

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re:) Chapter 11
)
HOMEBANC MORTGAGE)
CORPORATION, HOMEBANC CORP.,) Case Nos. 07-11079 through
HOMEBANC FUNDING CORP. II,) 07-11084 (KJC)
HMB ACCEPTANCE CORP., HMB)
MORTGAGE PARTNERS, LLC, and) Jointly Administered
HOMEBANC FUNDING CORP.,)
) Judge Kevin J. Carey
)
Debtors.)
)
_____)

**DISCLOSURE STATEMENT FOR THE DEBTORS'
JOINT CONSOLIDATED LIQUIDATING CHAPTER 11 PLAN**

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Dated: April 30, 2008

THIS PROPOSED DISCLOSURE STATEMENT IS NOT A SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN. ACCEPTANCES AND REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE COURT. THIS PROPOSED DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT YET BEEN APPROVED BY THE COURT.

IMPORTANT: THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE DEBTORS' PROPOSED PLAN UNDER CHAPTER 11 OF THE BANKRUPTCY CODE. PLEASE READ THIS DOCUMENT WITH CARE.



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DISCLOSURE STATEMENT EXHIBITS

Exhibit A: Debtors' Joint Consolidated Liquidating Chapter 11 Plan

HomeBanc Mortgage Corporation ("HBMC"), HomeBanc Corp. ("HMB"), HomeBanc Funding Corp., HomeBanc Funding Corp. II, HMB Acceptance Corp., HMB Mortgage Partners, LLC, the debtors and debtors in possession (collectively, "HomeBanc" or the "Debtors") hereby submit this disclosure statement (the "Disclosure Statement"), pursuant to Section 1125 of the United States Bankruptcy Code (the "Bankruptcy Code"), in connection with the solicitation of acceptances of the Debtors' Joint Consolidated Liquidating Chapter 11 Plan (the "Plan"), a copy of which is attached hereto as Exhibit A. The purpose of this Disclosure Statement, in accordance with the requirements of Section 1125 of the Bankruptcy Code, is to provide "adequate information" concerning the Plan, of a kind and in sufficient detail to enable a hypothetical reasonable investor, typical of holders of the Classes¹ of Claims being solicited, to make an informed judgment whether to accept or reject the Plan. This Disclosure Statement should be read in conjunction with the Plan and the other exhibits to this Disclosure Statement.

I. PLAN SUMMARY AND KEY CONSIDERATIONS

The following summary is qualified in its entirety by reference to the more detailed information appearing elsewhere in this Disclosure Statement and in the Plan itself.

A. Background

On August 9, 2007 (the "Petition Date"), the Debtors filed their bankruptcy cases under Chapter 11 of the Bankruptcy Code. Since that time, the Debtors have worked diligently to wind-down their estates and have worked with their professionals and with the Official Committee of Unsecured Creditors (the "Committee") and JPMorgan Chase Bank, N.A., as administrative agent with respect to certain of the Debtors' prepetition loan repurchase and credit agreements (the "Prepetition Agent") to liquidate their assets, determine the amount of claims against the Estates, evaluate causes of actions belonging to the Debtors' Estates, and address other matters necessary to wind-down these cases.

The Debtors estimate that at least \$5.0 million dollars will be available to distribute to the various creditors in this case, and the Debtors plan to make an initial distribution of a substantial portion of that amount promptly after the Effective Date of the Plan (including amounts to be set aside or reserved for disputed claims that have not yet been resolved at such time). The Plan attached hereto represents the Debtors' best judgment as to how to distribute these proceeds in accordance with the Bankruptcy Code and applicable state law, and to liquidate any remaining Estate Assets for the benefit of the Estates' creditors. The Debtors have actively worked with the Committee and the Prepetition Agent to formulate the Plan (and to reflect therein the terms of the Wind-Down Stipulation (as defined below)), and both the Committee and the Prepetition Agent fully support the Plan.

¹ Capitalized terms not defined herein shall have the meaning ascribed to them in the Plan.

B. Voting

The Plan is being distributed, with Ballots, to holders of Claims in Classes 3 and 5, which are the Classes of Claims that are impaired under the Plan and will receive a distribution under the Plan. Accordingly, holders of Claims in Classes 3 and 5 are entitled to vote **either to accept or to reject** the Plan. Holders of Claims in Classes 1, 2, and 4 are deemed to have **accepted** the Plan because their respective Claims are not impaired, and are therefore not entitled to vote on the Plan. Holders of Equity Interests in Class 6 are deemed to have **rejected** the Plan because their Equity Interests are being cancelled, and they will neither receive nor retain any property on account of their Equity Interests. Accordingly, the holders of Claims in Classes 1, 2 and 4, and the holders of Equity Interests in Class 6 **may not** vote on the Plan (although they are free to file written objections to the Plan with the Bankruptcy Court in accordance with the procedures set forth below). For a more detailed description of the Classes of Claims and Equity Interests and their treatment under the Plan, see Section V of this Disclosure Statement.

The Debtors have prepared this Disclosure Statement in connection with the solicitation of votes from holders of Claims in Classes 3 and 5. On [REDACTED], 2008, the Bankruptcy Court entered an order approving this Disclosure Statement as containing information of a kind and in sufficient detail to enable a hypothetical, reasonable investor, typical of the holders of Claims in Classes 3 and 5, to make an informed judgment whether to accept or reject the Plan. Such approval by the Bankruptcy Court does not constitute a recommendation by the Bankruptcy Court to accept the Plan.

Section 1129(a) of the Bankruptcy Code allows the Bankruptcy Court to confirm a Chapter 11 plan if certain conditions have been met and, with certain exceptions, if each class of claims or interests that is impaired under the plan has voted to accept the plan. As stated above, the Class of the Debtors' Equity Interest holders is deemed to have rejected the Plan, and therefore, to the extent that at least one impaired Class of Claims accepts the Plan, the Debtors will seek to confirm the Plan over the rejection of that and any other Class pursuant to Section 1129(b) of the Bankruptcy Code, on the grounds that (i) at least one impaired class of Claims is expected to accept the Plan and (ii) the Plan does not discriminate unfairly and is fair and equitable with respect to Class 6 Equity Interests or any other rejecting Class of Claims.

Under Section 1126(c) of the Bankruptcy Code, a class of claims has accepted a plan if such plan has been accepted by creditors in that class that hold at least two-thirds in dollar amount and more than one-half in number of the allowed claims of such class, excluding holders whose acceptances or rejections were found not to be in good faith. Under the Bankruptcy Code, only parties that actually vote will be counted for purposes of determining acceptance or rejection by any impaired class. Therefore, the Plan could be approved by Classes 3 and 5 with the affirmative vote of significantly less than two-thirds in total dollar amount and one-half in total number of such Claims. However, it should also be noted that even if the holders of all Claims in Classes impaired under the Plan accept or are deemed to have accepted the Plan, the Plan is subject to certain other requirements under Section 1129(a) of the Bankruptcy Code and might not be confirmed by the Bankruptcy Court. The Debtors are confident, however, that the Plan satisfies those requirements of Section 1129(a) and will be confirmed by the Bankruptcy Court.

