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a California non-profit corporation, the Debtor and Debtor in Possession
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9

10 **UNITED STATES BANKRUPTCY COURT**
11 **CENTRAL DISTRICT OF CALIFORNIA, SANTA ANA DIVISION**

12 In re

13 **LAGUNA VILLAGE OWNERS'**
14 **ASSOCIATION, INC., a**
15 **California non-profit corporation,**

16 Debtor.

Case No. 8:10-bk-24033 RK

Chapter 11

DEBTOR'S CHAPTER 11
REORGANIZATION PLAN

Plan Confirmation Hearing

[See Disclosure Statement for Voting and
Objection Procedures]

Date: August 24, 2011

Time: 11:00 A.M.

Place: Courtroom 5D

Ronald Reagan Federal Building

and United States Courthouse

411 West Fourth Street

Santa Ana, CA 92701

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1 **I. DEFINITIONS, INTERPRETATIONS, AND RULES OF CONSTRUCTION**

2 **A. Definitions**

3 1. “Administrative Claim” means a Claim for costs and expenses of the administration
4 of the bankruptcy case under Sections 503(b) or 507(b) of the Bankruptcy Code, including,
5 without limitation: (a) the actual and necessary costs and expenses incurred after the Petition
6 Date of preserving the Estate and operating the business of the Debtor (such as wages, salaries,
7 or commissions for services); (b) all Claims of professionals employed at the expense of the
8 Estate; and (c) any fees or charges assessed against the Estate under 28 U.S.C. § 1930.

9 2. “Allowed Administrative Claim” means an Administrative Claim allowed pursuant
10 to Sections 503(b) or 507(b) of the Bankruptcy Code.

11 3. “Allowed Claim” means a Claim: (a) with respect to which a Proof of Claim has not
12 been filed but the Claim has been listed in the Schedules filed with the Court by the Debtor and
13 not listed as disputed, contingent, or unliquidated as to amount and as to which no objection is
14 filed within the time period fixed by the Court, or as to which any such objection has been
15 determined by a Final Order; or (b) with respect to which a Proof of Claim has been filed within
16 the time period fixed by the Court, and as to which no objection is filed within the time period
17 fixed by the Court, or as to which any such objection has been determined by a Final Order.

18 4. “Allowed General Unsecured Claim” means an unsecured Allowed Claim against
19 the Debtor, however arising, not entitled to priority under Section 507(a) of the Bankruptcy
20 Code, including, without limitation, an Allowed Claim based on the rejection of an executory
21 contract or unexpired lease.

22 5. “Allowed Priority Claim” means an Allowed Administrative Claim, Allowed
23 Priority Tax Claim, or Allowed Priority Unsecured Claim.

24 6. “Allowed Priority Tax Claim” means an Allowed Claim entitled to priority pursuant
25 to Section 507(a)(8) of the Bankruptcy Code.

26 7. “Allowed Priority Unsecured Claim” means an Allowed Claim entitled to priority
27 pursuant to Sections 507(a)(1), 507(a)(4), 507(a)(5), 507(a)(6) or 507(a)(7) of the Bankruptcy
28 Code.

1 8. “Allowed Secured Claim” means an Allowed Claim secured by a lien, security
2 interest or other charge against property in which the Estate has an interest, or which is subject to
3 setoff under Section 553 of the Bankruptcy Code, to the extent of the value, determined in
4 accordance with Section 506(a) of the Bankruptcy Code, of the interest of the holder of such
5 Allowed Secured Claim in the Estate’s interest in such property, or to the extent of the amount
6 subject to any setoff, as the case may be, excluding any and all non-pecuniary loss penalty claims
7 (and related interest) as defined in Section 726(a)(4) of the Bankruptcy Code.

8 9. “AVB” means AV Builder Corp.

9 10. “AVB Funding Order” means that certain Order Authorizing Use of Bankruptcy
10 Estate Property Outside the Ordinary Course of Business Under Bankruptcy Code Section 363(b)
11 (to Fund Court Approved Settlement Payments to AV Builder Corp) entered on March 24, 2011
12 (docket number 83) and which authorized the Debtor to use funds of the Estate in the amounts as
13 necessary to pay the amounts owed to AVB under the AVB Settlement Order and AVB
14 Settlement Documents.

15 11. “AVB Settlement Agreement” or “AVB Settlement Documents” means the
16 Settlement Agreement and the Promissory Note, Loan Agreement and other ancillary documents
17 entered into by the Debtor with AV Builder Corp. and which were approved by the Court
18 pursuant to the AVB Settlement Order.

19 12. “AVB Settlement Order” means that certain Order: (1) Approving Settlement and
20 Compromise of Disputes With AV Builder Corp. ; and (2) Conditioning the Settlement Upon
21 Making Special Assessments by Debtor on the Homeowners of Laguna Village in Accordance
22 with Applicable Law, But Nothing in This Order Preclude Debtor From Making Special
23 Homeowner Assessments to Fund the Settlement Payments to AV Builder Corp., in Accordance
24 with Applicable Law entered by the Court on February 15, 2011 (docket number 71).

25 13. “AVB State Court Action” means that certain Orange County Superior Court case
26 entitled AV Builder Corp v. Laguna Village Owners’ Association, Inc. and related matters, Case
27 No. 06CC10565 (Consolidated with Case No. 30-2008-00114104).

28

1 14. “Avoidance Action” means any action which is filed or which may be filed
2 pursuant to the provisions of Sections 510, 542, 543, 544, 545, 547, 548, 549, or 550 of the
3 Bankruptcy Code, any actions based on applicable non-bankruptcy law that may be incorporated
4 or brought under the foregoing sections of the Bankruptcy Code, or any other similar action or
5 proceeding filed to recover property for or on behalf of the Estate or to avoid a lien or transfer.

6 15. “Ballot” means the form distributed to each holder of a Claim that is entitled to
7 vote on the Plan and on which is to be indicated an acceptance or rejection of the Plan.

8 16. “Bankruptcy Code” or “Code” means Title 11 of the United States Code, as now
9 in effect or hereafter amended. All citations in the Plan to section numbers are to the Bankruptcy
10 Code unless otherwise expressly indicated.

11 17. “Bankruptcy Court” or “Court” means the United States Bankruptcy Court for the
12 Central District of California, Santa Ana Division, which has jurisdiction over this bankruptcy
13 case and the Estate of the Debtor, or such successor court or tribunal as may hereafter be
14 confirmed or created by lawful authority with power to confirm reorganization plans under
15 Chapter 11 of the Bankruptcy Code and all applicable statutes, rules, and regulations pertaining
16 thereto.

17 18. “Bankruptcy Rules” means the Federal Rules of Bankruptcy Procedure and the
18 Local Bankruptcy Rules for use in the Bankruptcy Court, as now in effect or hereafter amended.

19 19. “Bar Date” means the last date for filing Proofs of Claim other than
20 Administrative Claims or Claims based upon the rejection of any executory contracts or
21 unexpired leases. The deadline for filing proofs of claim was set by the Court as
22 January 12, 2011.

