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FILED
SEP 10 2007
CLERK U.S. BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
BY Deputy Clerk

ENTERED
SEP 10 2007
CLERK U.S. BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
BY Deputy Clerk

8 UNITED STATES BANKRUPTCY COURT
9 CENTRAL DISTRICT OF CALIFORNIA
10 SAN FERNANDO VALLEY DIVISION

11 In re:
12 OWNIT MORTGAGE SOLUTIONS, INC.,
13 Debtor.

Case No.: SV-06-12579 KT
Chapter 11

14 LODGED
15 SEP 10 2007
16 CLERK U.S. BANKRUPTCY COURT
17 CENTRAL DISTRICT OF CALIFORNIA
18 BY Deputy Clerk

[PROPOSED] ORDER (1) APPROVING THE ADEQUACY OF THE SECOND AMENDED DISCLOSURE STATEMENT DESCRIBING THE DEBTOR'S SECOND AMENDED LIQUIDATING PLAN OF REORGANIZATION; (2) APPROVING THE FORM, SCOPE, AND NATURE OF SOLICITATION, BALLOTING, TABULATION AND NOTICES REGARDING THE DISTRIBUTION OF THE DISCLOSURE STATEMENT AND PLAN CONFIRMATION; AND (3) ESTABLISHING PROCEDURES AND DEADLINES RELATED TO PLAN CONFIRMATION

Disclosure Statement Approval Hearing

Date: September 6, 2007
Time: 2:00 p.m.
Location: Courtroom 301
21041 Burbank Blvd.
Woodland Hills, CA

Plan Confirmation Hearing

Date: November 1, 2007
Time: 2:30 p.m.
Location: Courtroom 301
21041 Burbank Blvd.
Woodland Hills, CA

1 WHEREAS, Ownit Mortgage Solutions, Inc., debtor and debtor in possession (the "Debtor"),
2 filed on July 25, 2007 the Disclosure Statement Describing the Debtor's Liquidating Plan of
3 Reorganization Under Chapter 11 of the Bankruptcy Code Dated July 25, 2007 [Docket No. 567] in
4 respect to the Debtor's Liquidating Plan of Reorganization Under Chapter 11 of the Bankruptcy
5 Code [Docket No. 568]; and whereas, on August 1, 2007, the Debtor filed its Motion for an Order
6 (1) Approving the Adequacy of the Disclosure Statement Describing the Debtor's Liquidating Plan
7 of Reorganization; (2) Approving the Form, Scope, and Nature of Solicitation, Balloting, Tabulation
8 and Notices Regarding the Distribution of the Disclosure Statement and Plan Confirmation; and
9 (3) Establishing Procedures and Deadlines Related to Plan Confirmation [Docket No. 600] (the
10 "Motion"); and whereas, on August 24, 2007, the Official Committee of Unsecured Creditors
11 appointed in the Debtor's case (the "Committee") filed a joinder to the Motion, which included the
12 Committee's request to approve a letter indicating the Committee's unanimous support for the
13 confirmation of the Plan (the "Committee Letter") and to authorize and direct the Debtor to include
14 the Committee Letter in the solicitation package mailed to all unsecured creditors; and whereas, the
15 Office of the United States Trustee (the "UST") and Merrill Lynch Mortgage Capital Inc. and
16 Merrill Lynch Mortgage Lending, Inc. (collectively, "Merrill") filed objections to the Debtor's
17 Disclosure Statement (the "Objections"); and whereas, on August 30, 2007, the Debtor filed the
18 Debtor's First Amended Liquidating Plan of Reorganization Under Chapter 11 of the Bankruptcy
19 Code [Docket No. 765], the First Amended Disclosure Statement Describing the Debtor's First
20 Amended Liquidating Plan of Reorganization Under Chapter 11 of the Bankruptcy Code [Docket
21 No. 766], a notice setting forth the revisions to the Debtor's plan and proposed disclosure statement
22 and the exhibits thereto [Docket No. 764] (the "Notice"), and a reply to the Objections [Docket No.
23 767] (the "Reply"); and whereas, the Motion came on for hearing on September 6, 2007 at 2:00 p.m.
24 (the "Hearing"); and whereas, as evidenced by the proofs of service filed with the Court, appropriate
25 and sufficient notice of the Motion and the Hearing was provided by the Debtor to parties in interest
26 in accordance with the Federal Rules of Bankruptcy Procedure and Local Bankruptcy Rules; and
27 whereas, the Court held the Hearing on the Motion on September 6, 2007, and appearances were
28 made as stated on the record; and whereas, on September 10, 2007, the Debtor filed the Debtor's

1 Second Amended Liquidating Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (as
2 may be amended, the "Plan")¹ and the Second Amended Disclosure Statement Describing the
3 Debtor's Second Amended Liquidating Plan of Reorganization Under Chapter 11 of the Bankruptcy
4 Code (the "Disclosure Statement"); and whereas, based on the Motion, the statements of counsel at
5 the Hearing, all other filings properly brought before the Court, including, without limitation, the
6 Notice and Reply, and the record in this Case, there is sufficient and good cause for the relief
7 provided hereby;

8 **IT IS ORDERED THAT:**

- 9 1. The Motion is hereby approved.
- 10 2. The Disclosure Statement, substantially in the form attached hereto as Exhibit A, is
11 hereby approved in all respects pursuant to 11 U.S.C. § 1125.
- 12 3. The Notice of Entry of Order (I) Approving Second Amended Disclosure Statement;
13 (II) Establishing Voting Deadline and Procedures for Filing Objections to Confirmation of the Plan;
14 (III) Approving Form of Ballot; and (IV) Establishing Solicitation and Tabulation Procedures,
15 substantially in the form attached hereto as Exhibit B (the "Voting Creditors Notice"), is hereby
16 approved in all respects.
- 17 4. The Committee Letter, substantially in the form attached hereto as Exhibit C, is
18 hereby approved in all respects.
- 19 5. The Notice of (I) Approval of Second Amended Disclosure Statement Describing
20 Debtor's Second Amended Liquidating Plan of Reorganization, (II) Hearing to Consider
21 Confirmation of the Plan, (III) Summary of Plan Treatment of Claims and Interests, and (IV)
22 Deadline and Procedures for Filing Objections to Confirmation of the Plan, substantially in the form
23 attached hereto as Exhibit D (the "Non-Voting Creditors Notice") is hereby approved in all respects.
- 24 6. The Ballots, substantially in the forms attached hereto as Exhibit E, are hereby
25 approved in all respects.
- 26 7. A hearing to consider confirmation of the Plan (the "Confirmation Hearing") shall be
27 held on **November 1, 2007 at 2:30 p.m. (Pacific Time)** or as soon thereafter as counsel can be
28

¹ All capitalized terms not defined herein shall have the meaning ascribed to them in the Plan or Motion, as applicable.

1 heard, before the Honorable Kathleen Thompson, United States Bankruptcy Judge, at the United
2 States Bankruptcy Court for the Central District of California, San Fernando Valley Division (the
3 "Court"), 21041 Burbank Blvd., Courtroom 301, Woodland Hills, California. The Confirmation
4 Hearing may be adjourned from time to time without further notice other than the announcement at
5 the Confirmation Hearing of the date or dates of any adjourned hearing. Additionally, the Plan may
6 be modified, pursuant to Bankruptcy Code section 1127, prior to or as a result of the Confirmation
7 Hearing without further notice to parties in interest.

8 8. The record date for purposes of voting to accept or reject the Plan is the date of entry
9 of this Order (the "Voting Record Date").

10 9. The deadline for the receipt of Ballots accepting or rejecting the Plan shall be **5:00**
11 **p.m. Pacific Time, on October 11, 2007** (the "Voting Deadline"). For a Ballot to be counted, it
12 must be actually received prior to the Voting Deadline at the applicable address indicated in the
13 voting instructions that accompany the Ballot, unless the Debtor, after consultation with the
14 Committee, consents to counting an otherwise late-received Ballot.

15 10. The Trumbull Group, LLC dba Wells Fargo Trumbull is hereby approved as the
16 Balloting Agent, which shall receive and tabulate the Ballots for the Plan, and prepare the Ballot
17 tabulation analysis (the "Plan Ballot Summary") in accordance with paragraphs 16-20 below.