C. Recommendation

The Plan represents the efforts of the Debtors to maximize the cash distribution to holders of Allowed Claims. With respect to holders of Unsecured Claims, the Debtors believe that the Plan offers the highest, best and quickest recovery that could be had in this case. **The Debtors therefore strongly recommend that all holders of Claims entitled to vote on the Plan vote to accept the Plan.**

D. Summary of the Plan

Set forth below is a summary description of the treatment of all Claims and Equity Interests provided for in the Plan. The summary is qualified in its entirety by reference to the more detailed information elsewhere in this Disclosure Statement, in the Plan and in the exhibits to this Disclosure Statement and the Plan. This summary does not purport to be complete and should not be relied upon for voting purposes. A more complete description of the Plan is provided in Section V, "THE DEBTORS' CHAPTER 11 PLAN." Finally, the estimate of the amount of claims in each category or Class listed below is the Debtors' best reasonable estimate, based on information received to date, and based on the Debtors' estimate of their success in objecting to certain Claims filed in these Cases, as it has done and as it continues to do. If the amount of Allowed Claims is greater than the estimates set forth below, then holders of Allowed Unsecured Claims in Class 5 may receive a lower recovery than that estimated by the Debtors. The Debtors, however, are still in the process of completing Claims reconciliation, and certain of the Claim amounts set forth below may be further reduced, after the Debtors have completed this task.

<i>Adequate Protection Claim of the Prepetition Agent</i>	On the Effective Date, if and only if (i) the Prepetition Payoff has not occurred, (ii) the payment to the Prepetition Lenders of the Cash Collateral Reimbursement Amount has not occurred, and (iii) the payment of the Cash Collateral Reimbursement Amount has been waived as a condition precedent to the Effective Date by all parties to the Wind-Down Stipulation, then in full and final satisfaction of the Allowed Adequate Protection Claim, the Liquidating Agent shall deposit Cash in the amount of \$1,500,000 in the Adequate Protection Claim Escrow, which escrow funds (or applicable portion thereof) shall be paid to the Prepetition Agent, for the benefit of the Prepetition Lenders and the Prepetition Purchasers, if, and solely to the extent that (i) the Deferred Compensation GUC Amount has been paid into the GUC Trust, and (ii) the Cash Collateral Reimbursement Amount has not been paid to the Prepetition Agent in full on or before the Wind-Down Termination Date. If the foregoing conditions have been satisfied, on the Wind-Down Termination Date,
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	<p>the Liquidating Agent shall distribute from the Adequate Protection Claim Escrow to the Prepetition Agent, for the benefit of the Prepetition Lenders and the Prepetition Purchasers, an amount equal to the difference between the Cash Collateral Reimbursement Amount and the value of all Prepetition Agent Wind-Down Property distributed to the Prepetition Agent prior to the Wind-Down Termination Date, which amount shall not be greater than the Deferred Compensation GUC Amount.</p> <p>Estimated Recovery: 100%</p>
<p><i>MSR Adequate Protection Claim of the Prepetition Agent</i></p>	<p>In full and final satisfaction of the MSR Adequate Protection Claim, the Prepetition Agent shall be permitted to receive, on account of the Prepetition Agent Claims, distributions of Prepetition Agent Wind-Down Property until such time as the aggregate recovery from any and all sources (other than adequate protection payments under the Final DIP Order) of the Prepetition Agent, on behalf of the Prepetition Lenders and Prepetition Purchasers, with respect to such Claims is equal to the Prepetition Payoff Settlement Amount.</p> <p>Estimated Recovery: 100%</p>
<p><i>Prepetition Agent Claims</i></p>	<p>All Prepetition Agent Claims shall be paid in accordance with the Wind-Down Stipulation. To the extent that Prepetition Payoff has not occurred on or before the Effective Date, all Prepetition Agent Claims shall constitute Allowed Claims in Class 3 until, and to extent necessary to ensure, payment in full of the Prepetition Payoff Settlement Amount. To the extent the Prepetition Agent Claims have not been satisfied in full as a result of the distributions made to Class 3 and the Warehouse Debt has not been paid in full, the amount of any remaining deficiency shall constitute and be limited to the Allowed Prepetition Agent Deficiency Claim and, subject to Section 5.5 of the Plan, receive the treatment accorded to other Unsecured Claims in Class 5.</p> <p>Estimated Recovery: (See below for Class 3)</p>

<p><i>Administrative Expense Claims</i> Estimated Allowed Amount (most such Claims having already been paid in the ordinary course of the Debtors' business; in addition, certain claims included in this calculation have only recently been filed, and may be duplicative of claims already on the Debtors' books, and excluding professional fee claims): \$46,500</p>	<p>Unimpaired. Each holder of an Allowed Administrative Expense Claim shall receive in full satisfaction and release of and in exchange for such Claim: (i) the amount of such Allowed Administrative Expense Claim, without interest, in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Administrative Expense Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim and the Debtors or the Liquidating Agent (as the case may be), in consultation with the Committee or the Post-Effective Date Committee (as the case may be).</p> <p>Estimated Recovery: 100%</p>
<p><i>Allowed Priority Tax Claims</i> Estimated Allowed Amount: \$2,626,000</p>	<p>Each holder of an Allowed Priority Tax Claim shall receive in full satisfaction and release of and in exchange for such Claim: (i) the amount of such Allowed Priority Tax Claim, without interest, in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Priority Tax Claim; (ii) at the Debtors' election, payment in equal monthly installments over no more than five (5) years from the Petition Date, at an interest rate to be set by the Bankruptcy Court; or (iii) such other treatment as may be agreed upon in writing by the holder of such Claim, the Debtors or the Liquidating Agent (as the case may be), and the Committee or the Post-Effective Date Committee (as the case may be).</p> <p>Estimated Recovery: 100%</p>
<p><i>Class 1 – Allowed Priority Claims</i> Estimated Allowed Amount: \$1,380,000</p>	<p>Unimpaired. Each holder of an Allowed Priority Claim shall receive in full satisfaction and release of and in exchange for such Claim: (i) the amount of such Allowed Priority Claim, without interest, in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Priority Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim and the Liquidating Agent. To the extent that the amount budgeted in the Wind-Down Budget for the satisfaction of Allowed Priority Claims is not</p>