23 20. “Business Day” means any day other than a Saturday, Sunday, or “legal holiday”
24 as defined in Bankruptcy Rule 9006(a)(6).

25 21. “Claim” means: (a) a right to payment from the Debtor, whether or not such right
26 is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured,
27 disputed, undisputed, legal, equitable, secured, or unsecured, or (b) a right to an equitable
28 remedy for breach of performance if such breach gives rise to a right to payment from the

1 Debtor, whether or not such right to an equitable remedy is reduced to judgment, liquidated,
2 unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or
3 unsecured.

4 22. “Claimant” means the holder of a Claim.

5 23. “Class” means a grouping into which Claims which are substantially similar to
6 other Claims have been classified pursuant to the Plan.

7 24. “Confirmation Date” means the date on which the Confirmation Order is entered
8 by the Bankruptcy Court.

9 25. “Confirmation Hearing” means the hearing, including any continued or postponed
10 session thereof, at which time the Bankruptcy Court will consider and determine whether to
11 confirm the Plan.

12 26. “Confirmation Order” means the order, as entered, of the Bankruptcy Court
13 confirming the Plan pursuant to Section 1129 of the Bankruptcy Code.

14 27. “Creditor” means the holder of an Allowed Claim.

15 28. “Debtor” means Laguna Village Owners’ Association, Inc., a California non-
16 profit corporation, the debtor and debtor in possession in this bankruptcy case.

17 29. “Disallowed Claim” means a Claim against the Debtor, which Claim is
18 disallowed pursuant to an order of the Bankruptcy Court as to which eleven calendar days have
19 passed following entry of such order and no stay pending an appeal of such order is obtained
20 during such period.

21 30. “Disbursing Agent” means the person charged with making distributions
22 pursuant to the terms of the Plan. The Debtor under the direction of its President, currently
23 William F. Whalen, will serve as the Disbursing Agent under the Plan until such time as Mr.
24 Whalen is unable or unwilling to serve at which point the Reorganized Debtor will appoint a
25 successor disbursing agent.

26 31. “Disclosure Statement” means this Disclosure Statement (and all exhibits or
27 schedules annexed thereto or referenced therein) which accompanies the Plan, as the Disclosure
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1 Statement may be amended, modified, or supplemented from time to time in accordance with the
2 Bankruptcy Code and Bankruptcy Rules.

3 32. “Disputed Claim” means any Claim: (a) listed on the Debtor’s Schedules as
4 unliquidated, disputed, or contingent; or (b) as to which the Debtor, or any other party in interest,
5 has interposed a timely objection or request for estimation or subordination in accordance with
6 the Bankruptcy Code and the Bankruptcy Rules, which objection or request for estimation or
7 subordination has not been withdrawn or determined by a Final Order. A Claim will be
8 considered a Disputed Claim in its entirety if an objection is timely filed to any portion of such
9 Claim.

10 33. “Effective Date” means the date not later than thirty days following the date upon
11 which the Confirmation Order becomes a Final Order; provided, however, that, if an appeal of
12 the Confirmation Order is timely filed, the Debtor may elect to cause the Plan to become
13 effective, notwithstanding the pendency of such appeal, so long as no stay of the Confirmation
14 Order is in effect, by filing with the Bankruptcy Court a notice of such election, in which event
15 the Plan will become effective as provided herein.

16 34. “Estate” means the estate created under Section 541 of the Bankruptcy Code in
17 this bankruptcy case.

18 35. “File,” “Filed,” or “Filing” means filed with the Bankruptcy Court having
19 jurisdiction over this bankruptcy case.

20 36. “Final Order” means an order or judgment of the Bankruptcy Court, or of any
21 court of competent jurisdiction where there is pending an action in which the Debtor is a party,
22 which has not been reversed, stayed, modified, or amended, and as to which: (a) the time to
23 appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which
24 no appeal, petition for certiorari, or other proceeding for reargument or rehearing shall then be
25 pending; or (b) any right to appeal, petition for certiorari, reargument, or rehearing shall have
26 been waived in writing in form and substance satisfactory to the Debtor; or (c) any appeal,
27 petition for certiorari, reargument or rehearing has been resolved by the highest court to which
28

1 the order or judgment was appealed timely or from which certiorari, reargument, or rehearing
2 was sought.

3 37. “General Unsecured Claim” means an unsecured Claim against the Debtor that is
4 not entitled to priority under Section 507(a) of the Bankruptcy Code, including, without
5 limitation, a Claim based on the rejection of an executory contract or unexpired lease.

6 38. “Laguna Village” means the community consisting of more than 200 acres and
7 914 individual owners of residential real property, plus common areas consisting in part of a club
8 house and meeting rooms, which maintains a business address of 23300 Santa Vittoria Drive,
9 Laguna Hills, California 92653.

10 39. “PAO” means Pulaski Arita Olsson, Inc., an architect associated with the property
11 enhancement project that was the subject of the AVB State Court Action.

12 40. “PAO Judgment” means that certain trial verdict judgment in favor of the Debtor
13 and against PAO in the amount of \$465,094.55.

14 41. “PAO Covenant” means that certain Mutual Covenant Not to Execute or Collect
15 on Any Recovery or Judgment Obtained in the Action which is dated May 7, 2010 entered into
16 by and between the Debtor and PAO and which relates to the AVB State Court Action.

17 42. “Petition Date” means October 1, 2010, the date on which the Debtor filed its
18 voluntary petition under Chapter 11 of the Bankruptcy Code.

19 43. “Plan” means the Debtor’s Chapter 11 Plan, as the Plan may be amended,
20 modified, or supplemented from time to time in accordance with the Bankruptcy Code and
21 Bankruptcy Rules.

22 44. “Post-Confirmation Estate Claims” means any and all claims and causes of action
23 which constitute property of the Estate including, but not limited to, any Avoidance Actions,
24 whether or not such claims or causes of action are the subject of litigation pending as of the
25 Effective Date.

26 45. “Priority Claim” means an Administrative Claim, Priority Tax Claim, or Priority
27 Unsecured Claim.
28

1 46. “Priority Tax Claim” means a Claim asserted to have priority under Section
2 507(a)(8) of the Bankruptcy Code.

3 47. “Priority Unsecured Claim” means a Claim asserted to have priority under
4 Sections 507(a)(1), 507(a)(4), 507(a)(5), 507(a)(6) or 507(a)(7) of the Bankruptcy Code.

5 48. “Professionals” means professionals such as attorneys, consultants or accountants
6 employed by the Disbursing Agent in this case after the confirmation of the Plan, including but
7 not limited to, Shulman Hodges & Bastian LLP.

8 49. “Proof of Claim” means a statement under oath filed in this bankruptcy case by a
9 Claimant in which the Claimant sets forth the amount claimed to be owed to it and sufficient
10 detail to identify the basis for the Claim, in accordance with Federal Rule of Bankruptcy
11 Procedure 3001.

12 50. “Reorganized Debtor” means the Debtor herein, on and/or after the Effective
13 Date.