18 11. The Debtor is authorized and directed to mail, or cause to be mailed, by United States
19 Postal Service, first-Class delivery, no later than five (5) business days after entry of this Order (the
20 "Service Date"), to (1) each and every known entity that has filed a proof of claim in the Debtor's
21 case or that the Debtor has listed as a creditor on its Bankruptcy Schedules holding a liquidated,
22 undisputed, noncontingent claim, (2) all parties to executory contracts or unexpired leases with the
23 Debtor, (3) all entities that have requested special notice in the case pursuant to Bankruptcy Rule
24 2002, (4) Ownit Holdings, LLC (or counsel therefor), (5) the UST, (6) the Securities and Exchange
25 Commission, and (7) the District Director of the Internal Revenue Service for the district in which
26 the Debtor's case is pending, a "Solicitation Package," which shall be comprised of (a) the Plan,
27 (b) the Disclosure Statement and all exhibits thereto, (c) the Notice of Entry of Order (I) Approving
28 Second Amended Disclosure Statement; (II) Establishing Voting Deadline and Procedures for Filing

1 Objections to Confirmation of the Plan; (III) Approving Form of Ballot; and (IV) Establishing
2 Solicitation and Tabulation Procedures, substantially in the form attached hereto as Exhibit B, and
3 (d) the Committee Letter, substantially in the form attached hereto as Exhibit C; provided that, if the
4 intended recipient is in a Class entitled to vote on the Plan (specifically, Classes 3, 4 and 5), the
5 Solicitation Package shall also include an appropriate Ballot (described further below) and a self-
6 addressed envelope addressed to the Balloting Agent.

7 12. For the purpose of distributing the Ballots pursuant to the foregoing paragraph,

8 (a) holders of Class 3 Claims (General Unsecured Claims) as of the Voting
9 Record Date are (i) those entities listed on the Bankruptcy Schedules as holding a General
10 Unsecured Claim (other than creditors with claims scheduled as disputed, contingent or unliquidated,
11 which creditors have failed to timely file a proof of claim) and (ii) those entities that have filed a
12 proof of claim asserting a General Unsecured Claim, which such proof of claim has not been
13 disallowed, withdrawn or expunged on or before the Voting Record Date; provided, however, to the
14 extent that any proof of claim is unclassified by the claimant, it shall be treated as a General
15 Unsecured Claim in Class 3 for voting purposes only; provided further that an entity that has filed
16 duplicate or amended proofs of claim will receive only one Ballot and its claim amount for voting
17 purposes shall be as set forth in the last filed proof of claim in the case of amended proofs of claim
18 having been filed or the earlier/earliest filed proof of claim in the case of duplicate claims having
19 been filed;

20 (b) as of the Voting Record Date, there are no members of Class 4 (Subordinated
21 General Unsecured Claims) (for purposes of voting only); and

22 (c) the sole member of Class 5 (Interests) is Ownit Holdings, LLC.

23 13. By the Service Date, the Debtor is authorized and directed to mail, or cause to be
24 mailed, by United States Postal Service, first-Class delivery, the Notice of (I) Approval of Second
25 Amended Disclosure Statement Describing Debtor's Second Amended Liquidating Plan of
26 Reorganization, (II) Hearing to Consider Confirmation of the Plan, (III) Summary of Plan Treatment
27 of Claims and Interests, and (IV) Deadline and Procedures for Filing Objections to Confirmation of
28 the Plan, substantially in the form attached hereto as Exhibit D (the "Non-Voting Creditors Notice"),

1 without a copy of the Plan, the Disclosure Statement or Ballot, on (1) all entities that are identified
2 on the Bankruptcy Schedules as holding a claim that is disputed, contingent, unliquidated and that
3 have failed to timely file a proof of Claim or Interest in the Debtor's case, (2) entities known to hold
4 Administrative Claims, and (3) all known federal, state and local agencies or units responsible for
5 the collection of taxes in connection with the operation of the Debtor's business and assets.

6 14. (a) The Non-Voting Creditors Notice and the manner of service thereof and (b) the
7 Solicitation Package and the manner of service thereof, as set forth in the preceding paragraphs,
8 satisfy the requirements of Bankruptcy Rule 3017(d).

9 15. The Debtor, after consultation with the Committee, is authorized to make non-
10 substantive modifications to the Disclosure Statement and other documents in the Solicitation
11 Package prior to distribution in order to insert dates and deadlines or make corrections or
12 modifications of a typographical, conforming and/or ministerial nature.

13 16. For the purposes of voting, the amount of a claim used to tabulate acceptance or
14 rejection of the Plan shall be either (a) the claim amount listed on the Bankruptcy Schedules,
15 provided that (i) such claim is not scheduled as contingent, unliquidated or disputed, and (ii) no
16 proof of claim has been timely filed; (b) the liquidated amount specified in a proof of claim timely
17 filed with the Court to the extent the liquidated amount specified in such proof of claim is not the
18 subject of an objection to claim filed before the Confirmation Hearing (or in the case of claims
19 resolved pursuant to a stipulation or order entered by the Court before the Confirmation Hearing, the
20 amount set forth in such stipulation or order); or (c) the amount temporarily allowed by the Court for
21 voting purposes pursuant to Bankruptcy Rule 3018(a), after notice and a hearing prior to the
22 Confirmation Hearing.

23 17. If a creditor casts a Ballot and has filed a proof of claim that is the subject of an
24 objection or an estimation motion filed before the Confirmation Hearing, the creditor's Ballot shall
25 not be counted, unless: (i) some portion of the creditor's claim is not disputed, in which case such
26 creditor's Ballot shall only be counted up to the undisputed amount of the creditor's claim; or (ii) the
27 creditor's claim is temporarily allowed by the Court for voting purposes in accordance with
28 Bankruptcy Rule 3018, after notice and a hearing prior to the Confirmation Hearing.

1 Notwithstanding any other provision herein to the contrary, Ballots cast by creditors whose claims
2 are not listed on the Bankruptcy Schedules but who have timely filed proofs of claim (i) in an
3 unliquidated or unknown amount, (ii) in the amount of \$0 or (iii) with no amount specified, which
4 such proofs of claim are not the subject of an objection or an estimation motion filed before the
5 commencement of the Confirmation Hearing, will have their Ballots counted towards satisfying the
6 numerosity requirements of Section 1126(c) of the Bankruptcy Code, but will not have their Ballots
7 counted toward satisfying the aggregate amount provisions of that section.

8 18. Ballots received by the Balloting Agent in the following categories shall not be
9 counted as an acceptance or rejection of the Plan, unless otherwise ordered by the Court:

10 (a) Ballots where the claimant or the claimant's representative did not use the
11 authorized form, or a form of Ballot substantially similar to such authorized form;

12 (b) Ballots not received by the Balloting Agent on or before the Voting Deadline
13 (unless the Debtor, after consultation with the Committee, consents to counting an otherwise late-
14 received Ballot);

15 (c) Ballots where the claimant or the claimant's authorized representative
16 checked boxes indicating both acceptance and rejection of the Plan; and

17 (d) Ballots not signed by the claimant or the claimant's authorized representative.

18 19. The following voting procedures and standard assumptions will be used in tabulating
19 Ballots:

20 (a) For purposes of the numerosity requirements of Section 1126(c) of the
21 Bankruptcy Code, separate claims held by a single creditor in a particular Class will be aggregated
22 as if such creditor held one claim against the Debtor in such Class, and the votes related to such
23 claims will be treated as a single vote to accept or reject the Plan.

24 (b) Creditors must vote all of their claims within a particular Class either to
25 accept or reject the Plan and may not split their vote. Accordingly, a Ballot (or multiple ballots with
26 respect to multiple claims within a single Class) that partially rejects and partially accepts the Plan
27 will not be counted.

28

1 (c) Ballots that fail to indicate an acceptance or rejection of the Plan, but that are
2 otherwise properly executed and received prior to the Voting Deadline, will be counted as a vote in
3 favor of the Plan.

4 (d) Only Ballots that are timely received with original signatures will be counted.
5 Unsigned Ballots will not be counted. Ballots sent via facsimile or email will not be counted unless
6 the claimant receives the written consent of the Debtor.

7 (e) If prior to the Voting Deadline, an entity casts more than one Ballot for the
8 same Claim, the last properly completed Ballot received by the Balloting Agent prior to the Voting
9 Deadline will be deemed to reflect the voter's intent and to supersede any prior Ballot.

10 20. Any and all other Balloting related procedures and assumptions set forth in the
11 approved forms of Ballots not otherwise inconsistent with those set forth above are hereby
12 incorporated herein by reference and approved by the Court. The Voting Creditors Notice, the Non-
13 Voting Creditors Notice and this Order shall not constitute a waiver of any deadline for the filing of
14 Claims against the Debtor or its estate.