	<p>sufficient to satisfy all such Claims in full, any deficiency shall be deducted from the Unsecured Claim Wind-Down Property.</p> <p>Estimated Recovery: 100%</p>
<p><i>Class 2 – Allowed Secured Tax Claims</i></p> <p>Estimated Allowed Amount: \$0.00</p>	<p>Unimpaired. Each holder of an Allowed Secured Tax Claim shall receive in full satisfaction and release of and in exchange for such Claim: (i) the amount of such Allowed Secured Tax Claim (including, to the extent Allowed, any interest on such Claim accrued under applicable nonbankruptcy law), in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Secured Tax Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim and the Liquidating Agent.</p> <p>Estimated Recovery: 100%</p>
<p><i>Class 3 – Allowed Prepetition Agent Claims</i></p> <p>Allowed Amount: \$69,600,000</p>	<p>Impaired. The Prepetition Agent shall receive, on behalf of the Prepetition Lenders and the Prepetition Purchasers and on the terms and conditions set forth in the Wind-Down Stipulation, the Prepetition Agent Wind-Down Property, it being understood that the aggregate recovery of the Prepetition Agent with respect to the principal and accrued prepetition interest on the Prepetition Agent Claims shall not exceed the Prepetition Payoff Settlement Amount.</p> <p>Estimated Recovery: 100%</p>
<p><i>Class 4 – Allowed Other Secured Claims</i></p> <p>Estimated Allowed Amount: \$0.00</p>	<p>Unimpaired. Each holder of an Allowed Other Secured Claim shall receive in full satisfaction and release of and in exchange for such Claim either (i) Cash equal to the amount of such Allowed Secured Claim on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is 10 Business Days after such Claim becomes an Allowed Secured Claim, and all Liens and security interests asserted by the holder of such Allowed Secured Claim shall be extinguished, or (ii) a return of the collateral or other property that secures the Allowed Secured Claim, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is 10 Business Days</p>

	<p>after such Claim becomes an Allowed Secured Claim.</p> <p>Estimated Recovery: 100%</p>
<p><i>Class 5 – Allowed Unsecured Claims</i></p> <p>Estimated Allowed Amount: \$223,500,000</p>	<p>Impaired. Each holder of an Allowed Unsecured Claim, including the holder of the Allowed Prepetition Agent Deficiency Claim, shall receive in full satisfaction and release of and in exchange for such Claim, its Pro Rata share of (i) the Unsecured Claim Wind-Down Property; (ii) the GUC Trust; and (iii) any other Cash distribution to the holders of Allowed Unsecured Claims from the Estate Assets; <u>provided, however,</u> that the Prepetition Agent shall not receive, on behalf of the Prepetition Purchasers and Prepetition Lenders, any Pro Rata Share of the GUC Trust.</p> <p>Estimated Recovery: Between 1%-10%²</p>
<p><i>Class 6 – Equity Interests</i></p>	<p>On the Effective Date, all Equity Interests shall be canceled, annulled and voided, and the holders thereof shall be entitled to no distribution whatsoever under the Plan or in the Bankruptcy Cases on account of such Equity Interests. One new share of reorganized HomeBanc's common stock shall be issued to the Liquidating Agent on the Effective Date.</p> <p>Estimated Recovery: 0%</p>

The Debtors believe that the Plan provides the best possible result in these Bankruptcy Cases for all creditors. The Debtors further believe that, under the Plan, creditors will receive a greater recovery than if the Bankruptcy Cases were converted to cases under Chapter 7 of the Bankruptcy Code.

E. Voting Instructions

The Debtors are seeking the acceptance of the Plan by holders of Allowed Prepetition Agent Claims (Class 3) and Allowed Unsecured Claims (Class 5).

A Ballot to be used to accept or to reject the Plan has been enclosed with all copies of this Disclosure Statement mailed to holders of Claims in these two Classes. All ballots must be

² The actual recovery to Class 5 could be higher or lower than this range depending upon a number of factors, including, without limitation, the ultimate amount of administrative, priority and secured claims; the amount of unsecured claims ultimately allowed and the amount recovered by the Estates from the prosecution of causes of action.

timely returned to Kurtzman Carson Consultants LLC ("KCC"), which is acting as the Debtors' solicitation agent in this case, at the following address:

VIA U.S. MAIL

HomeBanc Mortgage Corp. Claims Processing
c/o Kurtzman Carson Consultants LLC
2335 Alaska Avenue
El Segundo, CA 90245

VIA OVERNIGHT DELIVERY

HomeBanc Mortgage Corp. Claims Processing
c/o Kurtzman Carson Consultants LLC
2335 Alaska Avenue
El Segundo, CA 90245

Ballots with respect to the Plan will be accepted until 4:00 p.m. (Pacific Time) on [REDACTED], 2008 (the "Voting Deadline"). Except to the extent the Debtors so determine or as permitted by the Bankruptcy Court pursuant to Bankruptcy Rule 3018, Ballots that are received after the Voting Deadline will not be accepted or used in connection with the Debtors' request for confirmation of the Plan.

Consistent with the provisions of Rule 3018 of the Bankruptcy Rules, the Bankruptcy Court has fixed a Voting Record Date of [REDACTED], 2008. This is the date for the determination of holders of record of Claims that are entitled to vote on the Plan.

All votes to accept or reject the Plan must be cast by using a Ballot. Votes which are cast in any manner other than by using a Ballot will not be counted.

If your Ballot is damaged or lost, or if you do not receive a Ballot, you may request a replacement by contacting KCC at 866-381-9100.

After carefully reviewing the Plan, including all schedules thereto, and this Disclosure Statement and its exhibits, please indicate your vote on the enclosed Ballot, sign it, and then return it in the envelope provided. In voting to accept or reject the Plan, please use only the Ballot sent to you with this Disclosure Statement by KCC. Any Ballot received which does not indicate either an acceptance or rejection of the Plan, or which indicates both an acceptance and rejection of the Plan, shall be deemed to be an acceptance of the Plan.

F. Special Voting Instructions for Bondholders

Beneficial Owners of Floating Rate Debentures and/or Junior Subordinated Notes. If you are the beneficial owner of Floating Rate Debentures and/or Junior Subordinated Notes and hold them in your own name, you can vote by completing and signing the enclosed Ballot and returning it directly to KCC using the enclosed preaddressed, postage prepaid envelope.

If you hold Floating Rate Debentures and/or Junior Subordinated Notes in "street name" (i.e., through a brokerage firm, commercial bank, trust company or other nominee) or an authorized signatory (a brokerage firm or other intermediary having power of attorney to vote on behalf of a beneficial owner), you can vote by following the instructions set forth below:

- fill in all the applicable information on the Ballot;

- sign the Ballot (unless the Ballot has already been signed by the bank, trust company or other nominee); and
- return the Ballot to the address indicated on the Ballot in the preaddressed, postage prepaid envelope enclosed with the Ballot. If no envelope was enclosed, contact your brokerage firm, commercial bank, trust company or other nominee or agent thereof for instructions.

If you hold your Floating Rate Debentures and/or Junior Subordinated Notes in street name, you must return your Ballot to the appropriate brokerage firm, commercial bank, trust company or other nominee by the Mailing Deadline [REDACTED], 2008. If your Ballot is not received by your Master Ballot Agent on or before the Mailing Deadline, and such deadline is not extended, your vote will not count as either an acceptance or rejection of the Plan.