14 51. “Schedules” means the Schedules of Assets and Liabilities and Statement of
15 Financial Affairs filed by the Debtor, as amended, modified, or supplemented from time to time.

16 52. “Secured Claim” means a Claim secured by a lien, security interest or other
17 charge against property in which the Estate has an interest, or which is subject to setoff under
18 Section 553 of the Bankruptcy Code, to the extent of the value, determined in accordance with
19 Section 506(a) of the Bankruptcy Code, of the interest of the holder of such Secured Claim in the
20 Estate’s interest in such property, or to the extent of the amount subject to any setoff, as the case
21 may be.

22 53. “SHB Firm” means Shulman Hodges & Bastian LLP, the Debtor’s general counsel
23 herein.

24 54. “UST” means The Office of the United States Trustee.

25 **B. Interpretations, Computation of Time and Governing Law**

26 **1. Undefined Terms**

27 Any term used in the Disclosure Statement that is not defined in the Disclosure
28 Statement, either in Section II.A (Definitions) or elsewhere, but that is used in the Bankruptcy

1 Code or the Bankruptcy Rules has the meaning assigned to that term in the Bankruptcy Code or
2 the Bankruptcy Rules.

3 **2. Rules of Interpretation**

4 For the purposes of the Disclosure Statement:

5 a. Whenever, from the context, it is appropriate, each term, whether stated in the
6 singular or the plural, shall include both the singular and the plural.

7 b. Any reference in the Plan to a contract, instrument, release or other agreement
8 or document being in a particular form or on particular terms and conditions means that such
9 document shall be substantially in such form or substantially on such terms and conditions.

10 c. Any reference in the Plan to an existing document or Exhibit Filed or to be
11 Filed means such document or Exhibit, as it may have been or may be amended, modified, or
12 supplemented as of the Confirmation Date.

13 d. Unless otherwise specified in a particular reference in the Plan, all references
14 in the Plan to Sections, Articles or Exhibits are references to Sections, Articles and Exhibits of or
15 to the Plan.

16 e. Unless otherwise specified in a particular reference in the Plan, the words
17 “herein,” “hereof,” “hereto,” “hereunder,” and others of similar import refer to the Plan in its
18 entirety rather than only to a particular paragraph, subparagraph, or clause contained in the Plan.

19 f. Captions and headings to Articles and Sections are inserted for convenience of
20 reference only and are not intended to be a part of or to affect the interpretation of the Plan.

21 g. The provisions of the Plan will control over any description thereof contained
22 in the Disclosure Statement.

23 h. Any term used in the Plan that is not defined in the Plan, but that is used in the
24 Bankruptcy Code or in the Bankruptcy Rules shall have the meaning assigned to that term in
25 (and shall be construed in accordance with the rules of construction under) the Bankruptcy Code
26 or the Bankruptcy Rules. Without limiting the foregoing, the rules of construction set forth in
27 Section 102 of the Bankruptcy Code shall apply hereto. The definitions and rules of construction
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1 contained herein do not apply to the Disclosure Statement or to the exhibits to the Plan except to
2 the extent expressly so stated in the Disclosure Statement or in each exhibit to the Plan.

3 i. Except to the extent that federal law, including the Bankruptcy Code or the
4 Bankruptcy Rules are applicable, the rights and obligations arising under the Plan shall be
5 governed by, and construed and enforced for all purposes in accordance with, the laws of the
6 State of California, without giving effect to any principles of conflict of laws thereof.

7 j. All exhibits to the Plan are incorporated into the Plan and will be deemed to
8 be included in the Plan, regardless of when they are filed.

9 **3. Computing Time Periods**

10 In computing any period of time prescribed or allowed by the Plan, the provisions of
11 Bankruptcy Rule 9006(a) shall apply.

12 **4. Notices and Delivery of Documents**

13 All notices, correspondence, and other deliveries under this Disclosure Statement must be
14 directed as follows:

15

16 To the Debtor or Reorganized Debtor:	William F. Whalen, President Laguna Village Owners' Association, Inc. 23300 Santa Vittoria Drive Laguna Hills, CA 92653
17 18 With a Copy to:	James C. Bastian, Jr., Esq. James C. Bastian, Jr., Esq. SHULMAN HODGES & BASTIAN LLP 8105 Irvine Center Drive, Suite 600 Irvine, California 92618 Telephone: (949) 340-3400 Facsimile: (949) 340-3000 jbastian@shbllp.com mbradshaw@shbllp.com

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24 **II. INTRODUCTION**

25 Laguna Village Owners' Association, Inc., a California non-profit corporation, is the
26 Debtor in this bankruptcy case. The Debtor commenced its bankruptcy case by filing a voluntary
27 Chapter 11 petition under the United States Bankruptcy Code Sections 101-1532 on
28

1 October 1, 2010. The Debtor is in the possession of its property and the management of its
2 affairs pursuant to Bankruptcy Code Sections 1107 and 1108. This document is the Chapter 11
3 proposed by the Debtor (the Debtor may sometimes be referred to herein as the “Proponent” of
4 the Plan). Sent to you in the same envelope as this document in the Disclosure Statement which
5 has been approved by the Court and which is provided to help you understand the Plan.

6 The Debtor’s Plan is a reorganization plan. The Debtor will continue to operate as the
7 homeowners association for Laguna Village and will make payments under the Plan from cash
8 on hand on the Effective Date, from the collection of regular monthly assessments against
9 homeowners and from the collection of special assessments imposed on homeowners in
10 accordance with the provisions of the AVB Settlement Order, the Debtor’s governing documents
11 and/or California Civil Code Section 1366(b).

12 The terms of the Plan are set forth in Section III of the Plan, the following is an outline of
13 the Plan:

14 1. Allowed Administrative Claims will be paid in full on the Effective Date unless
15 the holder of an Allowed Administrative Claim agrees to a different treatment.

16 2. Allowed Priority Tax Claims, if any, will be paid in full within five years of the
17 Petition Date.

18 3. The Allowed Secured Claim of AVB is separately classified in accordance with
19 the Code and will be paid pursuant to the terms of the Settlement Agreement between the Debtor
20 and AVB which was approved by the Court pursuant to the AVB Settlement Order.

21 4. Allowed General Unsecured Claims are impaired under the Plan. Depending on
22 the Creditor’s election for treatment, Allowed General Unsecured Claims will be paid either (i)
23 50% of their Allowed Claim, within thirty days of the Effective Date,(ii) 75% of their Allowed
24 Claim payable over 18 months from the Effective Date or (iii) 100% of their Allowed Claim
25 payable over 36 months from the Effective Date with interest at the rate of 3%.

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1 **III. CLASSIFICATION AND TREATMENT OF CLAIMS AND INTEREST**

2 **A. General Overview**

3 As required by the Bankruptcy Code, the Plan classifies Claims in various classes
4 according to their right to priority. The Plan states whether each class of Claims is impaired or
5 unimpaired. The Plan provides the treatment each class will receive. With respect to each class,
6 the Debtor has not reviewed the proofs of claim, if any, filed by Creditors. The Debtor reserves
7 the right to object to any of the filed Claims on any reasonable grounds.

