36 month balloon payment. The amortized receivable is $151,575.90 and the monthly principal and interest payment is $2002.82. The balloon payment is $90,484.70.

(d) Upon the effective date the Debtor will take all actions necessary to collect the outstanding note receivables from Humphrey and Gilmartin. The Debtor assumes that the Humphrey note will make monthly interest only payments and be paid off within 6 months of the effective date.

(e) The Debtor has calculated interest income earned based on the previous month ending cash balance at an assumed 1% per annum for the entire seven (7) years.

(f) The Debtor will obtain financing secured by a second trust deed on the Murietta property in the amount of $600,000. The Debtor estimates the terms to be 8% per annum interest payable monthly and a four year maturity. The Debtor intends to use membership distributions from NewCo to repay this loan.

(g) The Debtor will obtain financing secured by the Debtors 49.552% membership interest in Newco in the amount of $1,900,000. The Debtor estimates the terms to be 10% per annum interest payable monthly and a four year maturity. The Debtor will apply 50% of the net proceeds of any distribution from Newco to the loan balance.

(h) NewCo will make distributions to its Members from proceeds available from any sale, joint venture or development agreement within 30 days of receipt to according to each member based upon their respective ownership percentage. A more detailed description of this may be found in the NewCo Operating Agreement. The underlying assumptions of each distribution received by the Debtor may be found in the NewCo 7 Year Forecast and Footnotes.

(i) Post-Petition property taxes due for the Murietta property to be paid on the effective date.

(j) The Debtor estimates that total Professional Fees upon the effective date will be $516,000.00. The Debtor projects that $200,000 will be paid to the professionals within 30 days of the effective date, allocated proportionally to each professionals Court approved fees. The remaining balance will be amortized over eighteen months (18) and each monthly payment will be in proportion to each professionals balance. The Debtor reserves the right to file an objection to any application for payment of Professional Fees filed with the Court and/or negotiate a settlement with any Claimant with respect to timing and amount.

(k) The Debtor will make monthly payments to the FTB sufficient to pay this claim over a five year period of time and will accrue a 4% annual interest rate on the unpaid balance until such claim is paid in full. See the Disclosure Statement for a more detailed discussion.

(l) The annual $800 (two years) will be paid to the FTB in full on the effective date.

(m) Class 1 will be asked to remove its secured interest in the LV Property 1st TD upon the Effective Date. The Debtor projects that the note holders will agree to the following terms. Dr. Tony Hasso, $50,000.00 will agree to reduce their note interest rate to 3% per annum, interest will accrue and principal and accrued interest will paid at Maturity, 36 months from the Effective Date. Echo Bay Partners, LLC has agreed to reduce its note interest rate to 3% per annum, interest will accrue and principal and accrued interest will be paid at Maturity, 36 months from the effective date. The Smith Family Trust, $95,000.00 has agreed to reduce their note interest rate to 0% per annum, and principal will paid at Maturity, 84 months from the Effective Date.

(n) Pursuant to a settlement of the EI Avoidance Action the Debtor will make a one time $1,350,000.00 payment to EI by March 31, 2013 in full settlement of its secured claim. See the Treatment section of Class 2 in the Disclosure Statement for a more detailed discussion of the EI Settlement.

(o) The pre-petition property taxes due the Riverside County Tax Collector for the Murietta property will receive monthly payments amortized over five years at 18% per annum. See the Treatment section of Class 3(a) in the Disclosure Statement for a more detailed discussion of the treatment of this class.

(p) The Debtor will make a one time principal and interest payment to settle the Dunn Creditors secured claim within 30 days of the Effective Date. See the Treatment section of Class 3(b) of the Disclosure Statement for a more detailed discussion of the treatment of this class.

(q) The property securing this claim was sold and is not property of the estate. The claim will be amortized over five years at 18% and the Debtor will make monthly payments. The Debtor projects that this claim will be paid in full by within 18 months of the effective date. See the Treatment section of Class 6 in the Disclosure Statement for a more detailed discussion of the treatment of this class.

(r) General Unsecured Creditors in Class 7(b) with an allowed claim for an amount less than $2000 will be offered a cash payment calculated at 7.5% of their allowed claim. The Debtor believes that claims within this category total $8121.22 resulting in a payment of $609.10.

(s) General Unsecured Creditors may tender their claims to the Debtor on the Effective Date and receive a one time cash payment calculated at 7.5% of their allowed claim. The Debtor is limiting this tender to a total of $4,000,000.00 in allowed claim amounts. If greater than $4,000,000.00 of claims are tendered the Debtor will pro-rate an amount to each Claimant. See the Disclosure Statement for more details on the terms and conditions of this offer.

(t) Upon the Effective Date, an entity related to the Debtor, will be paid a Management Fee of $1500 per month. This Management Fee will increase 3% each year for the duration of the Plan. A more detailed discussion of Management Fees can be found in the Operating Agreement.