You may receive multiple mailings of this Disclosure Statement, especially if you own Floating Rate Debentures and/or Junior Subordinated Notes through more than one brokerage firm, commercial bank, trust company or other nominee. If you submit more than one Ballot for a Class because you beneficially own the securities in that Class through more than one broker or bank, you must indicate in the appropriate item of the Ballot(s) the names of ALL broker dealers or other intermediaries who hold securities for you in the same Class.

Authorized signatories voting on behalf of more than one beneficial owner must complete a separate Ballot for each such beneficial owner. Any Ballot submitted to a brokerage firm or proxy intermediary will not be counted until the brokerage firm or proxy intermediary (a) properly executes the Ballot(s) and delivers them to KCC, or (b) properly completes and delivers a corresponding Master Ballot to KCC.

By voting on the Plan, you are certifying that you are the beneficial owner of the Floating Rate Debentures and/or Junior Subordinated Notes being voted or an authorized signatory for the beneficial owner. Your submission of a Ballot will also constitute a request that you (or in the case of an authorized signatory, the beneficial owner) be treated as the record holder of those securities for purposes of voting on the Plan.

Brokerage Firms, Banks and Other Nominees. A brokerage firm, commercial bank, trust company or other nominee that is the registered holder of Floating Rate Debentures and/or Junior Subordinated Notes for a beneficial owner, or that is a participant in a securities clearing agency and is authorized to vote in the name of the securities clearing agency pursuant to an omnibus proxy and is acting for a beneficial owner, can vote on behalf of such beneficial owner by:

- distributing a copy of this Disclosure Statement and all appropriate Ballots to the beneficial owner;
- collecting all such Ballots;
- completing a Master Ballot compiling the votes and other information from the Ballots collected; and

- transmitting the completed Master Ballot to KCC.

A proxy intermediary acting on behalf of a brokerage firm or bank may follow the procedures outlined in the preceding sentence to vote on behalf of the beneficial owner.

If you are entitled to vote and you did not receive a Ballot, received a damaged Ballot or lost your Ballot, please contact KCC in the manner set forth above.

G. Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court to hold a hearing on confirmation of the Plan. The Confirmation Hearing has been scheduled for [REDACTED] m. (ET) on [REDACTED], 2008, before the Honorable Kevin J. Carey at the United States Bankruptcy Court for the District of Delaware, 824 Market Street, 5th Floor, Wilmington, Delaware 19801. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice other than an announcement of the adjourned date made at the Confirmation Hearing.

Any objection to Confirmation of the Plan must be made in writing and filed with the Bankruptcy Court and served upon the following on or before 4:00 p.m. (ET) on [REDACTED], 2008.

To the Liquidating Agent:

Donald R. Ramon
HomeBanc Mortgage Corporation
Five Concourse Parkway, Suite 3000
Atlanta, GA 30328
Telephone: (404) 459-7711
Facsimile: (404) 705-2298

with copies to:

ALSTON & BIRD LLP
One Atlantic Center
1201 West Peachtree Street
Atlanta, Georgia 30309
Telephone: (404) 881-7000
Facsimile: (404) 881-7777
Attn: Matthew W. Levin, Esq.
Jennifer M. Meyerowitz, Esq.

-and-

YOUNG CONAWAY STARGATT & TAYLOR, LLP
The Brandywine Building
1000 West Street, 17th Floor
P.O. Box 391
Wilmington, Delaware 19801
Telephone: (302) 571-6600
Facsimile: (302) 571-1253
Attn: Joel A. Waite, Esq.
Joseph M. Barry, Esq.

To the Post-Effective Date Committee:

OTTERBOURG, STEINDLER, HOUSTON & ROSEN, P.C.
230 Park Avenue
New York, New York 10169
Telephone: (212) 661-9100
Facsimile: (212) 682-6104
Attn: William Silverman, Esq.
Jennifer Feeney, Esq.

-and-

DRINKER BIDDLE & REATH LLP
1100 North Market Street, Suite 1000
Wilmington, Delaware 19801
Telephone: (302) 467-4200
Facsimile: (302) 467-4201
Attn: Howard Cohen, Esq.

To the Prepetition Agent:

William Austin
JPMorgan Chase Bank, N.A.
277 Park Avenue
New York, New York
Telephone: (212) 622-4507

with copies to:

MILBANK, TWEED, HADLEY & M^CCLOY LLP
1 Chase Manhattan Plaza
New York, New York 10005-1413
Telephone: (212) 530-5000
Facsimile: (212) 822-5287
Attn: Dennis C. O'Donnell, Esq.

To the Indenture Trustee for the Debenture Holders:

Wilmington Trust Company
Rodney Square North
1100 Market Street
Wilmington, Delaware 19890
Telephone: (302) 636-6058
Facsimile: (302) 651-4149
Attn: Steven M. Cimalore

with copies to:

Arent Fox LLP
1675 Broadway
New York, New York 10019
Telephone: (212) 484-3900
Facsimile: (212) 484-3990
Attn: Andrew I. Silfen, Esq.

To the Indenture Trustee for the Junior Subordinated Notes:

HSBC Bank USA, National Association, as Indenture Trustee
Corporate Trust and Loan Agency
10 East 40th Street
New York, New York 10016-0200
Attn: Robert A. Conrad, Vice President

with copies to:

Pryor Cashman LLP
410 Park Avenue
New York, New York 10022
Telephone: (212) 421-4100
Facsimile: (212) 326-0806
Attn: Tina Niehold Moss, Esq.

H. Other Important Information

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED.

THIS DISCLOSURE STATEMENT IS PROVIDED FOR USE SOLELY BY CLAIMANTS IN CLASS 3 AND CLASS 5, IN CONNECTION WITH THEIR DETERMINATION TO ACCEPT OR TO REJECT THE PLAN, OR OBJECT TO THE PLAN. THIS DISCLOSURE STATEMENT IS ALSO BEING PROVIDED TO OTHER

CREDITORS IN THIS CASE AND TO HOLDERS OF EQUITY INTERESTS OF THE DEBTORS IN ORDER FOR SUCH PARTIES TO DETERMINE WHETHER TO OBJECT TO THE PLAN.

HOLDERS OF CLAIMS AND INTERESTS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE. EACH SUCH HOLDER SHOULD THEREFORE CONSULT WITH HIS, HER OR ITS OWN LEGAL, BUSINESS, FINANCIAL AND/OR TAX ADVISORS AS TO ANY MATTER CONCERNING THESE CASES, THE PLAN, AND THE TRANSACTIONS CONTEMPLATED THEREBY.

II. GENERAL INFORMATION

A. The Debtors and their Pre-Petition Operations

Prior to the Petition Date, the Debtors' businesses primarily entailed the origination, servicing and sale of prime retail mortgage loans, as well as the investment in and management of a portfolio comprised of mortgage loans and mortgage-backed securities resulting from the securitization of residential mortgage loans. The Debtors historically offered an array of mortgage products and primarily made loans to borrowers with good, and in nearly all cases "prime," credit profiles. The majority of the Debtors' investment portfolio consisted of prime adjustable-rate mortgage loans (and interests in securitized pools thereof), as well as mortgage-backed securities of other issuers.