8 **B. Unclassified Claims**

9 Certain types of Claims are not placed into voting classes; instead they are unclassified.
10 They are not considered impaired and they do not vote on the Plan because they are
11 automatically entitled to specific treatment provided in the Bankruptcy Code. As such, the
12 Debtor has not placed the following Claims in a class and the treatment of such claims is set
13 forth below.

14 **1. Administrative Expenses**

15 Administrative expenses are Claims for costs or expenses of administering Debtor’s
16 Chapter 11 case which are allowed under Code Section 507(a)(2). The Code requires that all
17 Administrative Claims be paid on the Effective Date of the Plan, unless a particular claimant
18 agrees to a different treatment.

19 Except to the extent that the holder of a particular Allowed Administrative Claim agrees
20 to a different treatment thereof, each Allowed Administrative Claim will be paid in full, in cash,
21 on the later of: (a) the Effective Date; or (b) the fifth Business Day after the order allowing such
22 Administrative Claim becomes a Final Order. Any holder of an Administrative Claim
23 (including, without limitation, any governmental unit holding an Administrative Claim for post-
24 petition taxes and/or interest and penalties related to such taxes) is required to file a request for
25 payment of its Administrative Claim. Requests for payment of Administrative Claims must be
26 filed not later than thirty days after the Effective Date, and will be paid on or before the fifth
27 Business Day after the order allowing such Administrative Claim becomes a Final Order. Any
28 failure by the holder of an Administrative Claim to file a request for payment of its

Administrative Claim within thirty days after the Effective Date will forever bar such holder of an Administrative Claim from asserting its Administrative Claim against the Estate.

The following chart lists all of Debtor's estimated Section 507(a)(2) Administrative Claims and their treatment under the Plan:

<u>Name</u>	<u>Total Estimated</u>	<u>Paid By Debtor to Date</u>	<u>Total Estimated Required to Be Paid on Effective Date</u>	<u>Treatment</u>
Shulman Hodges & Bastian LLP, bankruptcy counsel for Debtor	\$225,000	\$151,874.13	\$73,125.87	In the event that there are unpaid fees and expenses that are allowed by the Court, unless otherwise agreed, the unpaid amounts shall be paid in full, in cash, on the later of: (a) the Effective Date; or (b) the fifth Business Day after the order allowing such Administrative Claim becomes a Final Order.
Graham & Martin LLP, Debtor's special state court litigation counsel The Debtor is advised by Graham & Marin LLP that during the case, the firm incurred total fees and expenses of \$52,019.04. The Debtor has not yet evaluated the compensation request and may object to any final fee applications that may be filed the firm.	\$52,019.04	\$0	\$52,019.04	In the event that there are unpaid fees and expenses that are allowed by the Court, unless otherwise agreed, the unpaid amounts shall be paid in full, in cash, on the later of: (a) the Effective Date; or (b) the fifth Business Day after the order allowing such Administrative Claim becomes a Final Order.
Harle, Janics & Kannen, a Law Corporation, Debtor's special community association law counsel ¹	\$Paid monthly	Paid monthly	\$.00	In the event that there are unpaid fees and expenses that are allowed by the Court, unless otherwise agreed, the unpaid amounts shall be paid in full, in cash, on the later of: (a) the Effective Date; or (b) the fifth Business Day after the order allowing such Administrative Claim becomes a Final Order.

¹ The Court order authorizing the employment of Harle, Janics & Kannen, a Law Corporation (docket number 37) provided that compensation for the firm is authorized to be paid by the Debtor in the ordinary course of the Debtor's business affairs, without further notice, hearing or Court order as long as the firm's services during any given month do not exceed \$2,000. In the event that the Firm's services exceed \$2,000 in any given month, the Debtor will not pay such amounts and the Firm will be required to file applications for allowance of fees and reimbursement of costs in compliance with Sections 330 and 331 of the Bankruptcy Code.

<u>Name</u>	<u>Total Estimated</u>	<u>Paid By Debtor to Date</u>	<u>Total Estimated Required to Be Paid on Effective Date</u>	<u>Treatment</u>
Seabreeze Management Company Incorporated, Debtor's managing agent ²	\$Paid monthly	\$Paid monthly	\$0.00	In the event that there are unpaid fees and expenses that are allowed by the Court, unless otherwise agreed, the unpaid amounts shall be paid in full, in cash, on the later of: (a) the Effective Date; or (b) the fifth Business Day after the order allowing such Administrative Claim becomes a Final Order.
Clerk, Bankruptcy Court Fees	\$250	\$.00	\$250	If any are owed, they will be paid in full on the Effective Date.
United States Trustee Fees	\$650	\$.00	\$650	If any are owed, they will be paid in full on the Effective Date.
Total	\$277,919.04	\$151,874.13	\$126,044.91	

The Court must rule on all professional fees listed in the chart above before the fees will be owed. For all fees except the Clerk's Office fees and the United States Trustee's fees, the professional in question must file and serve a properly noticed fee application and the Court must rule on the application. Only the amount of fees allowed by the Court will be owed and required to be paid under the Plan.

The last day to file chapter 11 administrative claims (except for professional fees and expenses) is thirty days after the Effective Date. Unless otherwise agreed, allowed administrative expense claims will be paid on the later of the Effective Date or ten days after the entry of a non-appealable order allowing the administrative expense claim.

2. Priority Tax Claims

Priority tax claims are certain unsecured income, employment and other taxes described by Code Section 507(a)(8). Except to the extent that the holder of a particular Allowed Priority Tax Claim agrees to a different treatment thereof, the Code requires that each holder of an Allowed Priority Tax Claim receive on account of such Claim regular installment payments -

² The Court order authorizing the employment of Seabreeze Management Company Incorporated (docket number 23) provided that compensation to the firm is authorized to be paid by the Debtor in the ordinary course of business without further notice, hearing or Court order.

1 i. of a total value, as of the Effective Date of the Plan, equal to the
2 allowed amount of such Claim;

3 ii. over a period ending not later than five years after the Petition Date
4 under Section 301, 302 or 303; and

5 iii. in a manner not less favorable than the most favored nonpriority
6 Unsecured Claim provided for by the Plan (other than Cash payments made to a class of
7 creditors under Section 1122(b)).

8 **Internal Revenue Service.** The Internal Revenue Service filed a Proof of Claim in the
9 amount of \$9,580.49 (Claim No. 7 on the Court's claims register) asserting a Section 507(a)(8)
10 Priority Tax Claim. Pursuant to a Notice of Withdrawal filed with the Court on April 4, 2011
11 (docket number 93) Claim No. 7 was withdrawn.

12 **Orange County Treasurer-Tax Collector.** The Orange County Treasurer-Tax
13 Collector filed three Proofs of Claim (Claim No. 6 for \$280, Claim No. 8 for \$294, and Claim
14 No. 9 for \$294) . The three claims appear to be duplicates. The amounts asserted owed in the
15 three claims filed by the Orange County Treasurer-Tax Collector have been paid.