15 21. Notwithstanding any provision in the Disclosure Statement or the Plan or herein to
16 the contrary, the Debtor shall file with the Court and serve via U.S. mail or e-mail on all parties in
17 interest served with a Solicitation Package in accordance with this Order the Liquidating Trustee
18 Disclosure by no later than ten (10) calendar days prior to the Voting Deadline.

19 22. **October 10, 2007 at 5:00 p.m. (Pacific Time)** (the "Objection Deadline") is fixed as
20 the last date and time for filing and serving written objections or responses to Confirmation of the
21 Plan, including any supporting memoranda. Any objections to Confirmation of the Plan must be in
22 writing, filed with the Clerk of the Bankruptcy Court and served upon the following parties so as to
23 be received by the Objection Deadline: (a) the Debtor: Ownit Mortgage Solutions, Inc., Attn:
24 William D. Dallas, 4360 Park Terrace Drive, Suite 100, Westlake Village, CA; (b) counsel for the
25 Debtor: Pachulski Stang Ziehl & Jones LLP, Attn: Linda Cantor and Jonathan Kim, 10100 Santa
26 Monica Blvd., Suite 1100, Los Angeles, CA 90067; (c) the Office of the United States Trustee,
27 Attn: Jennifer Braun, 21051 Warner Center Lane, Suite 115, Woodland Hills, CA 91367; and (d)
28 counsel for the Committee: Stutman Treister & Glatt, Attn: Michael Goldstein and Christine Pajak,

1 1901 Avenue of the Stars, 12th Floor, Los Angeles, CA 90067. All declarants or affiants in support
2 or opposition to the Confirmation of the Plan must appear and be available, without need for
3 subpoena, for cross-examination at the Confirmation Hearing (except for declarants making
4 declarations of service). The testimony of any declarant or affiant who does not appear and make
5 himself or herself available for cross-examination at the Confirmation Hearing will be stricken from
6 the record and will not be considered in determining contested matters at the Confirmation Hearing,
7 unless such party's appearance has been excused by order of the Court.

8 23. By no later than seven (7) calendar days before the Confirmation Hearing, the Debtor
9 shall and, if so desired the Committee may, file with the Court and serve on (i) the UST, (ii) counsel
10 for the Committee (in the case of a filing by the Debtor) and counsel for the Debtor (in the case of a
11 filing by the Committee), (iii) any parties that timely file objections pursuant to the preceding
12 paragraph, and (iv) those entities that have filed requests for special notice pursuant to Bankruptcy
13 Rule 2002, a memorandum in support of Plan confirmation and response to objections.

14 24. By no later than October 18, 2007, the Balloting Agent shall prepare and file with the
15 Court and serve on the UST and Committee's counsel the Plan Ballot Summary.

16 25. The Debtor has provided adequate information in the Disclosure Statement to
17 creditors regarding the Causes of Action and Objections, including the Avoidance Actions and
18 Rights of Action, and neither the Disclosure Statement, the Plan, Confirmation of the Plan nor the
19 order of the Court confirming the Plan pursuant to Bankruptcy Code section 1129 shall preclude,
20 bar, impair or prejudice by way of res judicata, collateral estoppel, judicial estoppel, issue preclusion
21 or otherwise, the Debtor, its Estate and the OWNIT Liquidating Trust from pursuing and prosecuting
22 the Causes of Action and Objections, including the Avoidance Actions and Rights of Action after
23 Confirmation.

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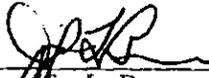
Dated: _____, 2007

THE HONORABLE KATHLEEN THOMPSON
UNITED STATES BANKRUPTCY JUDGE

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Approved as to form:

OFFICE OF THE UNITED STATES TRUSTEE

By: 
Jennifer L. Braun
Attorney for the U.S. Trustee

STUTMAN, TREISTER & GLATT

By: _____
Michael H. Goldstein
Christine Pajak
Gabriel Glazer
Attorney for Official Unsecured
Creditors' Committee

LOEB & LOEB LLP

By: _____
Lance N. Jurich
Derrick Talerico
Attorneys for Creditors
Merrill Lynch Mortgage Capital Inc. and
Merrill Lynch Mortgage Lending, Inc.

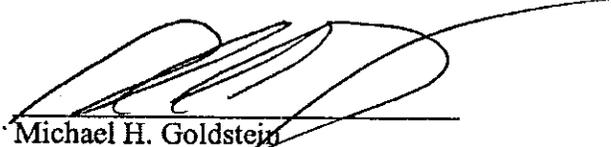
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Approved as to form:

OFFICE OF THE UNITED STATES TRUSTEE

By: _____
Jennifer L. Braun
Attorney for the U.S. Trustee

STUTMAN, TREISTER & GLATT

By: 

Michael H. Goldstein
Christine Pajak
Gabriel Glazer
Attorney for Official Unsecured
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LOEB & LOEB LLP

By: _____
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Merrill Lynch Mortgage Capital Inc. and
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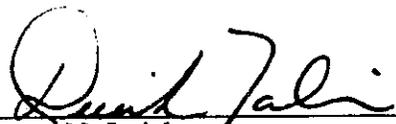
OFFICE OF THE UNITED STATES TRUSTEE

By: _____
Jennifer L. Braun
Attorney for the U.S. Trustee

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EXHIBIT A
- SECOND AMENDED DISCLOSURE STATEMENT -

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5 Attorneys for Debtor and Debtor in Possession
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7 **UNITED STATES BANKRUPTCY COURT**
8 **CENTRAL DISTRICT OF CALIFORNIA**
9 **SAN FERNANDO VALLEY DIVISION**

10 In re
11 OWNIT MORTGAGE SOLUTIONS, INC.,
12 Debtor

Case No.: SV-06-12579-KT

Chapter 11

**SECOND AMENDED DISCLOSURE
STATEMENT DESCRIBING
DEBTOR'S SECOND AMENDED
LIQUIDATING PLAN OF
REORGANIZATION UNDER
CHAPTER 11 OF THE
BANKRUPTCY CODE**

PACHULSKI STANG ZIEHL & JONES LLP
ATTORNEYS AT LAW
LOS ANGELES, CALIFORNIA

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IMPORTANT DATES

- Date by which Ballots must be received: **October 11, 2007, at 5:00 p.m. (Pacific Time).**
 - Date by which objections to Confirmation of the Plan must be filed and served: **October 10, 2007, at 4:00 p.m. (Pacific Time).**
 - Hearing on Confirmation of the Plan: **November 1, 2007, at 2:30 p.m. (Pacific Time).**
-

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Jonathan J. Kim
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Attorneys for Debtor and Debtor in Possession, Plan Proponent

Dated: September 10, 2007

PACHULSKI STANG ZIEHL & JONES LLP
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LOS ANGELES, CALIFORNIA

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- EXHIBIT B – Liquidation Analysis
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- EXHIBIT E – Form of OWNIT Liquidating Trust Agreement

I.
INTRODUCTION

1
2
3 Ownit Mortgage Solutions, Inc., the above-captioned debtor and debtor in possession (the
4 "Debtor"), submits this Second Amended Disclosure Statement (the "Disclosure Statement") in
5 connection with the solicitation of acceptances and rejections with respect to the Debtor's Second
6 Amended Liquidating Plan of Reorganization under Chapter 11 of the Bankruptcy Code (the
7 "Plan"), a copy of which is attached hereto as **Exhibit A**. Capitalized terms used and not otherwise
8 defined herein will have the same meanings as ascribed to them in the Plan.

9 The purpose of this Disclosure Statement is to set forth information (a) regarding the history
10 of the Debtor, its business, and the chapter 11 case, (b) concerning the Plan and alternatives to the
11 Plan, (c) advising the holders of Claims and Interests of their rights under the Plan, (d) assisting the
12 Creditors and Interest Holders who are entitled to vote on the Plan in making an informed judgment
13 regarding whether they should vote to accept or reject the Plan, and (e) assisting the Bankruptcy
14 Court in determining whether the Plan complies with the provisions of chapter 11 of the Bankruptcy
15 Code, and should be confirmed.

16 By Order dated September ____, 2007 (the "Disclosure Statement Order"), the Bankruptcy
17 Court, after notice and a hearing, approved this Disclosure Statement as containing "adequate
18 information" to permit affected Creditors and Interest Holders to make an informed judgment in
19 exercising their rights to vote to accept or reject the Plan, and authorized its use in connection with
20 the solicitation of votes with respect to the Plan. **THE BANKRUPTCY COURT'S APPROVAL
21 OF THIS DISCLOSURE STATEMENT DOES NOT MEAN THAT THE COURT
22 RECOMMENDS EITHER ACCEPTANCE OR REJECTION OF THE PLAN.** No solicitation
23 of votes may be made except pursuant to this Disclosure Statement and section 1125 of the
24 Bankruptcy Code. In voting on the Plan, Creditors and Interest Holders should not rely on any
25 information relating to the Debtor, other than that contained in this Disclosure Statement, the Plan,
26 and all exhibits hereto and thereto, or such other materials approved by the Bankruptcy Court.