As of December 31, 2006, the Debtors held a leveraged portfolio of mortgage loans for investment and mortgage-backed securities in the amount of approximately \$5.7 billion. As of December 31, 2006, the Debtors operated more than 21 loan production offices located in Georgia, Florida and North Carolina. The Debtors originated approximately \$5.9 billion in aggregate principal amount of loans in 2006.

A large component of the Debtors' businesses consisted of servicing loans. Through their servicing business (the "Servicing Business"), the Debtors' collected mortgage payments, administered tax and insurance escrows, responded to borrower inquiries and maintained control over collection and default mitigation processes. As of December 31, 2006, the Debtors serviced approximately 39,355 loans with an aggregate principal amount of approximately \$8.0 billion.

As of June 30, 2007, on an unaudited book value basis, the Debtors had total assets of approximately \$5.1 billion and total liabilities of approximately \$4.9 billion.

B. The Warehouse, MSR, and Aggregation Facilities

In order to maintain adequate liquidity pending the ultimate sale of their loans, the Debtors entered into a variety of credit arrangements, including, without limitation, a warehouse financing arrangement (the "Warehouse Facility"), a working capital credit facility secured by the Debtors' mortgage servicing rights (the "MSR Facility"), and an aggregation facility used to finance the purchase of loans held for investment or ultimate sale (the

“Aggregation Facility”), as to each of which the Prepetition Agent or JP Morgan served as administrative agent or lead lender.

Warehouse Facility. The Warehouse Facility was documented under a Master Repurchase Agreement, dated as of October 31, 2006 (the “Warehouse Repurchase Agreement”), among the Debtors, the Prepetition Agent, and various buyers (the “Buyers”). Under the Warehouse Facility, the Debtors could, from time to time, sell to the Buyers mortgage loans originated by the Debtors, with a corresponding agreement from the Debtors to repurchase such loans at a price equal to the original sales price plus a pricing spread. The pricing spread for all sales and repurchases was based on LIBOR plus a spread ranging from 1.00% to 1.50%, depending on the type of mortgage loan involved in the particular repurchase. Repurchases under the Warehouse Facility were subject to sub-limits (including sub-limits on loan types and the availability of financing for loans repurchased as a result of breaches of their representations and warranties, among other items), advance rates and terms that varied depending on the type of mortgage loans being sold and repurchased. Outstanding mortgage loans had to be repurchased on the date agreed upon by the Prepetition Agent and the Debtors, as applicable, and at the latest on the termination date of the Warehouse Facility, which was to have been October 30, 2007. In the event of a decrease in the market value of the mortgage loans sold to the Buyers such that the purchase price paid to the Debtors exceeded the then current market value of the mortgage loans, the Debtors were required to transfer an additional amount of cash or eligible mortgage loans in an amount equal to the amount of the decrease in the market value of the mortgage loans.

The filing of the Bankruptcy Cases constituted an event of insolvency under the Warehouse Repurchase Agreement, which terminated the Debtors’ rights under the Warehouse Facility, accelerated all amounts due thereunder, and permitted the Prepetition Agent to undertake to sell the purchased mortgage loans to third parties. In the ensuing months, the Prepetition Agent represents that it has taken measures to effectuate a commercially reasonable sale of the Purchased Mortgage Loans, which measures have to date resulted in, according to the Prepetition Agent: (i) sale or payoff proceeds with respect to a portion of the Purchased Mortgage Loans of \$106,011,006.34; and (ii) the consequent reduction of the Repurchase Price from \$317,707,628.91 – the amount outstanding on the Petition Date – to \$211,696,622.57 – the amount outstanding as of the date of this Disclosure Statement.

MSR Facility. The MSR Facility was documented under a Loan and Security Agreement (the “MSR Loan Agreement”), dated as of November 17, 2006, among the Prepetition Agent and various lenders. The MSR Loan Agreement provided for a \$75 million committed facility to provide the Debtors with working capital. Borrowings under the MSR Loan Agreement were secured by the Debtors’ mortgage servicing rights (the “MSRs”) and receivables on servicing advances related to mortgage loans originated by the Debtors. Borrowings under the MSR Loan Agreement bore interest at floating interest rates based on LIBOR plus a spread that was dependent upon the type of collateral that supported the particular advance. Advances under the MSR Loan Agreement reduced availability on a dollar for dollar basis under the MSR Warehouse Facility. The MSR Loan Agreement contained the same covenants as the Warehouse Repurchase Agreement and expired on the earlier of October 30, 2007 and the termination date of the Warehouse Facility.

As of the Petition Date, approximately \$67.6 million principal amount (plus interest, fees and expenses) was outstanding under the Loan Agreement. Since the Petition Date, as set forth in Section IV.F hereof, the Debtors have pursued, and the Bankruptcy Court has approved, the sale of the MSR's that comprise the collateral for the MSR Facility. To date, these sales have yielded proceeds in the total amount (subject to certain offsets and deductions) of \$68.3 million, which proceeds have been or (subject to final reconciliations with the purchasers of the MSR's) will be applied to the debt under the MSR Facility.

Aggregation Facility. Finally, the Debtors used the Aggregation Facility to finance and aggregate mortgage loans to be held for investment or ultimate sale. The Aggregation Facility was documented pursuant to a separate Master Repurchase Agreement, dated as of January 23, 2007, between the Debtors and JPMorgan (the "Aggregation Repurchase Agreement"). The Aggregation Repurchase Agreement provided for a \$500 million uncommitted facility under which the Debtors could, from time to time, sell to JPMorgan mortgage loans originated by the Debtors, with a corresponding agreement from the Debtors to repurchase such loans at a price equal to the original sales price plus a pricing spread. The pricing spread for all sales and repurchases was based on LIBOR plus a spread ranging from 0.54% to 0.60% per annum depending on the type of mortgage loan involved in the particular repurchase. Outstanding mortgage loans had to be repurchased on the date agreed upon by JPMorgan and the Debtors, as applicable, and at the latest on the termination date of the Aggregation Repurchase Agreement. In the event of a decrease in the market value of the mortgage loans sold to JPMorgan such that the purchase price paid to the Debtors, as applicable, exceeded the then current market value of the mortgage loans, the Debtors were required to transfer an additional amount of cash or eligible mortgage loans in an amount equal to the amount of the decrease in market value of such loans.

The filing of the Bankruptcy Cases constituted an event of insolvency under the Aggregation Repurchase Agreement, which terminated the Debtors' rights under Aggregation Facility, accelerated all amounts due thereunder, and permitted JPMorgan to undertake to sell the purchased mortgage loans to third parties. In the ensuing months, JPMorgan represents that it has taken measures to effectuate a commercially reasonable sale of the Purchased Mortgage Loans, which measures have to date resulted in, according to JPMorgan: (i) sale or payoff proceeds with respect to a portion of the Purchased Mortgage Loans of \$67,753,579.31; and (ii) the consequent reduction of the Repurchase Price from \$251,230,629.46 – the amount outstanding on the Petition Date – to \$183,477,050.15 – the amount outstanding as of the date of this Disclosure Statement.