16 In the event the Debtor has Allowed Priority Tax Claims, such Allowed Priority Claims
17 will be paid either (i) in full on the Effective Date or (ii) in full within five years after the Petition
18 Date, with payments to commence on the Effective Date, and shall include annual interest at the
19 rate of 2.00%.

20 **C. Classified Claims**

21 **1. Classes of Secured Claims**

22 Secured Claims are Claims secured by liens on property of the Estate. The following
23 chart lists all classes containing the Debtor's prepetition Secured Claims and their treatment
24 under the Plan.

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<u>Class No.</u>	<u>Description</u>	<u>Impaired</u>	<u>Treatment</u>
1	<p>Secured Claim of AVB</p> <p><u>Collateral description:</u> All goods, equipment, accounts, assessments to homeowners, and the Debtor's interest in real property and all fixtures with respect to the Recreational Common Area, with such collateral more particularly described in the Settlement Documents.</p> <p><u>Nature of lien:</u> The Settlement Documents which includes a (1) Deed of Trust recorded on March 29, 2011 (recording number 2011000160146) as provided under the terms of the AVB Settlement Documents; (2) Commercial Security Agreement; and (3) UCC-1 filings with the California Secretary of State (filing number 11-726436493) and the Orange County Recorder (recording number 2011000160147)</p> <p><u>Priority:</u> First as provided under the terms of the AVB Settlement Documents</p> <p><u>Claim Amount:</u> \$2,000,000 as provided under the terms of the AVB Settlement Documents</p> <p><u>Insider of the Debtor:</u> No</p>	<p>Yes</p> <p>The Claimant in this class is entitled to vote on the Plan.</p>	<p>Payments to this Creditor shall be paid in accordance with the terms of the AVB Settlement Documents, the AVB Settlement Order and the AVB Funding Order.</p>

2. Classes of Priority Unsecured Claims

Certain Priority Claims that are referred to in Code Sections 507(a)(1), 507(a)(4), 507(a)(5), 507(a)(6), and 507(a)(7) are required to be placed in classes. These types of claims are entitled to priority treatment as follows: the Code requires that each holder of such a Claim receive cash on the Effective Date 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 Debtor is not aware of any Section 507(a)(1), 507(a)(4), 507(a)(5), 507(a)(6), or 507(a)(7) Priority Claims.**

1 **3. Class of General Unsecured Claims**

2 General Unsecured Claims are unsecured claims not entitled to priority under Code
3 Section 507(a). The following chart identifies the Plan’s treatment of the classes of Claims
4 containing all of Debtor’s General Unsecured Claims. **Exhibit 3** to the Disclosure Statement
5 provides information about each General Unsecured Claim and indicates that there a total of
6 approximately \$276,813.94 in General Unsecured Claims, which includes Disputed Claims:

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<u>Class No.</u>	<u>Description</u>	<u>Impaired (Y/N)</u>	<u>Treatment</u>
2	Class of Unsecured Claims	Yes Creditors in this Class are entitled to vote.	On their respective Ballots, holders of Allowed General Unsecured Claims may elect to receive one of following three alternative forms for treatment: Option One: 50% of their Allowed Claim, within thirty days of the Effective Date, Option Two: 75% of their Allowed Claim payable over 18 months from the Effective Date; or Option Three: 100% of their Allowed Claim payable over 36 months from the Effective Date with interest at the rate of 3% Creditors that do not specify on their Ballot which treatment they elect shall receive treatment under Option One above (50% of their Allowed Claim, within thirty days of the Effective Date.)

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20 **4. Class of Interest Holders**

21 Interest holders are the parties who hold ownership interest (i.e., equity interest) in the
22 Debtor. Because the Debtor is a non-profit corporation, the Debtor does not have shareholders in
23 the normal sense and no distribution to shareholders is provide for under the Plan.

24 **Notwithstanding any other provision of the Plan, no payments or distributions shall**
25 **be made on account of any Disputed Claim until such Claim becomes an Allowed Claim,**
26 **and then only to the extent it becomes an Allowed Claim. Any Proof of Claim filed which**
27 **differs from the Scheduled amount is deemed to be a Disputed Claim.**

1 **D. Means of Effectuating the Plan**

2 The Debtor's Plan is a reorganization plan. The Debtor will continue to operate as the
3 homeowners association for Laguna Village and will make payments under the Plan from cash
4 on hand on the Effective Date, from the collection of regular monthly assessments against
5 homeowners and from the collection of special assessments imposed on homeowners in
6 accordance with the provisions of the AVB Settlement Order, the Debtor's governing documents
7 and/or California Civil Code Section 1366(b).

8 **E. Post-Confirmation Management**

9 Upon the Effective Date, the Reorganized Debtor shall continue to be controlled and
10 managed by the officers and directors of the Debtor consistent with the Debtor's bylaws. The
11 Debtor does not anticipate any changes to the voting requirements, terms, duties or other details
12 of the bylaws. The Debtor will also be assisted in its management duties by Seabreeze
13 Management Company Incorporated.

14 The Debtor under the direction of its current President, William F. Whalen, shall act as
15 the Disbursing Agent for the purpose of making all distributions provided for under the Plan.

16 **The Disbursing Agent shall serve without bond and shall receive no compensation for**
17 **Disbursing Agent services rendered and expenses incurred pursuant to the Plan as follows.**

18 The Disbursing Agent shall be responsible for all actions necessary to maintain and
19 maximize the Debtor's business affairs. The Disbursing Agent shall be responsible for the
20 operation of the Debtor's business, preservation of assets, and pursuit of any claims held by the
21 Debtor's Estate, including any Avoidance Actions and Post-Confirmation Estate Claims, and for
22 the distribution of the Debtor's cash or any recoveries to Creditors pursuant to the provisions of
23 the Bankruptcy Code and the Plan. The duties of the Disbursing Agent shall also include
24 preparing and filing the Post-Confirmation status reports with the Office of the United States
25 Trustee and paying all Post-Confirmation quarterly fees of the Office of the United States
26 Trustee until the case is dismissed or a final decree has been entered, whichever occurs first.

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1 **F. Employment and Compensation of Professionals**

2 The Debtor does not anticipate that professionals will be employed to assist with its
3 duties herein other than the professionals that were employed by the Debtor pursuant to Court
4 order during the case. In carrying out its duties under the Plan, the Disbursing Agent shall use
5 the services of its professionals employed by order of the Bankruptcy Court prior to confirmation
6 of the Plan. The continued employment of such professionals will save the fees and costs
7 associated with counsel not already familiar with the matters which the professionals will
8 undertake. Since their involvement in Debtor's case, the professionals have conducted
9 investigations and obtained special knowledge that will assist the Disbursing Agent in carrying
10 out the provisions of the Plan and assist with the winding up of the case including claims
11 objections.

12 Except as set forth herein to the contrary, any professional employed by the Disbursing
13 Agent in this case after the confirmation of the Plan seeking payment of its Post-Confirmation
14 fees and costs will be entitled to seek payment of such fees and costs without the need for any
15 further order of the Court.