27 The Plan that is described in this Disclosure Statement is a liquidating Plan. The Plan's
28 objective is to transfer all Assets of the Debtor, including the prosecution of Causes of Action, to the

1 OWNIT Liquidating Trust, which shall liquidate such Assets, including the prosecution of any
 2 Rights of Action held by the OWNIT Liquidating Trust, and distribute the proceeds thereof to
 3 Holders of Allowed Claims and Allowed Unclassified Claims in satisfaction of the Debtor's
 4 obligations. In the event that: (i) all Allowed Claims (including Subordinated Allowed General
 5 Unsecured Claims), Allowed Administrative Claims and Allowed Unclassified Claims are paid in
 6 full, along with any and all accrued Postpetition Interest; (ii) all Post Effective Date Plan Expenses
 7 are paid in full; and (iii) all amounts payable pursuant to section 726(a)(1) through 726(a)(5),
 8 inclusive, are paid, any remaining amounts in the OWNIT Liquidating Trust shall be turned over to
 9 the Equity Pourover Account, and the Equity Disbursing Agent shall distribute the Equity Pourover
 10 Account to the Holders of Allowed Interests. The Plan divides Creditors and Holders of Interests
 11 into Classes based on their legal rights and interests and provides for the satisfaction of Claims from
 12 the Debtor's Assets. The Holders of Interests will not receive or retain anything on account of their
 13 Interests, except as provided for under Section IV.G of the Plan.

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

<u>CLASS</u>	<u>DESCRIPTION</u>	<u>IMPAIRED/ UNIMPAIRED</u>	<u>VOTING STATUS</u>
Class 1	Secured Claims	Unimpaired	Deemed to Accept Plan
Class 2	Priority Non-Tax Claims	Unimpaired	Deemed to Accept Plan

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<u>CLASS</u>	<u>DESCRIPTION</u>	<u>IMPAIRED/ UNIMPAIRED</u>	<u>VOTING STATUS</u>
Class 3	General Unsecured Claims	Impaired	Entitled to Vote on Plan
Class 4	Subordinated Allowed General Unsecured Claims	Impaired	Entitled to Vote on Plan
Class 5	Interests	Impaired	Entitled to Vote on Plan

If you are a Holder of a Claim in Class 3 and/or Class 4 or a holder of an Allowed Interest in Class 5, accompanying this Disclosure Statement is a Ballot for casting your vote(s) on the Plan and a pre-addressed envelope for the return of the Ballot. **BALLOTS FOR ACCEPTANCE OR REJECTION OF THE PLAN ARE BEING PROVIDED ONLY TO HOLDERS OF CLAIMS AND INTERESTS IN CLASSES LISTED IN THE ABOVE CHART WHICH ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN.** If you are the holder of a Claim and/or Interest in said Class(es), and (a) did not receive a Ballot, (b) received a damaged or illegible Ballot, or (c) lost your Ballot, or if you are a party in interest and have any questions concerning the Disclosure Statement, any of the Exhibits hereto, the Plan, or the voting procedures in respect thereof, please contact Pachulski Stang Ziehl & Jones LLP, Attn: Beth Dassa, 10100 Santa Monica Boulevard, Suite 1100, Los Angeles, California 90067; Telephone: (310) 277-6910; E-mail: bdassa@pszjlaw.com.

THE DEBTOR, AS PROPONENT OF THE PLAN, RECOMMENDS THAT THE HOLDERS OF CLAIMS IN CLASSES 3 AND 4 AND INTERESTS IN CLASS 5 VOTE TO ACCEPT THE PLAN. IN ADDITION, THE COMMITTEE RECOMMENDS THAT THE HOLDERS OF CLAIMS IN CLASS 3 VOTE TO ACCEPT THE PLAN.

VOTING ON THE PLAN, BY EACH HOLDER OF A CLAIM AND/OR INTEREST ENTITLED TO VOTE, IS IMPORTANT. EACH SUCH CREDITOR OR INTEREST HOLDER SHOULD READ THIS DISCLOSURE STATEMENT WITH ITS EXHIBITS, INCLUDING THE PLAN, IN ITS ENTIRETY. AFTER CAREFULLY REVIEWING THESE DOCUMENTS, PLEASE FOLLOW THE DIRECTIONS FOR VOTING CONTAINED ON THE BALLOT, AND

1 RETURN THE BALLOT IN THE ENVELOPE PROVIDED. TO BE COUNTED, YOUR
2 BALLOT MUST BE RECEIVED BY OCTOBER 11, 2007, AT 5:00 P.M. (THE "VOTING
3 DEADLINE") AT THE ADDRESS SET FORTH ON THE PRE-ADDRESSED ENVELOPE
4 ENCLOSED WITH YOUR BALLOT.

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

9 The Bankruptcy Court has scheduled a hearing on confirmation of the Plan for November 1,
10 2007 at 2:30 p.m. (Pacific Time) at the United States Bankruptcy Court for the Central District of
11 California, San Fernando Valley Division, Courtroom 301, 21041 Burbank Blvd., Woodland Hills,
12 California. Any objections to confirmation of the Plan must be in writing and filed with the
13 Bankruptcy Court, and served so as to be received by 5:00 p.m. (Pacific Time) on October 10, 2007,
14 upon the following: (1) counsel to the Debtor, Pachulski Stang Ziehl & Jones LLP, 10100 Santa
15 Monica Boulevard, 11th Floor, Los Angeles, California 90067, Attn: Linda F. Cantor & Jonathan J.
16 Kim; (2) Office of the United States Trustee, 21051 Warner Center Lane, Suite 115, Woodland
17 Hills, California 91367, Attn: Jennifer Braun; and (3) counsel to the Official Committee of
18 Unsecured Creditors, Stutman, Treister & Glatt, 1901 Avenue of the Stars, 12th Floor, Los Angeles,
19 California 90067, Attn: Michael Goldstein & Christine Pajak.

20
21 **II.**
DISCLAIMER

22 **THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY**
23 **BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN. PLEASE READ**
24 **THIS DOCUMENT WITH CARE. THE PURPOSE OF THE DISCLOSURE STATEMENT**
25 **IS TO PROVIDE "ADEQUATE INFORMATION" OF A KIND, AND IN SUFFICIENT**
26 **DETAIL, AS FAR AS IS REASONABLY PRACTICABLE IN LIGHT OF THE NATURE**
27 **AND HISTORY OF THE DEBTOR AND THE CONDITION OF THE DEBTOR'S BOOKS**
28 **AND RECORDS, THAT WOULD ENABLE A HYPOTHETICAL REASONABLE**

1 INVESTOR, TYPICAL OF HOLDERS OF CLAIMS OR INTERESTS OF THE RELEVANT
2 CLASS, TO MAKE AN INFORMED JUDGMENT CONCERNING THE PLAN. SEE 11
3 U.S.C. § 1125(a). UNLESS OTHERWISE INDICATED, THE DATE OF ALL OF THE
4 FINANCIAL INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT IS AS
5 OF JULY 25, 2007.

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

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

18 THE FINANCIAL INFORMATION CONTAINED HEREIN, UNLESS OTHERWISE
19 INDICATED, IS UNAUDITED. THE DEBTOR IS UNABLE TO WARRANT OR
20 REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT
21 INACCURACIES. GREAT EFFORT, HOWEVER, HAS BEEN MADE TO ENSURE THAT
22 ALL SUCH INFORMATION IS PRESENTED FAIRLY.