C. Loan Sales and Securitizations

As noted above, the Debtors sold a portion of the mortgage loans that they originated in the secondary mortgage market through whole loan sales or in the form of securitizations. The Debtors typically sold those mortgage loans that they originated but did not securitize in the secondary mortgage market to securities dealers, large national banks, Fannie Mae, Freddie Mac and other institutional loan buyers. Typically, the Debtors sold loans on a limited recourse basis in order to reduce exposure to default risk, except that pursuant to the underlying purchase agreements, the Debtors generally committed to repurchase or substitute a loan if (i) a payment default occurred early in the life of the loan, (ii) the selling entity breached its representations and

warranties or (iii) the loan did not comply with the underwriting standards or other requirements of the ultimate investor.

The Debtors sold most of the loans they originated. Some loans were sold into securitization trusts, interests in some of which were sold to investors and interests in others of which the Debtors retained a residual interest. The securitization trusts are distinct legal entities that were not included in the Debtors' Chapter 11 filings.

D. Loan Servicing

An active part of the Debtors' businesses was the Servicing Business, which was conducted through HBMC. Loans were serviced primarily for the trusts of the Debtors' securitizations and for Fannie Mae, Freddie Mac and other third-party purchasers of the loans the Debtors originated. Loan servicing activities were designed and implemented to ensure that the borrowers repay each loan in a mortgage servicing portfolio in accordance with its terms. The Debtors' Servicing Business collected mortgage payments, administered tax and insurance escrows, responded to borrower inquiries and enabled the Debtors to maintain control over the collection and default mitigation processes.

The Servicing Business also provided the Debtors with a stable cash flow. The Debtors received a fee for each loan serviced. These servicing fees were typically collected from the monthly payments made by the borrowers on the loans. In addition, the Debtors received other remuneration for loan servicing including float benefits representing interest earned on collection accounts where mortgage payments are held pending remittance to investors, as well as mortgage-contracted fees such as late fees and, in some cases, prepayment penalties.

As of December 31, 2006, the Debtors serviced approximately 39,355 loans with an aggregate principal amount of approximately \$8.0 billion.

E. Investment Portfolio

In addition to owning loans pending sale, the Debtors purchased mortgage-backed securities. As of December 31, 2006, the Debtors held a leveraged portfolio of mortgage loans and mortgage-backed securities in the face amount of approximately \$5.7 billion. Virtually all of those mortgage loans and mortgage-backed securities were sold to various purchasers in repurchase transactions prior to the Petition Date.

F. The Corporate Structure

HMB, a Georgia corporation, is the ultimate parent of each of the other Debtors. HBMC, a Delaware corporation, is a direct, wholly owned subsidiary of HMB. HBMC wholly owns HMB Mortgage Partners, LLC, a Delaware limited liability company. HBMC also wholly owns certain other non-debtor entities. HBMC is the operating company that originates loans and serves as the servicing arm for the Debtors' loans as well as loans for third parties. HMB also wholly owns HomeBanc Funding, a Delaware corporation, HomeBanc Funding II, a Delaware corporation, and HMB Acceptance, a Delaware corporation.

Prior to the Petition Date, HMB operated as a REIT for federal income tax purposes, and its common stock was publicly traded on the New York Stock Exchange under the symbol "HMB." HMB guarantees certain obligations of other Debtors and non-debtors and is the direct obligor with respect to certain other transactions.

G. Principal Indebtedness

As noted above, to finance mortgage loan production, the Debtors used a capital facility generally in the form of master repurchase agreements with buyers under the Warehouse Facility and with other buyers under similar repurchase agreements (as generally defined, the "Warehouse Buyers"). Pursuant to such master repurchase agreements, each Warehouse Buyer provided capital to the Debtors. In the ordinary course of their businesses, the Debtors used each Warehouse Buyer's facility, together with their own capital and borrowings under other arrangements, to fund the production of mortgage loans. Pursuant to the terms of the various master repurchase agreements, the underlying Warehouse Buyers had the right to require, each time funds were advanced to fund a mortgage loan, that the Debtors use a portion of their own capital to cushion that Warehouse Buyer against nonperforming mortgage loans. These funds paid by the Debtors as a portion of the proceeds of the mortgage loans were referred to in the industry as the "haircut."

As described, the Debtors typically sold a mortgage loan shortly after originating it, generally within one to three months. When a mortgage loan was sold, the portion of the line of credit used to fund the mortgage loan was repaid to the Warehouse Buyer and the haircut was returned to the Debtors.

Prior to the repayment, the Debtors' obligation to repay the Warehouse Buyer was secured by a security interest in the mortgage loan originated with the funds from that Warehouse Buyer's facility. The master repurchase agreements required the Debtors' subsidiaries to maintain a collateral balance under the master repurchase agreements such that the total value of the collateral securing the obligations under the master repurchase agreements was at least equal to the value of the obligations under the mortgage loans minus the haircut. If the value of the collateral dropped below that amount, the Warehouse Buyer was entitled to make a margin call requiring the Debtors to post additional cash as collateral.

As noted above, under the master repurchase agreements, each of the Warehouse Buyers had a right to accelerate the Debtors' obligation to repurchase the mortgage loans sold under the respective agreement in the event of a default under the applicable repurchase agreement, including the failure to satisfy financial covenants (e.g., liquidity and minimum tangible net worth covenants). The Warehouse Buyers also had the right to cease providing funding to the Debtors in the event of default. Prior to the Petition Date, all of the Debtors' Warehouse Buyers, including the buyers under the Warehouse Facility and the Aggregation Facility, discontinued providing financing as a result of alleged defaults by the Debtors under the Master Repurchase Agreements. JPMorgan, both in its capacity as the Prepetition Agent for the Warehouse Facility and for itself with regard to the Aggregation Facility, represents that the amounts outstanding as of the Petition Date were \$317,707,638.91 for the Warehouse Facility and \$251,230,629.46 for

the Aggregation Facility, which amounts have been reduced since the Petition Date to no more than \$211,696,622.57 and \$183,477,050.15, respectively.

As was the case with respect to their mortgage loans, the Debtors had sold the vast majority of their mortgage-backed certificates in repurchase transactions with various counterparties prior to the Petition Date. Immediately prior to and subsequent to the Petition Date, the counterparties made various margin calls on the Debtors with regard to such repurchase transactions, which the Debtors were unable to meet. As a consequence, the counterparties terminated the repurchase agreements and sold the certificates. Litigation is pending with one of those counterparties, Bear Stearns, regarding various issues related to Bear Stearns' termination of their repurchase agreements and sale of the relevant certificates.