16 **G. Post-Confirmation Estate Claims**

17 The right to enforce, litigate, collect, and settle, on behalf of the Estate (at the expense of
18 the Estate), any and all Claims and causes of action which constitute property of the Estate
19 including, but not limited to, any Avoidance Actions, whether or not such Claims or causes of
20 action are the subject of litigation pending as of the Effective Date (collectively, the "Post-
21 Confirmation Estate Claims"), shall be vested solely in the Reorganized Debtor as of the
22 Effective Date. From and after the Effective Date, the Reorganized Debtor shall have the sole
23 right to enforce, file, prosecute, collect, or settle, any Post-Confirmation Estate Claims.

24 The Debtor is investigating whether it has any Post-Confirmation Estate Claims to pursue
25 with respect to the management of the Debtor prior to the Petition Date, acts and/or omissions by
26 Debtor's officers, directors and outside management companies prior to the Petition Date,
27 professional negligence and/or malpractice by attorneys and other professionals or consultants
28 who advised and/or represented the Debtor in connection with litigation or other legal matters

1 prior to the Petition Date, including with respect to the AVB State Court Action, and which may
2 arise out of or relate to the Debtor's entry into the PAO Covenant, including claims against PAO.
3 The Debtor expressly reserves the right to commence litigation or assert claims against any and
4 all of its former officers, directors, management companies, attorneys, accountants, other
5 professionals, consultants and any other person or entity to the extent permitted by applicable
6 non-bankruptcy law.

7 Any litigation based upon Post-Confirmation Estate Claims will be filed no later than two
8 (2) years year after the Effective Date, or within any applicable limitations period, or within such
9 additional period of time as the Bankruptcy Court may allow upon motion of the Reorganized
10 Debtor, after such notice as the Bankruptcy Court may deem appropriate. In the event that
11 litigation based upon any Post-Confirmation Estate Claim is not timely commenced, such Post-
12 Confirmation Estate Claim will be deemed forever waived by the Estate and neither the
13 Reorganized Debtor, nor any other party-in-interest will have the right to pursue the same;
14 provided, however, that any such Post-Confirmation Estate Claim, may be utilized as a defense
15 against or offset to any Claim or cause of action which may be brought against the Estate.

16 Notwithstanding the rights of the Reorganized Debtor with respect to Post-Confirmation
17 Estate Claims, nothing in the Plan will require the Reorganized Debtor to prosecute or litigate
18 any such matters, all of which may be decided by the Reorganized Debtor in its sole discretion.

19 THE DEBTOR HAS NOT FULLY REVIEWED WHETHER POST-CONFIRMATION
20 ESTATE CLAIMS EXIST, INCLUDING, WITHOUT LIMITATION, WHETHER OR NOT
21 THERE ARE ANY AVOIDANCE ACTIONS OR OTHER ACTIONS DESCRIBED ABOVE
22 WHICH MAY BE BROUGHT AFTER THE EFFECTIVE DATE. THIS INVESTIGATION IS
23 ONGOING AND WILL OCCUR IN LARGE PART AFTER THE EFFECTIVE DATE, AS A
24 RESULT, CREDITORS AND OTHER PARTIES-IN-INTEREST SHOULD BE, AND ARE
25 PURSUANT TO THE TERMS OF THE PLAN, SPECIFICALLY ADVISED THAT,
26 NOTWITHSTANDING THAT THE EXISTENCE OF ANY PARTICULAR POST-
27 CONFIRMATION ESTATE CLAIM MAY NOT BE LISTED, DISCLOSED, OR SET FORTH
28 IN THE PLAN OR THE DISCLOSURE STATEMENT, A POST-CONFIRMATION ESTATE

1 CLAIM MAY BE BROUGHT AGAINST ANY CLAIMANT AT ANY TIME, SUBJECT TO
2 THE BAR DATE LIMITATIONS SET FORTH IN THE PLAN.

3 **H. Objections to Claims**

4 The right to litigate, resolve, and settle objections to Claims (at the expense of the Estate),
5 whether or not the subject of litigation as of the Effective Date, will be vested solely in the
6 Reorganized Debtor as of the Effective Date. From and after the Effective Date, the
7 Reorganized Debtor shall have the sole right to file, prosecute, litigate, and settle any objections
8 to Claims, whether or not any such objection is pending as of the Effective Date.

9 Notwithstanding that the Reorganized Debtor shall have the right to file, litigate,
10 prosecute, and settle objections to Claims on behalf of the Estate, nothing contained herein will
11 be deemed to obligate the Reorganized Debtor to take any such actions, all of which will be
12 determined in the Reorganized Debtor's sole discretion.

13 **Any Claims listed as Disputed in the Plan and Disclosure Statement and the**
14 **Exhibits attached thereto will be subject to claims objections proceedings. HOWEVER,**
15 **THE DEBTOR HAS NOT FULLY REVIEWED THE CLAIMS OR DETERMINED**
16 **WHETHER OBJECTIONS TO CLAIMS EXIST. THIS INVESTIGATION IS ONGOING**
17 **AND WILL OCCUR IN LARGE PART AFTER THE EFFECTIVE DATE. CREDITORS**
18 **AND OTHER PARTIES-IN-INTEREST SHOULD BE, AND ARE PURSUANT TO THE**
19 **TERMS OF THE PLAN SPECIFICALLY ADVISED THAT, NOTWITHSTANDING THAT**
20 **THE EXISTENCE OF ANY PARTICULAR OBJECTION TO CLAIM MAY NOT BE**
21 **LISTED, DISCLOSED, OR SET FORTH IN THE PLAN OR DISCLOSURE STATEMENT,**
22 **AN OBJECTION TO CLAIM MAY BE BROUGHT AGAINST ANY CLAIMANT AFTER**
23 **THE EFFECTIVE DATE.**

24 **I. Pending Disputed General Unsecured Claims as of the Date of Distribution**

25 In the event that any objection to any General Unsecured Claim should be pending as of
26 the date on which a distribution is owed to the holder of such General Unsecured Claim, no
27 distribution will be made on account of such disputed General Unsecured Claim until such
28 Disputed Claim has been determined and allowed by a Final Order. In the event that a Disputed

1 Claim is allowed by a Final Order, within five Business Days after such Disputed Claim is
2 allowed by such Final Order, such Allowed General Unsecured Claim will be paid to the extent
3 of the distributions previously made on account of Allowed General Unsecured Claims in the
4 same Class. Further distributions, if any, on account of such Allowed General Unsecured Claim
5 will be paid directly to the holder of such Allowed General Unsecured Claim, in an aggregate
6 amount not to exceed the amount of the General Unsecured Claim allowed by the Final Order.

7 **J. Unclaimed Distributions**

8 Distributions to holders of Allowed Claims will be made either: (a) at the addresses set
9 forth in the Proof of Claim filed by the Creditor; or (b) at the address set forth in any written
10 notice of address change delivered to the Debtor or the Reorganized Debtor after the date on
11 which any related Proof of Claim was filed; or (c) at the address reflected in the Schedules
12 relating to the applicable Allowed Claim if no Proof of Claim has been filed by the Creditor and
13 neither the Debtor nor the Reorganized Debtor has received a written notice of a change of
14 address.