23 PACHULSKI STANG ZIEHL & JONES LLP, ("PSZJ") COMMENCED
24 REPRESENTING THE DEBTOR IN DECEMBER 2006 AS INSOLVENCY COUNSEL.
25 PSZJ HAS RELIED UPON INFORMATION PROVIDED BY THE DEBTOR'S
26 MANAGEMENT AND EMPLOYEES IN CONNECTION WITH PREPARATION OF THIS
27 DISCLOSURE STATEMENT. ALTHOUGH PSZJ HAS PERFORMED CERTAIN
28 LIMITED DUE DILIGENCE IN CONNECTION WITH THE PREPARATION OF THIS

1 DISCLOSURE STATEMENT, IT HAS NOT INDEPENDENTLY VERIFIED ALL OF THE
2 INFORMATION CONTAINED HEREIN.

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

12 THE CONTENTS OF THIS DISCLOSURE STATEMENT SHOULD NOT BE
13 CONSTRUED AS LEGAL, BUSINESS, OR TAX ADVICE. ANY TAX ADVICE HEREIN
14 WAS NOT INTENDED TO BE USED, AND IT CANNOT BE USED, FOR THE PURPOSE
15 OF AVOIDING ANY TAX PENALTIES THAT MAY BE IMPOSED ON ANY PERSON.
16 THERE IS NO LIMITATION IMPOSED ON ANYONE READING THIS DISCLOSURE
17 STATEMENT ON DISCLOSURE OF THE TAX TREATMENT OR TAX STRUCTURE OF
18 ANY TRANSACTION. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE USED
19 OR REFERRED TO IN PROMOTING, MARKETING OR RECOMMENDING A
20 PARTNERSHIP OR OTHER ENTITY, INVESTMENT PLAN, OR ARRANGEMENT TO
21 ANY PERSON. ALL CREDITORS AND/OR INTEREST HOLDERS SHOULD CONSULT
22 THEIR OWN LEGAL COUNSEL AND/OR ACCOUNTANT(S) AS TO LEGAL, TAX, AND
23 OTHER MATTERS CONCERNING THEIR CLAIMS OR INTERESTS.

24 III.
25 OVERVIEW OF THE CHAPTER 11 PROCESS AND THE PLAN

26 A. The Chapter 11 Process

27 Chapter 11 of the Bankruptcy Code contains numerous provisions, the general effect of
28 which is to provide debtors with "breathing space" within which to propose a restructuring of their

1 obligations to third parties. The filing of a chapter 11 bankruptcy petition creates a bankruptcy
2 “estate” comprising all of the property interests of the debtor. Unless a trustee is appointed by the
3 Bankruptcy Court for cause (no trustee has been appointed in this Case), a debtor remains in
4 possession and control of all its assets as a “debtor in possession.” The debtor may continue to
5 operate its business in the ordinary course on a day-to-day basis without Bankruptcy Court approval.
6 Bankruptcy Court approval is only required for various enumerated kinds of transactions (such as
7 certain financing transactions) and transactions out of the ordinary course of a debtor’s business.
8 The filing of the bankruptcy petition gives rise to what is known as the “automatic stay” which,
9 generally, enjoins creditors from taking any action to collect or recover obligations owed by a debtor
10 prior to the commencement of a chapter 11 case. The Bankruptcy Court can, however, grant relief
11 from the automatic stay, under certain specified conditions or for cause.

12 A chapter 11 debtor may propose a plan providing for the reorganization of the debtor or for,
13 as the Debtor’s Plan contemplates, the orderly liquidation and administration of the assets of the
14 estate. A plan may either be consensual or non-consensual and provides, among other things, for the
15 treatment of the claims of creditors and interests of shareholders.

16 **B. Overview of the Debtor’s Proposed Plan**

17 The following is a brief overview of the material provisions of the Plan and is qualified in its
18 entirety by reference to the full text of the Plan. For a more detailed description of the terms and
19 provisions of the Plan, see Article VII below, entitled “The Plan of Liquidation.”

20 The Plan’s objective is to transfer all Assets of the Debtor, including all Causes of Action, to
21 the OWNIT Liquidating Trust, which will liquidate such Assets, including the prosecution of the
22 Causes of Action, and distribute the proceeds thereof to Holders of Allowed Claims and Allowed
23 Unclassified Claims in satisfaction of the Debtor’s obligations. In the event that: (i) all Allowed
24 Claims (including Subordinated Allowed General Unsecured Claims), Allowed Administrative
25 Claims and Allowed Unclassified Claims are paid in full, along with any and all accrued Postpetition
26 Interest; (ii) all Post Effective Date Plan Expenses are paid in full; and (iii) all amounts payable
27 pursuant to Bankruptcy Code section 726(a)(1) through 726(a)(5), inclusive, are paid, any remaining
28 amounts in the OWNIT Liquidating Trust will be turned over to the Equity Pourover Account, and

1 the Equity Disbursing Agent will distribute the Equity Pourover Account to the holders of Allowed
2 Interests. The holders of Interests will not receive or retain anything on account of their Interests,
3 except as provided for under Section IV.G of the Plan.

4 The Plan designates a series of Classes of Claims and one Class of Interests, which include
5 all Claims against, and Interests in, the Debtor. These Classes take into account the differing nature
6 and priority under the Bankruptcy Code of the various Claims and Interests.

7 The following table (the "Plan Summary Table") summarizes the treatment of Claims and
8 Interests under the Plan with: (a) the Debtor's estimates of the amount of Claims in each category or
9 Class that will be finally determined to be Allowed Claims, and (b) a description of the treatment
10 provided for in the Plan for each Class of Claims and Interests. The dollar amounts included in Plan
11 Summary Table have been estimated by the Debtor as of the date of the Disclosure Statement and do
12 not constitute an admission by the Debtor as to the validity or amount of any particular Claim or
13 Interest. The Debtor reserves the right to dispute the validity or amount of any Claim or Interest that
14 has not already been Allowed by the Bankruptcy Court or by agreement of the parties.

15 The summary of estimated distributions under the Plan, set forth in Section VII of the Plan,
16 lists both estimated Allowed Amount of Claims in each Class, and an estimated percentage recovery
17 for such Class. The estimated aggregate amounts of all Classes of Claims are based on the Debtor's
18 good faith estimates of the aggregate amount of such Claims upon resolution of all such Claims that
19 are Disputed Claims, based on all currently known information. The amount of the Pro Rata
20 Distributions of Cash that ultimately will be received by a particular Holder of an Allowed Claim
21 may be adversely or favorably affected by the aggregate amount of Administrative Claims and
22 Priority Tax Claims ultimately Allowed. These estimates also are based on good faith estimated
23 amounts of available Cash for distribution to Holders of Claims, based on all currently known
24 information. These estimates **exclude** any recovery on the Causes of Action to be prosecuted by the
25 Liquidating Trustee after the Effective Date pursuant to the Plan.

26 For all of the reasons stated above, no representation can be, or is being, made with respect to
27 whether (a) the estimated Allowed amount of Claims in each Class is accurate, or (b) the estimated
28

percentage recoveries shown on the table below actually will be realized by the holder of an Allowed Claim or Allowed Interest in any particular Class.

SUMMARY OF CLAIMS AND INTERESTS UNDER THE PLAN

CLASS	CLAIM/INTEREST	TREATMENT	ESTIMATED AGGREGATE AMOUNT OF ALLOWED CLAIMS ¹	ESTIMATED PERCENTAGE RECOVERY OF ALLOWED CLAIMS OR INTERESTS
n/a	Administrative Claims	<p>Except to the extent that any entity entitled to payment of an Allowed Administrative Claim agrees to a less favorable treatment or unless otherwise ordered by the Court, each Holder of an Allowed Administrative Claim will receive in full satisfaction, discharge, exchange and release thereof, Cash in an amount equal to such Allowed Administrative Claim on the later of (i) the Effective Date, and (ii) the fifteenth (15th) Business Day after such Administrative Claim becomes an Allowed Administrative Claim, or, in either case, as soon thereafter as is practicable; <u>provided, however</u>, that Ordinary Course Administrative Claims will be paid in full in accordance with the terms and conditions of the particular transactions and any applicable agreements or as otherwise authorized by the Court.</p> <p>Each Holder of a Professional Fee Claim seeking an award of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date will (i) file their respective interim (if applicable) and final fee applications by no later than the forty-fifth (45th) day after the Effective Date or such other date as may be fixed by the Court, and (ii) if granted such an award, be paid Cash in such amounts as are Allowed by the Court on the date such Professional Fee Claim becomes an Allowed Claim, or as soon thereafter as is practicable.</p>	<p>\$1,400,000 in Professional Fee Claims</p> <p>\$296,000 in Administrative Claims</p>	100%
n/a	Priority Tax Claims	<p>Except to the extent that a Holder of an Allowed Priority Tax Claim has been paid by the Debtor before the Effective Date or agrees to a less favorable treatment, each Holder of an Allowed Priority Tax Claim will receive in full satisfaction, discharge, exchange and release thereof, Cash in an amount equal to such Allowed Priority Tax Claim on the later of (i) the Effective Date</p>	\$8,000	100%

¹ See Liquidation Analysis, Exhibit B attached hereto, for additional explanations.