In addition, as mentioned above, the Debtors were borrowers and guarantors under the MSR Loan Agreement. The MSR Loan Agreement provided for a \$75 million committed facility to provide the Debtors with working capital. Borrowings under the MSR Loan Agreement were secured by MSRs and receivables on servicing advances related to mortgage loans originated by the Debtors and bore interest at floating interest rates based on LIBOR plus a spread that is dependent upon the type of collateral that supports the particular advance. As of the Petition Date, approximately \$67.6 million principal amount (plus interest, fees and expenses) was outstanding under the MSR Loan Agreement, which amount the Prepetition Agent represents has been reduced to date by sales of mortgage servicing rights to approximately \$8,991,603.97 and which is anticipated to be further reduced as sale proceeds are finally reconciled with the purchasers of the MSRs and related escrows released to application to the MSR Debt.

H. Trust Preferred Securities

Prior to the Petition Date, the Debtors issued several series of floating rate debentures (the "Floating Rate Debentures") and junior subordinated notes (the "Junior Subordinated Notes"), and, together with the Floating Rate Debentures, the "Trust Preferred Securities") under the Indentures. During 2005, the Debtors formed Capital Trust I and issued thereto \$51.5 million in Junior Subordinated Debentures, and Capital Trust I, in turn, issued \$50.0 million in Junior Subordinated Notes to a third-party investor and \$1.5 million in common trust securities to the Debtors. The Floating Rate Debentures and Junior Subordinated Notes issued under Capital Trust I mature on June 30, 2035 and were callable by the Debtors, in whole or in part, at par plus accrued and unpaid interest to the date of redemption after five years.

On June 1, 2006, the Debtors formed Capital Trust IV and issued thereto \$82.5 million in Floating Rate Debentures, and Capital Trust IV, in turn, issued \$80.0 million in Junior Subordinated Notes to a third-party investor and \$2.5 million in common trust securities to the Debtors. The Floating Rate Debentures and the Junior Subordinated Notes issued under Capital Trust IV mature on June 15, 2036, and were callable by the Debtors, in whole or in part, at par plus accrued and unpaid interest to the date of redemption after five years.

On September 13, 2006, the Debtors formed Capital Trust V and issued thereto \$41.2 million in Floating Rate Debentures, and Capital Trust V, in turn, issued \$40.0 million in Junior

Subordinated Notes to a third-party investor and \$1.2 million in common trust securities to the Debtors. The Floating Rate Debentures and Junior Subordinated Notes issued under Capital Trust V mature on September 21, 2036, and are callable by the Debtors, in whole or in part, at par plus accrued and unpaid interest to the date of redemption after five years.

As of the Petition Date, the Indenture Claims arising under the Floating Rate Debentures and the Junior Subordinated Notes totaled in the aggregate approximately \$175,260,000.

I. Other Prepetition Liabilities.

In addition, as of the Petition Date, the Debtors had accounts payable and other accrued expenses such as lease obligations and potential claims resulting from pending litigation that have given rise to additional claims.

III. Events Leading to Chapter 11

As has been heavily publicized in the media, the secondary mortgage loan industry in America virtually collapsed in the second half of 2007. The rapid and severe devaluation of the Debtors' mortgage-backed securities and mortgage loan holdings was caused by, among other factors, a weakened housing market, falling real estate prices and a spike in consumer defaults on mortgage loan obligations. The downward pressure on loan and security values accelerated as more and more borrowers were forced to sell securities and loans in an effort to meet margin calls such that the markets for these assets were disrupted to the point of dysfunction. The disruption in the credit and liquidity markets was unprecedented in the Debtors' experience and caused major write-downs of its loan and security portfolios.

These events adversely impacted many mortgage originators and mortgage investors. In the case of the Debtors, these write downs led to significant margin calls with respect to the Debtors' credit and repurchase facilities. As of early August 2007, the Debtors became unable to meet their obligations under these arrangements. As a consequence, the Debtors' prepetition lenders under the MSR Facility, and the buyers under the Warehouse Facility and the Aggregation Facility, invoked their default rights under their respective agreements and notified the Debtors that they intended to exercise certain rights, including the right to sell mortgage loans financed under the credit facilities and offset the proceeds from such a sale against amounts owed by the Debtors and/or retain the mortgage loans and determine the value of the loans for the purpose of determining an offset against amounts owed by the Debtors.

In addition, the Debtors received a notice of termination of certain of HBMC's status as an eligible servicer from Freddie Mac regarding servicing of Freddie Mac-owned loans. Freddie Mac notified the Debtors that such termination served as the basis for disqualifying HBMC from continuing to act as servicer for their loans.

Despite the Debtors' consideration of any number of strategic alternatives, including, without limitation, a corporate reorganization and/or a transaction with a third party, the Debtors were forced to completely shut down their mortgage loan origination business. On August 9,

2007, the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court").

IV. Significant Post-Petition Events

Since the Petition Date, the Debtors have managed their businesses and properties as debtors in possession under Sections 1107 and 1108 of the Bankruptcy Code. However, as stated above, from August 7, 2007, the Debtors' efforts have focused on liquidating the Debtors' estates and preserving the value thereof for a period of time long enough to allow for a sale of the Debtors' Servicing Business for the benefit of their creditors. Set forth below is a summary of the significant events that have occurred to date in the Debtors' Bankruptcy Cases.

A. Professionals Retained by the Debtors and the Payment of Same

Pursuant to Sections 327 and 328 of the Bankruptcy Code, Bankruptcy Rule 2014 and the order of the Bankruptcy Court, the Debtors retained the following professionals in the case: (i) Alston & Bird LLP and Young Conaway Stargatt & Taylor, LLP, as bankruptcy counsel, (ii) Ernst & Young LLP, as tax consultants and compliance and audit advisors; (iii) FTI Consulting, Inc., as financial advisors; (iv) MountainView Servicing Group LLC ("MountainView"), as investment bankers; and (v) KCC, as claims agent. With the exception of KCC, since the Petition Date, these professionals have been paid 80%-100% of their fees and 100% of their expenses on a monthly basis pursuant to the professional fee procedures approved by the Bankruptcy Court and orders approving interim fee applications entered by the Bankruptcy Court. Pursuant to Bankruptcy Court order, KCC has been paid its fees and expenses in full as billed to the Debtors in the ordinary course of business.

B. Paying Certain Pre-Petition Claims

Pursuant to orders entered by the Bankruptcy Court in the initial stages of this case, the Debtors received authority to pay certain critical pre-petition claims or claims that would otherwise be entitled to payment in full under any bankruptcy plan. These claims included claims related to employee wages and benefits.

C. Formation of the Committee and the Retention of its Professionals

On August 22, 2007, the U.S. Trustee formed the Committee, which consisted of the following parties: (i) Wilmington Trust Company; (ii) HSBC Bank, National Association as Indenture Trustee; and (iii) Kaiser, Mitsch & Associates, Inc. The Committee retained, pursuant to orders of the Bankruptcy Court, the following professionals: (i) Otterbourg, Steindler, Houston & Rosen, P.C. and Drinker Biddle & Reath LLP, as co-counsel; and (ii) Mesriow Financial Consulting LLC, as financial advisors. Since their retention, these professionals have been paid 80%-100% of their fees and 100% of their expenses on a monthly basis, pursuant to the professional fee procedures approved by the Bankruptcy Court and orders approving interim fee applications entered by the Bankruptcy Court.