15 The Reorganized Debtor shall not be required to perform any investigation or inquiry as
16 to the proper address for such Creditor if the address stated in any Proof of Claim filed by the
17 Creditor, written notice of change of address filed by the Creditor, or in the Schedules is
18 incorrect.

19 Any unclaimed distribution provided for under the Plan (which will include: (a) checks
20 which have been returned as undeliverable without a proper forwarding address; (b) checks
21 which were not mailed or delivered because of the absence of a proper address to which to mail
22 or deliver the same; or (c) checks which remain un-negotiated for a period of ninety (90) days,
23 will be retained and utilized by the Reorganized Debtor.

24 **K. Other Provisions of the Plan**

25 **1. Executory Contracts and Unexpired Leases**

26 **a. Assumptions**

27 The following are the unexpired leases and executory contracts that are to be assumed as
28 obligations of the Reorganized Debtor under the Plan:

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<u>Party to Executory Contract or Lease</u>	<u>Description</u>
Air Quality Specialists Attn President 22501 Chase Suite 8307 Aliso Viejo, CA 92656	mold inspection and sampling services agreement
Barrera and Company Inc Attn President 2207 Garnet Avenue Suite H San Diego, CA 92109	reserve funding study services agreement
Coast Landscape a California corporation Attn Michael Dunn Landscape Services Director 1418 North Hundley Street Anaheim, CA 92806	landscaping services agreement
Entre-Manure LLC Attn Managing Member 24481 Alta Vista Drive Suite 2 Dana Point, CA 92629	pet waste clean-up services agreement
Marco Polo Pool & Spa Inc Attn President 15641 Product Lane #A-4 Huntington Beach, CA 92649	pool services agreement
Skyline Security Management Inc Attn President 9027 Florence Avenue Downey, CA 90240	alarm monitoring services agreement
Patrol One Attn President PO Box 5487 Orange, CA 92863-5487	security services agreement
Tops Software LLC Attn Managing Member 364C Christopher Avenue Gaithersburg, MD 20879	software maintenance agreement
Pacific Air Quality Testing Attn President 2628 O'Brien Place Escondido, CA 92027	inspection, screening and mold sampling services agreement

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b. **General Assumption Procedures**

On the Effective Date, each of the unexpired leases and executory contracts listed above shall be assumed as obligations of the Reorganized Debtor. The Order of the Court confirming the Plan shall constitute an Order approving the assumption of each lease and contract listed above. If you are a party to a lease or contract to be assumed and you object to the assumption of your lease or contract, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

Any monetary defaults under each executory contract or unexpired lease to be assumed under the Plan will be satisfied, pursuant to Section 365 of the Bankruptcy Code, in either of the following ways: (1) by payment of the default amount in quarterly cash installments commencing on the Effective Date and continuing for one year; or (2) by payment of the default amount on such other terms as agreed to by the Reorganized Debtor and the non-debtor parties to such executory contract or unexpired lease.

In the event of a dispute regarding (i) the amount or timing of any cure payments, (ii) the ability of the Reorganized Debtor to provide adequate assurance of future performance under the executory contract or unexpired lease to be assumed, or (iii) any other matter pertaining to assumption (or assumption and assignment) of the executory contract or unexpired lease to be assumed, the Reorganized Debtor will pay any undisputed cure amount when such payments otherwise are due under the Plan, and the disputed amounts will be paid following the entry of a Final Order resolving the dispute and approving assumption.

c. **Rejections**

On the Confirmation Date, except for any executory contract or unexpired lease specifically assumed or rejected pursuant to a prior order of the Bankruptcy Court or assumed pursuant to the Plan, each executory contract or unexpired lease entered into by the Debtors prior to the Petition Date that has not previously expired or terminated pursuant to its own terms will be deemed rejected pursuant to Section 365 of the Bankruptcy Code. Therefore, rejections include but are not limited to the following:

<u>Party to Executory Contract or Lease</u>	<u>Description</u>
Calico Building Services Inc Attn President 15550-C Rockfield Blvd Irvine, CA 92618	Janitorial services agreement
Inland Desert Security & Communications dba Professional Answering Services Attn President 300 S Sycamore Avenue Rialto, CA 92376	answering service agreement

The order confirming the Plan shall constitute an Order approving the rejection of the lease or contract. If you are a party to a contract or lease to be rejected and you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan. See Section I.B.3. of the Disclosure Statement for the specific date.

THE BAR DATE FOR FILING A PROOF OF CLAIM BASED ON A CLAIM ARISING FROM THE REJECTION OF LEASE OR CONTRACT IS THIRTY DAYS FROM THE CONFIRMATION DATE. Any Claim based on the rejection of a contract or lease will be barred if the proof of Claim is not timely filed, unless the Court later orders otherwise.

Proofs of Claim for any Claims arising by reason of any rejection of executory contracts or unexpired leases pursuant to the Plan shall be filed and served upon the Disbursing Agent and counsel for the Disbursing Agent within thirty days after the Confirmation Date. In the event that any such Proof of Claim is not filed and served as set forth herein, such Claim will be deemed conclusively to be waived and will be forever barred in the Case, without further notice. Any Claim timely asserted hereunder arising out of the rejection of an executory contract or unexpired lease will be deemed to be a General Unsecured Claim under the Plan, but will not automatically become an Allowed Claim.

2. Changes in Rates Subject to Regulatory Commission Approval

The Debtor is not subject to governmental regulatory commission approval of rates. The Debtor is not regulated by a governmental commission.

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3. Retention of Jurisdiction

Until this Plan has been fully consummated, the Bankruptcy Court shall retain jurisdiction to the extent provided by law, including, but not limited to, the following purposes:

1. The classification, allowance, disallowance, or estimation of the Claim of any Claimant and the re-examination of Claims which have been allowed for the purposes of determining acceptance of the Plan at the time of the Confirmation Hearing and the determination of such objections as may be filed to Claims. The failure by the Debtor to object to or to examine any Claim for the purpose of determining acceptance of this Plan shall not be deemed to be a waiver of the right of Debtor to object to or to re-examine the Claim, in whole or in part, at a later date.

2. Except for as otherwise provided herein, the determination of all questions and disputes regarding title to the assets of Debtor, the Estate, or the Reorganized Debtor and the determination of all causes of action, controversies, disputes, or conflicts, whether or not subject to any action pending as of the Confirmation Date, in which the Debtor or the Reorganized Debtor is a party.

3. The correction of any defect, the curing of any omission, or the reconciliation of any inconsistency in the Plan or in the Confirmation Order as may be necessary to carry out the purposes and intent of the Plan.

4. The resolution of any motions, adversary proceedings, contested or litigated matters and any other matters and grant or deny any applications involving the Debtor or the Reorganized Debtor that may be pending on the Effective Date.

5. The modification of the Plan after confirmation pursuant to the Bankruptcy Code and the Bankruptcy Rules, or if in the best interests of the Estate and the Creditors, modification of this Plan even after the Plan has been substantially consummated.