1		and (ii) the fifteenth (15 th) Business Day after such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is practicable.			
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3	1	Secured Claims	As soon as practicable after the Effective Date, each entity holding an Allowed Secured Claim will receive, at the election of the Liquidating Trustee in its discretion, after consultation with the OWNIT Trust Committee, one of the following treatments in full satisfaction, discharge, exchange and release of its Allowed Claim: (a) the Creditor will receive the Collateral in which that Person has a security interest; (b) the Creditor will receive any proceeds actually received by the Debtor or Liquidating Trustee (as applicable) from the sale or disposition of the Collateral in which that Person has a security interest; (c) the Creditor will receive Cash in the amount of that Person's Allowed Secured Claim; or (d) the Creditor will receive such other Distributions or treatment as are necessary to leave the rights of said Person Unimpaired or as are necessary to otherwise satisfy the requirements of chapter 11 of the Bankruptcy Code.	\$0	100%
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14	2	Priority Non-Tax Claims	Except to the extent that a Holder of an Allowed Priority Non-Tax Claim agrees to a less favorable treatment, each Allowed Priority Non-Tax Claim will be paid, in full satisfaction, discharge, exchange and release thereof, in Cash in full the amount of the Allowed Priority Non-Tax Claim on the later of (i) the Effective Date and (ii) the fifteenth (15 th) Business Day after such date that the Claim becomes an Allowed Priority Non-Tax Claim, or as soon thereafter as is practicable.	\$4,100,000	100%
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20	3	General Unsecured Claims	On the Effective Date, each Holder of a General Unsecured Claim will receive an allocated OWNIT Liquidating Trust Interest. Except to the extent that the Holder of any such Claim agrees to a different treatment, on the Effective Date or as soon thereafter as is practicable, the Holder of an Allowed Unsecured Claim and OWNIT Liquidating Trust Interest will receive on account of its Claim and OWNIT Liquidating Trust Interest, in full and complete satisfaction, discharge, exchange and release thereof, from the OWNIT Liquidating Trust, a <i>Pro Rata</i> Distribution of the net OWNIT Liquidating Trust Proceeds based upon the amount of its Allowed Unsecured Claim.	\$181,000,000	See Liquidation Analysis, Exhibit B hereto
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		<p>The Liquidating Trustee will make Distributions to the holders of the OWNIT Liquidating Trust Interests, on account of their respective Allowed Unsecured Claims, from the net OWNIT Liquidating Trust Proceeds in accordance with the provisions of the OWNIT Liquidating Trust Agreement,² and as provided for in the Plan and Confirmation Order. Upon payment by the OWNIT Liquidating Trust of the amount due, if any, to a holder of an OWNIT Liquidating Trust Interest, such interest will terminate and be of no further force and effect.</p> <p>If the Bankruptcy Court determines by Final Order that the Holder of a General Unsecured Claim does not have an Allowed General Unsecured Claim, then such Holder's OWNIT Liquidating Trust Interest will terminate and be of no further force and effect.</p> <p>Allowed General Unsecured Claims will not include Postpetition Interest nor include any Penalty on such Claim, except to the extent that sufficient OWNIT Liquidating Trust Proceeds exist to pay, in full, all Allowed Administrative Claims, Allowed Professional Fee Claims, Allowed Priority Tax Claims, Allowed Priority Non-Tax Claims, Allowed Secured Claims (subject to the election made pursuant to Section IV.C of the Plan), Allowed General Unsecured Claims, Late Filed Claims, and all Post Effective Date Plan Expenses, and if the foregoing are paid and <i>subject to any order subordinating Claims to the Allowed Class 3 Claims such that they become Subordinated Allowed General Unsecured Claims</i>, then Allowed General Unsecured Claims will also include any Penalty or Postpetition Interest component of any such Claim that is payable (and to the extent and priority payable) in accordance with section 726(a)(4) and 726(a)(5) of the Bankruptcy Code.</p> <p>Notwithstanding any other provision in the Plan, no Cash payment will be made on account of Allowed General Unsecured Claims until (i) all Allowed Administrative Claims, Allowed Professional Fee Claims, U.S. Trustee</p>		
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² The OWNIT Liquidating Trust Agreement will be substantially in the form attached hereto as **Exhibit E**.

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		Fees, Allowed Priority Tax Claims, Allowed Priority Non-Tax Claims, Allowed Secured Claims (subject to the election made pursuant to Section IV.C of the Plan), and all Post Effective Date Plan Expenses have been paid in full (or a reserve established providing for such full payment); (ii) if applicable, Cash to pay all estimated Administrative Claims (including Professional Fee Claims), and Disputed Claims in any such Class or category has been deposited into the applicable Reserve; and (iii) Cash to pay all anticipated costs of the OWNIT Liquidating Trust has been reserved.		
4	Subordinated Allowed General Unsecured Claims	On the Effective Date or as soon thereafter as is practicable, each Holder of a Subordinated Allowed General Unsecured Claim will receive an allocated OWNIT Subordinated Liquidating Trust Interest. No Distributions will be made to any Holder of a Subordinated Allowed General Unsecured Claim until <u>all Allowed General Unsecured Claims in Class 3 are paid in full as set forth in Section IV.E of the Plan.</u> Except to the extent that the Holder of any Subordinated Allowed General Unsecured Claim agrees to a different treatment, after payment in full of all Allowed General Unsecured Claims, the Holder of a Subordinated Allowed General Unsecured Claim and OWNIT Subordinated Liquidating Trust Interest will receive on account of its Subordinated Allowed General Unsecured Claim and OWNIT Subordinated Liquidating Trust Interest, in full and complete satisfaction, discharge, exchange and release thereof, from the OWNIT Liquidating Trust, a <i>Pro Rata</i> Distribution, if any, of the net remaining OWNIT Liquidating Trust Proceeds based upon the amount of its Subordinated Allowed General Unsecured Claim. The Liquidating Trustee will make Distributions, if any, to the holders of the OWNIT Subordinated Liquidating Trust Interests, on account of their respective Subordinated Allowed General Unsecured Claims, from the net OWNIT Liquidating Trust Proceeds in accordance with the provisions of the OWNIT Liquidating Trust Agreement, and as provided for in the Plan, the Confirmation Order, and any applicable order subordinating Claims to the Allowed Class 3 Claims such that they become Subordinated Allowed General Unsecured Claims. Upon payment by the	To be determined	See Liquidation Analysis, Exhibit B hereto

1		OWNIT Liquidating Trust of the amount due, if any, to a holder of an OWNIT Subordinated Liquidating Trust Interest, such interest will terminate and be of no further force and effect.		
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4		Subordinated Allowed General Unsecured Claims will not include Postpetition Interest nor include any Penalty on such Claim, except as provided in <i>any order subordinating Claims to the Allowed Class 3 Claims such that they become Subordinated Allowed General Unsecured Claims.</i>		
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22	5	All Interests	On the Effective Date of the Plan, the Interests will be cancelled. Each holder of an Allowed Interest will receive, in exchange for and in full satisfaction of such Allowed Interest, Pro Rata Distributions of Cash, if any, from the Equity Pourover Account, based upon the amount of its Allowed Interest, pursuant to Section VI.H of the Plan.	N/A
23				See Liquidation Analysis, Exhibit B hereto
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26 **THE TREATMENT AND DISTRIBUTIONS PROVIDED TO HOLDERS OF**
 27 **ALLOWED CLAIMS AND INTERESTS PURSUANT TO THE PLAN ARE IN FULL AND**
 28 **COMPLETE SATISFACTION OF THE ALLOWED CLAIMS AND INTERESTS ON**

1 ACCOUNT OF WHICH SUCH TREATMENT IS GIVEN AND DISTRIBUTIONS ARE
2 MADE.

3
4 **IV.**
COMPANY HISTORY

5 **A. The Debtor and Its Business**

6 The Debtor, formerly known as Oakmont Mortgage Company, Inc., is a California
7 corporation which began its business as a small wholesale mortgage lender specializing in
8 "subprime" / non-prime loans to customers with weak or no credit histories for the primary
9 purpose of purchasing residential real estate. In 2002, the Debtor's volume of loan originations
10 was approximately \$570 million. In December 2003, an investment group comprised of, among
11 others, William D. Dallas ("Dallas") and CIVC Partners, a private equity firm ("CIVC"), acquired
12 all of the common and preferred stock of the Debtor (the "December 2003 Acquisition"), which is
13 held through a holding company named Ownit Holdings, LLC (the "Holding Company").³ In
14 September 2005, Merrill Lynch L.P. Holdings Inc. (together with certain affiliates, "Merrill
15 Lynch") acquired a minority stake in the Holding Company, becoming a Member therein.⁴ Merrill
16 Lynch, Dallas and CIVC continue to be Members of the Holding Company.