(u) The Debtor assumes the Property Tax assessment on the Murietta property increases by the statutory limit each year.

(v) The Debtor estimates minimal legal expense during its during the term of operation.

(w) The Debtor estimates that expenses will be incurred as it employs consultants, engineers or others who may aid the Debtor in the development or joint ventures the Murietta Property. NewCo will bare the direct expenses of the LV properties.

(x) The Debtor will retain a third party bookkeeper, unrelated to the Debtor, to provide accounting related services. The Debtor estimates this cost to be $500 per month for the first year and will increase 3% per annum each year.

(y) The Debtor projects a quarterly payment of $1000.00, increasing 3% per annum to be paid to Board Members of the Debtor for expenses and/or stipend.

(z) The monthly interest payments of the Murietta 2nd trust deed calculated at 8% per annum and paid monthly.

(aa) The monthly interest payments to the holders of the membership interest loan calculated at 10% per annum and paid monthly.

(bb) 50% of each Newco membership interest distribution will be applied to the principal balance of the membership interest loan until the loan is paid in full.

(cc) The Debtor projects receiving monthly interest only payments on the receivable owed by Gilmartin, which is $134,538.61, and that this receivable will be collected within the eighteen months of the effective date.

(dd) Distributions from Heritage Orcas Partners, LP are estimated based upon projections provided by the General Partner of Heritage Orcas Partners, LP.

(ee) The Hasso and Echo Bay portions of the 8% Notes are paid-off.

(ff) The Debtor will use Distributions from NewCo to repay the Murietta 3rd trust deed.

(gg) The Debtor will make cash distributions to equity holders (General Unsecured Creditors) as cash is available above the working capital needs of the Debtor.

(hh) The Debtor assumes the proceeds from Murietta will come from a sale, joint venture or the development of the property and assumes the Debtor is able to obtain all zone changes, variances, and entitlements necessary for a multi-family, retail or mixed-use project.

(ii) The Equity Holder balance assumes $4,000,000.00 of claims were tendered under the buy back option offered upon the Effective Date. Tenders amounting to less than $4,000,000.00 will increase this balance and reduce the projected percentage return to General Unsecured Creditors.

EXHIBIT 10

Blood Relatives

Jerry D. Smith
Joanne Smith
Smith Family Trust
Smith Family CRT
Donald Smith CRT
David T. Lawlor

Insiders

David T. Lawlor
Jerry D. Smith
Island Capital, LLC/Covenant Opportunity Fund, LLC
Birch Bay Management, LLC
Heritage Capital Management, LLC

Sales People

Max Harris
Janet Harris

2004 HRE Limited Partners

John and Beverly Gilmartin
Lynell Burmark
Hope McKenzie (BOG, LLC)
Gowin Living Trust
Dr. Lois Ritter-Ritchie
David T. Lawlor
Jerry D. Smith (Smith Family Trust)
Heritage Capital Management, LLC

NOTE: When using this form to indicate service of a proposed order, **DO NOT** list any person or entity in Category I. Proposed orders do not generate an NEF because only orders that have been entered are placed on the CM/ECF docket.

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:

650 Town Center Drive, Suite 950, Costa Mesa, California 92626

A true and correct copy of the foregoing document described as **THIRD AMENDED DISCLOSURE STATEMENT DESCRIBING THIRD AMENDED CHAPTER 11 PLAN** 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 indicated below:

I. **TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING("NEF")** - Pursuant to controlling General Order(s) and Local Bankruptcy Rule(s) ("LBR"), the foregoing document will be served by the court via NEF and hyperlink to the document. On **December 10, 2012**, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following person(s) are on the Electronic Mail Notice List to receive NEF transmission at the email address(es) indicated below:

☒ Service information continued on attached page

II. **SERVED BY U.S. MAIL OR OVERNIGHT MAIL** (indicate method for each person or entity served):
On **December 10, 2012**, I served the following person(s) and/or entity(ies) at the last known address(es) 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/or with an overnight mail service 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

III. **SERVED BY PERSONAL DELIVERY, FACSIMILE TRANSMISSION OR EMAIL** (indicate method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **December 10, 2012**, I served the following person(s) and/or entity(ies) by personal delivery, 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 the judge will be completed no later than 24 hours after the document is filed.

The Honorable Catherine Bauer, 411 W. 4th Street, 5th Floor, Santa Ana, CA 92701

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

December 10, 2012	Kelly Adele	
Date	*Type Name*	*Signature*

VIA U.S. MAIL

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Covenant Management Group LLC
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Irvine, CA 92612
Debtor

Securities & Exchange Commission
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Los Angeles, CA 90036

Joel M. Pores
Law Office of Joel M. Pores
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