6. The enforcement and interpretation of the terms and conditions of the Plan or the Confirmation Order, and the determination of such matters, and the making of such orders consistent with the Plan as may be necessary or desirable to effectuate the provisions of the Plan.

1 7. The determination, either before or after the closing of this bankruptcy case, of
2 any Claims concerning state, local, and federal taxes pursuant to Section 346, 505, 525, or 1146
3 of the Bankruptcy Code or other applicable law, and the Debtor's, Reorganized Debtor's, or the
4 Estate's entitlement, if any, to tax attributes which may have been property of the Estate, either
5 before or after the closing of this bankruptcy case.

6 8. The shortening or extending, for cause, of the time fixed for doing any act or
7 thing under the Plan, on such notice, if any, as the Bankruptcy Court shall determine to be
8 appropriate.

9 9. The entry of any order, including, without limitation, any injunction, to enforce
10 the title, rights, and powers of the Debtor or the Reorganized Debtor and such limitations,
11 restrictions, terms, and conditions of such title, rights, and powers as the Bankruptcy Court may
12 deem necessary.

13 10. The determination of any disputes arising under or relating to any order entered
14 by the Bankruptcy Court in the bankruptcy case.

15 11. The determination of the validity, extent, or priority of any liens and security
16 interests against property of Debtor, the Reorganized Debtor, or the Estate.

17 12. The determination of all actions and proceedings which relate to pre-confirmation
18 matters affecting the Debtor or the Estate whether such action or proceeding is brought before or
19 after the Effective Date.

20 13. The liquidation or allowance of any Claim as well as any objection or dispute
21 concerning any Claim of the Estate.

22 14. The determination of all questions and disputes regarding collection of assets of
23 Debtor or the Estate as of the Confirmation Date.

24 15. The entry of an order concluding and terminating the bankruptcy case.

25 16. Such other matters to the extent provided by law.

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IV. EFFECT OF CONFIRMATION OF THE PLAN

A. Discharge

The Plan provides that upon confirmation of the Plan, the Debtor shall be discharged of liability for payment of debts incurred before confirmation of the Plan to the extent specified in 11 U.S.C. Section 1141. However, the discharge will not discharge any liability imposed by the Plan.

B. Exculpation

To the extent permitted under Bankruptcy Code Section 1125(e), upon the occurrence of the Effective Date, the Debtor, the Reorganized Debtor, and its agents and professionals (including counsel to the Debtor) shall be deemed to have no liability for any act or omission in connection with, or arising out of, the pursuit of approval of the Disclosure Statement, the solicitation of votes for confirmation of the Plan, for violation of any applicable law, rule or regulation governing solicitation of acceptance or rejection of the Plan or the offer, issuance, sale, or purchase of securities offered or sold under the Plan. Notwithstanding the foregoing, nothing herein shall release the Reorganized Debtor from its duties and obligations under the Plan.

C. Revesting of Property in the Debtor

Except as provided elsewhere in the Plan, the confirmation of the Plan revests all of the property of the Estate in the Debtor. After the Confirmation Date, the disposition of any assets in the possession of the Debtor and/or Disbursing Agent whether by sale, settlement or otherwise, shall not be subject to or require Court approval.

Except as set forth in the Plan to the contrary, on the Effective Date, the property of the Estate will vest in the Reorganized Debtor free and clear of any Claims, liens, encumbrances, or interests of Creditors, parties-in-interest, and other entities.

From and after the Effective Date, the Reorganized Debtor may acquire, and dispose of property and settle and compromise claims without supervision by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than restrictions

1 expressly imposed by the Plan, the Confirmation Order, and any document, agreement, or
2 instrument delivered in connection therewith.

3 Except as otherwise provided in the Plan or in the Confirmation Order, the rights
4 afforded in the Plan and the treatment of all Claims in the Plan will be in exchange for and in
5 complete satisfaction, discharge, and release of all Claims (including Administrative Claims and
6 any interest accrued on any Claim from and after the Petition Date) against the Debtor and any of
7 its assets and properties.

8 **D. Modification of the Plan**

9 The Debtor may modify the Plan at any time before confirmation. However, the Court
10 may require a new disclosure statement and/or re-voting on the Plan.

11 The Debtor may also seek to modify the Plan at any time after confirmation only if (1)
12 the Plan has not been substantially consummated and (2) the Bankruptcy Court authorizes the
13 proposed modifications after notice and a hearing.

14 If the Bankruptcy Court determines that a Post-Confirmation modification of the Plan is
15 in the best interest of the Estate and the Creditors, even after substantial consummation of the
16 Plan, then, notwithstanding the provisions of Section 1127(b) of the Bankruptcy Code, the
17 Bankruptcy Court may authorize such modification of the Plan, after notice and a hearing, in
18 such manner and under such conditions, as the Bankruptcy Court deems appropriate.

19 **E. Post-Confirmation Status Reports**

20 Within 120 days of the entry of the order confirming the Plan, the Disbursing Agent shall
21 file a status report with the Bankruptcy Court explaining what progress has been made toward
22 consummation of the confirmed Plan. The status report shall be served on the United States
23 Trustee, the twenty largest unsecured Creditors, and those parties who have requested special
24 notice. Further status reports shall be filed every 120 days and served on the same entities.

25 **F. Post-Confirmation Conversion/Dismissal**

26 A Creditor or party in interest may bring a motion to convert or dismiss the case under
27 Section 1112(b), after the Plan is confirmed, if there is a default in performing the Plan. If the
28 Bankruptcy Court orders the case converted to Chapter 7 after the Plan is confirmed, then all

1 property that had been property of the Chapter 11 Estate, and that has not been disbursed
2 pursuant to the Plan, will revert in the Chapter 7 estate. The automatic stay will be reimposed
3 upon the reverted property, but only to the extent that relief from stay was not previously
4 authorized by the Court during this case.

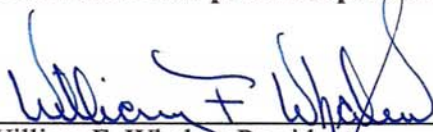
5 The Confirmation Order may also be revoked under very limited circumstances. The
6 Court may revoke the Confirmation Order if the Confirmation Order was procured by fraud and
7 if a party in interest brings an adversary proceeding to revoke the Confirmation Order within 180
8 days after the entry of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

9 **G. Final Decree**

10 Once the Estate has been fully administered as referred to in Federal Rule of Bankruptcy
11 Procedure 3022, the Reorganized Debtor, or such other party as the Court shall designate in the
12 Confirmation Order, shall file a motion with the Bankruptcy Court to obtain a final decree to
13 close the case.

14 Dated: April 26, 2011

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16 **LAGUNA VILLAGE OWNERS' ASSOCIATION,
a California non-profit corporation**

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18 
19 _____
William F. Whalen, President

20
21 **SHULMAN HODGES & BASTIAN LLP**

22 /s/ James C. Bastian, Jr.

23 _____
James C. Bastian, Jr.
24 Mark Bradshaw
25 Attorneys for Laguna Village Owners' Association, Inc., a
California non-profit corporation
the Debtor and Debtor in Possession