17 Since 2003, through new management's efforts, strategic alliances with key industry
18 vendors, and new and innovative mortgage products, the Debtor had become one of the leading
19 and fastest-growing subprime lenders in the nation. The Debtor's business grew from
20 approximately \$1.1 billion in annual mortgage originations in 2003 to approximately \$8.3 billion
21 in 2005. In the first half of 2006, Debtor was on track to surpass its 2005 performance. During
22 that period, the Debtor issued approximately \$5.46 billion of loans, 44% more than a year earlier.

23 **B. Loan Sales and Loans Held by the Debtor**

24 As part of its business and operations, the Debtor originated loans and then sold
25 substantially all of these loans ("Loan Sales") to Merrill Lynch, J.P. Morgan Mortgage Acquisition
26 Corp. ("JPMMAC") and together with its affiliates, "Chase") and certain other third parties

27 ³ The Holding Company has no operations or creditors of its own.

28 ⁴ Pursuant to the Amended and Restated Limited Liability Company Agreement of the Holding Company, Merrill
appointed one Manager on the Holding Company's four-person Board of Managers.

1 (collectively, "Loan Purchasers"). Certain of these Loan Purchasers, including Merrill Lynch,
2 would bundle the purchased loans and issue securities (through bankruptcy remote entities),
3 backed by these loans and mortgages, to private investors. In the event of loan defaults or
4 delinquencies and/or other conditions, subject to the terms of the applicable Loan Sale documents,
5 Loan Purchasers could, in effect, put back certain loans to the Debtor and require that it repurchase
6 said loans ("Repurchase Requests").

7 With respect to the Debtor's loans which for various reasons were not sold to Loan
8 Purchasers and loans which the Debtor reacquired pursuant to Repurchase Requests, the Debtor
9 continued to have these serviced by sub-servicer agents such as Litton Loan Servicing LP. As
10 discussed below, during the Case, upon Bankruptcy Court approval, the Debtor has sold certain
11 such loans. Under the Plan, any remaining loans held by the Debtor will be sold, liquidated or
12 otherwise disposed of by the Liquidating Trustee.

13 **C. The Debtor's Management**

14 Since December 2003, Dallas has been serving as the Debtor's Chief Executive Officer,
15 President and sole Director; John duHadway has been serving as the Chief Financial Officer; and
16 Bruce Dickinson has been serving as the Debtor's Chief Operating Officer; provided, however, from
17 March to June 2007, Mr. Dickinson provided services to the Debtor on an hourly consultant basis.

18 **D. Selected Financial Information**

19 Attached hereto as **Exhibit C**, for general informational purposes, are the Debtor's unaudited
20 income statement for the months ended December 2005 and December 2006 and unaudited balance
21 sheet as of December 31, 2005 and December 31, 2006. Attached as **Exhibit D** is a cash flow
22 statement showing the cash receipts and disbursements of the Debtor from the Petition Date through
23 June 30, 2007, and a projection of cash receipts and disbursements for the period through December
24 31, 2007.

25
26 **V.
THE CHAPTER 11 CASE**

27 **A. Events Leading to the Bankruptcy Filing**

28 Commencing with the December 2003 Acquisition, Chase provided a warehouse line of

1 credit to the Debtor ("Warehouse Credit Facility"). On or about November 15, 2006, Chase
2 declared an event of default and notified the Debtor that it would terminate the Warehouse Credit
3 Facility effective December 13, 2006. Faced with such circumstances, the Debtor, Chase and
4 Merrill Lynch entered into negotiations in early December 2006 to attempt consensually to resolve
5 the Debtor's financial situation. The Debtor believed that a settlement agreement was reached by
6 and among the parties pursuant to which the Debtor would receive additional funding, and, among
7 other things, was poised shortly prior to December 5, 2006, to consummate various loans with
8 third party brokers and borrowers, to be promptly funded by Chase. During this period, on or
9 about December 1, 2006, Merrill Lynch proceeded to make a margin call which Merrill Lynch
10 asserts was proper under the parties' Master Repurchase Agreement. Believing that Merrill Lynch
11 would no longer continue funding additional loans of the Debtor if the Debtor did not satisfy the
12 margin call, and based on discussions with Merrill Lynch pursuant to which the Debtor believed
13 that Merrill Lynch would provide additional financing via subordinated debt, the Debtor
14 transferred approximately \$15 million to Merrill Lynch on account of the margin call, leaving the
15 Debtor with only approximately \$7.4 million in liquid funds at that point. Notwithstanding the
16 Debtor's belief that a settlement had been reached among all the parties, on December 4, 2006,
17 Chase determined not to fund the majority of the loans with third party borrowers (asserting that
18 Merrill Lynch did not timely provide a daily line sweep as the Debtor believes had been agreed to
19 by the parties), unilaterally utilized approximately \$4.6 million of funds from the Debtor's account
20 at Chase and froze the balance of the Debtor's monies (approximately \$5.4 million). With nearly
21 all of the Debtor's funds frozen by Chase, and the Debtor having earlier transferred nearly \$15
22 million to Merrill Lynch, the Debtor was in a liquidity crisis and, unable to fund loan
23 commitments, was forced immediately to release substantially all of its workforce on December 5,
24 2006. (As noted further below in Section VI.B, the Debtor believes that it has claims for damages
25 caused by both Chase's and Merrill Lynch's wrongful participation in the collapse of the Debtor's
26 restructuring prior to the Petition Date.) Since December 6, 2006, the Debtor has been operating
27 with a skeleton crew of approximately eight (8) to seventeen (17) workers.

28 Shortly thereafter, on or about December 11, 2006, one Loan Purchaser, Indymac Bank,

1 F.S.B. ("Indymac"), filed a complaint against the Debtor in Los Angeles County Superior Court
2 for alleged breach of the applicable Loan Sale documents between the parties (the "Indymac
3 Suit"). In connection with that suit, Indymac sought and obtained from the state court, initially, a
4 temporary protective order restraining the Debtor from using or transferring its limited remaining
5 funds out of the ordinary course of business. Indymac subsequently obtained a writ of attachment
6 with respect to the Debtor's monies and assets, to secure up to approximately \$430,000 allegedly
7 owed to it (the "Indymac Attachment"). On or about December 26, 2006, the Debtor's remaining
8 monies in accounts at American Bank were frozen by virtue of the Indymac Attachment.
9 Subsequent events ultimately resolving the Indymac Attachment are discussed below.

10 Also during this timeframe, on or about December 6, 2006, Alpine Mortgage Corp.
11 ("Alpine") filed an emergency motion in the District Court for the Eastern District of Michigan
12 (the "Michigan District Court" and the proceedings therein, the "Alpine Suit") against the Debtor,
13 seeking to enforce a purported, prior settlement agreement between the parties in respect to a
14 trademark infringement action. Citing the cessation of Debtor's operations as cause therefor,
15 Alpine requested that the court freeze the Debtor's assets. On December 21, 2006, the district
16 court issued an order (i) temporarily restraining the Debtor (and other parties with notice of the
17 order) from transferring or disposing of any monies or other assets of the Debtor, without prior
18 court approval, pending subsequent adjudication, and (ii) directing that certain other actions be
19 taken by the Debtor (the "Alpine Order"). Subsequent events ultimately resulting in a termination
20 of the Alpine Order are discussed below.

21 As a result of the Alpine Order, the Indymac Attachment and the freezing of its funds by
22 Chase, the Debtor could not take the necessary steps to mitigate claims against it or pursue rights
23 against third parties. The Debtor therefore determined to seek protection under chapter 11 of the
24 Bankruptcy Code in order to address pending claims and seek recovery of its assets in an orderly
25 and rational fashion.

26 Accordingly, on December 28, 2006 (the "Petition Date"), the Debtor filed with this Court
27 a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtor continues to
28 manage its assets and properties as a debtor-in-possession pursuant to Bankruptcy Code sections

1 1107 and 1108. No trustee or examiner has been appointed in this Case.

2 **B. Significant Events During the Chapter 11 Case**

3 1. Retention of Debtor's Professionals and Agents

4 Prior to the commencement of the Case, the Debtor retained the law firm, Pachulski Stang
5 Ziehl & Jones LLP, as bankruptcy counsel and Buchalter Nemer P.C. as government, regulatory and
6 labor counsel. The Bankruptcy Court approved the Debtor's employment of these professionals,
7 effective as of the Petition Date, pursuant to orders entered on February 5 and February 13, 2007,
8 respectively.

9 The Debtor has also retained (i) Deloitte Tax LLP ("Deloitte") as its tax accountants,
10 effective as of January 4, 2007, which retention was approved by the Bankruptcy Court pursuant to
11 an order entered on March 12, 2007, and (ii) The Trumbull Group, LLC dba Wells Fargo Trumbull
12 as its claims, noticing, balloting and disbursing agent, which retention was approved by Court order
13 entered on April 11, 2007.

14 2. Appointment of the Committee

15 On January 12, 2007, the U.S. Trustee formed the Committee to represent the interests of
16 the general unsecured creditors of the Estate, and appointed five (5) members thereto: (i) Genuine
17 Home Loans, (ii) Countrywide Home Loans, Inc., (iii) Terwin Advisors, LLC, (iv) DLJ Mortgage
18 Capital, Inc. and (v) Cloverlink Systems, Inc. Since the formation of the Committee, the Debtor
19 has extensively consulted and cooperated with the Committee concerning various aspects of the
20 Case. The Committee has employed Stutman, Treister & Glatt, P.C. as its bankruptcy counsel in
21 the Case.

22 3. Debtor's Surrender of Branch Offices and Sale/Abandonment of Personal Property

23 Since the Petition Date, the Debtor has taken numerous actions to (i) vacate its former branch
24 locations spread throughout the U.S. and address related matters such as securing its borrower and
25 loan files, (ii) sell or otherwise dispose of certain computer equipment, office furnishings, and other
26 personal property, including such property at the branch locations, and (iii) reject its real property
27 leases/subleases other than the sublease for the Debtor's Agoura Hills headquarters location (which
28

1 is currently its remaining site), which lease will be rejected by operation of law on July 26, 2007.

2 On January 3, 2007, the Debtor filed the Motion of the Debtor for an Order Authorizing the
3 Rejection of Certain Leases/Subleases as of the Motion Filing Date and Granting Related Relief
4 Pursuant to 11 U.S.C. §§ 105 and 365 (the "Rejection Motion"), pursuant to which the Debtor
5 sought to reject substantially all of its real property leases/subleases (the "Leases"), with certain
6 exceptions. Subsequently, the Debtor modified the relief sought by the Rejection Motion, and the
7 Court entered an order on January 26, 2007, deeming the Leases rejected as of the Debtor's filing
8 of abandonment notices for the applicable locations pursuant to the Sale/Abandonment Order
9 (defined and discussed below).⁵ As of early March 2007, the Debtor had vacated all of
10 leased/subleased locations, other than the Agoura Hills location, and rejected all of the
11 corresponding Leases.

12 In connection with the Debtor's surrender of the leased/subleased locations, the Debtor
13 moved for approval of certain procedures (the "Sale/Abandonment Procedures") for the prompt
14 sale and/or abandonment of personal property of de minimis value, including such property at the
15 locations. The Court approved the Sale/Abandonment Procedures by an order entered on January
16 18, 2007. Pursuant to this order, the Debtor either sold or abandoned personal property of
17 relatively minor value at its remote locations, filing and serving various sale and/or abandonment
18 notices in accordance with the Sale/Abandonment Procedures. Further, to facilitate the Debtor's
19 collection of records and property at the leased/subleased locations and implement the sale of
20 computer and other information technology equipment, the Debtor employed APTO Solutions,
21 Inc. as its liquidator agent (the "Liquidator"), which employment was approved by the Court by an
22 order entered on February 22, 2007. The sales and transactions implemented by APTO resulted in
23 approximately \$146,000 in sale proceeds for the estate. The Debtor has also obtained an additional
24 \$90,000 in proceeds from the sale of other personal property. With APTO's assistance, thousands
25 of boxes of the Debtor's records from its branch locations were temporarily transported to the
26 Agoura Hills location.

27 _____
28 ⁵ If and to the extent that the Debtor reached agreements with landlords/sublandlords stipulating to a Lease rejection date prior to this date, such agreements would be excepted from the foregoing.

1 Finally, because of the Debtor's then liquidity difficulties, on January 24, 2007, the Debtor
2 filed a motion seeking an extension of time (the "365(d)(3) Extension Motion") for the
3 performance of its monetary obligations under Bankruptcy Code section 365(d)(3), arising within
4 60 days of the Petition Date, until February 26, 2007 (the 60th day after the Petition Date). More
5 specifically, the Debtor sought to extend the time for it to be required, under its real property
6 leases/subleases, to honor its section 365(d)(3) obligations for rent and any other monetary
7 obligations (including common area maintenance (CAM) and similar charges) for January and
8 February 2007 (the "365(d)(3) Obligations"), until February 26, 2007. The Debtor needed the
9 extension of time because, at that juncture, it had insufficient operating funds to pay for all critical
10 ordinary course expenditures for post-petition employee wages and benefits, payroll taxes,
11 insurance coverage, and utility services for its skeleton team, and at the same time, pay all of the
12 365(d)(3) Obligations. By the proposed extended date, the Debtor expected that it would have
13 sufficient funds or access to sufficient funds to pay for these 365(d)(3) Obligations. Given the
14 Debtor's then cash and liquidity position and the Debtor's need to prioritize its expenses in the
15 short term, the Court found good cause existed and granted the Debtor's motion. With the closing
16 of the first loan sale (discussed below) resulting in \$4 million in sale proceeds coming into the
17 estate, the Debtor obtained more than adequate funds and proceeded to pay its 365(d)(3)
18 Obligations by the extended deadline.

19 4. Sale of Debtor's Loans

20 To date, during the bankruptcy case, the Debtor has sold eighty five (85) of its residential,
21 fixed and adjustable rate, first or second lien mortgage loans with Bankruptcy Court approval, with
22 an aggregate gross purchase price of over \$7 million.

23 By motion filed on February 7, 2007, the Debtor sought approval of certain expedited sale
24 and bidding procedures and related relief with respect to the sale of fifty eight (58) loans. The Court
25 approved said procedures, and after providing information to various potential bidders and allowing
26 an opportunity for them to submit potential "stalking horse" lead bids, upon consultation with the
27 Committee, the Debtor selected Credit-Based Asset Servicing Asset Servicing and Securitization
28 LLC ("C-BASS") as the stalking horse bidder, with a stalking horse bid of \$4 million. No overbids

1 – higher and better than the stalking horse bid – were received by the Debtor, and thus, the Debtor
2 sought and obtained Court approval of the sale of these loans to C-BASS, free and clear of any liens,
3 claims and encumbrances, by an order entered on February 22, 2007. This sale closed promptly
4 thereafter, resulting in \$4 million in sale proceeds for the estate.

5 By motion filed on May 8, 2007, the Debtor similarly sought approval of sale and bidding
6 procedures with respect to the sale of a second group of twenty seven (27) loans. The Debtor also
7 sought the approval of overbid protections and a break-up fee for C-BASS, the stalking horse bidder
8 selected by the Debtor, upon consultation with the Committee, as to this group of loans. After a
9 marketing and due diligence process, no overbids were received by the Debtor. Accordingly, the
10 Debtor sought and obtained approval of the sale of these loans to C-BASS by an order entered on
11 June 12, 2007, resulting in an additional, approximately \$3.03 million in sale proceeds for the estate.

12 By motion filed on August 24, 2007, the Debtor seeks Court approval of sale and bidding
13 procedures with regard to the sale of a third group of approximately twenty five (25) mortgage
14 loans. The hearing on procedural matters is scheduled for September 18th. For certain reasons as set
15 forth in the motion, the Debtor did not enter into any stalking horse agreement, and it seeks to hold
16 an auction (if sufficient qualified bids are received) on or about October 5, 2007, with a hearing on
17 Court approval of a sale, if any, on or about October 9, 2007.

18 5. Sale of REO Properties

19 Prior to the Petition Date, in the ordinary course of business, the Debtor foreclosed upon or
20 otherwise obtained various real properties securing the mortgage loans that it had originated, after
21 defaults by the applicable borrowers. The Debtor listed such Real Estate Owned (REO) properties in
22 its Bankruptcy Schedules. During the bankruptcy case, in the ordinary course of business, the
23 Debtor's agents, including Litton Loan Servicing LP, sold such properties to third party buyers on
24 the Debtor's behalf.

25 6. "Wet" Loans

26 Pursuant to the parties' pre-petition Master Repurchase Agreement (as amended, modified
27 and/or supplemented from time to time, the "MRA"), Merrill Lynch asserts that (i) it owns sixty five
28 (65) certain mortgage loans originated by the Debtor prior to the Petition Date (the "Wet Loans"), or