The Committee has played an active role in these bankruptcy cases, including several of the matters described in this Section IV, "Significant Post-Petition Events." Under the Plan, the

Committee will be disbanded on the Effective Date and replaced by a Post-Effective Date Committee, which will, play a monitoring role and handle certain specific matters as set forth in the Plan.

D. Implementation of Employee Retention and Incentive Programs

Shortly after the Petition Date, in order to retain and motivate certain key individuals to assist with the Debtors' Bankruptcy Cases and liquidation of the Debtors' assets, shortly after the Petition Date, the Debtors obtained Bankruptcy Court approval of employee retention and incentive plans, pursuant to which the Debtors were authorized to make retention payments to certain key individuals up to the aggregate maximum amount of \$849,074 and to provide incentive bonuses to certain key individuals up to a maximum amount of \$391,875. The Debtors have paid the entire amounts authorized pursuant to such retention and incentive programs.

E. Debtor in Possession Financing

On August 30, 2007, this Court entered an order (the "Interim Financing Order") authorizing the Debtors to obtain interim post-petition debtor in possession financing pursuant to agreements with JPMorgan Chase Bank, N.A., as agent (in such capacity, the "DIP Agent"), and a syndicate of lenders (the "DIP Lenders"). Pursuant to the Interim Financing Order, the Court scheduled a final hearing for approval of the Debtors' debtor-in-possession financing (the "DIP Facility").

The Debtors, the DIP Agent, the DIP Lenders and the Committee engaged in lengthy negotiations concerning the terms of the final financing order and whether debtor-in-possession financing was needed in these cases. On September 13, 2007, the Court entered the Order (I) Authorizing Debtors (A) to Obtain Post-Petition Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, 364(C)(1), 364(C)(2), 364(C)(3), 364(D)(1) and 364(E) and (B) to Utilize Cash Collateral Pursuant to 11 U.S.C. § 363, and (II) Granting Adequate Protection to Prepetition Secured Parties Pursuant to 11 U.S.C. §§ 361, 362, 363 and 364 ("Final Financing Order").

Pursuant to the Final Financing Order, the Debtors were authorized to: (i) borrow up to \$8.5 million from the DIP Lenders under the DIP Facility; (ii) impose priming liens on the obligees under the Warehouse Facility and the MSR Facility; and (iii) utilize cash collateral, in exchange for provision to the Prepetition Lender of adequate protection, including (x) the granting of replacement liens, (y) the payment of post-Petition Date interest, fees and expenses, and (z) the granting of a superpriority administrative claim in the event of failure of adequate protection. The Debtors never borrowed under the DIP Facility, and availability thereunder was terminated by the Wind-Down Stipulation.

F. The Disposition of the Debtors' Assets

Prior to the Petition Date, the Debtors commenced the process of selling certain assets to Countrywide Home Loans, Inc. ("Countrywide"). Immediately after the Petition Date, the Debtors sought and received court authority to complete the sale to Countrywide. The sale resulted in the Debtors selling numerous pipeline loans (which they were unable to fund

themselves) as well as five branch offices to Countrywide, also resulting in numerous employees of the Debtors being hired by Countrywide, rather than being laid off by the Debtors.

Prior to the Petition Date, the Debtors shut down all of their 21 satellite office locations. On December 31, 2007, the Debtors moved out of their headquarters location into much smaller office space in order to minimize operating costs while continuing to wind-down their affairs. Accordingly, since the Petition Date, the Debtors have worked to sell and liquidate the furniture, fixtures and equipment located in their various office locations. In addition, throughout the Bankruptcy Cases, the Debtors have rejected various leases and contracts that they no longer needed. Under the Plan, unless an executory contract or unexpired lease has already been either assumed and assigned or rejected pursuant to an order of the Bankruptcy Court, it will be rejected.

Prior to and following commencement of these Chapter 11 cases, the Debtors explored myriad options in an effort to achieve a comprehensive restructuring of its balance sheet so as to assure long term stability and viability. Despite these efforts, the Debtors were unable to effectuate such a restructuring without resorting to the protections afforded by Chapter 11 of the Bankruptcy Code. The Debtors arrived at the conclusion that the most efficient and comprehensive resolution of their financial difficulties, and the maximization of the Debtors' assets for the benefit of the Debtors' creditors, would best be achieved through an expeditious sale of the Debtors' Servicing Business and other assets. Toward that end, the Debtors engaged in an intensive effort to identify and attract entities interested in purchasing the Debtors' Servicing Business and/or their assets. The Debtors hired MountainView as their investment bankers to identify potential buyers for their Servicing Business and assist with the sale process.

The Debtors filed several motions seeking: (i) approval of auction procedures for the sale of the Servicing Business; (ii) authority to conduct an auction in accordance with such procedures; and (iii) authority to sell all or a substantial portion of the Servicing Business and assume and assign related executory contracts. On September 13, 2007, the Court entered an Order Approving (I) Sale Procedures; (II) Scheduling a Hearing to Consider Sale of Certain Assets Used in the Debtors' Loan Servicing Business; (III) Approving Form and Manner of Notice Thereof; (IV) Granting Related Relief (Docket No. 262) (the "Auction Order").

In accordance with the Auction Order, an auction (the "Auction") for the sale of the Debtors' Servicing Business was held on October 18, 2007. During the Auction, the Debtors and their advisors evaluated numerous bids and counter-bids presented by various parties at the auction. At the conclusion of the Auction, EMC Mortgage Corporation ("EMC") was determined by the Debtors to be the successful bidder with a purchase price of approximately \$59 million. On November 2, 2007, the Court entered an order approving the sale of the Debtors' Servicing Business to EMC (Docket No. 491) (the "Sale Order"). On December 3, 2007, the sale of the Debtors' Servicing Business to EMC closed.

The remaining piece of the Debtors' Servicing Business was the servicing rights related to mortgages sold to Freddie Mac. As noted above, Freddie Mac took the position that it had validly terminated the Debtors as authorized servicers of their loans prior to the Petition Date and, accordingly, asserted postpetition that the Debtors no longer retained any right to service the

Freddie Mac loans. After negotiation, the Debtors and JPMorgan entered into a stipulation with Freddie Mac, approved by the Bankruptcy Court, that provided for the ultimate sale of the Freddie Mac servicing rights outside of the Bankruptcy Cases. On February 1, 2008, the sale of the Freddie Mac servicing rights to AH Mortgage Acquisition Co., Inc., an affiliate of Wilbur Ross, closed for a purchase price of approximately \$9.3 million.

G. Schedules of Assets and Liabilities and Statements of Financial Affairs

On September 11, 2008, the Bankruptcy Court entered an order extending, the Debtors' time to file their schedules of assets and liabilities and statements of financial affairs (collectively, and as amended from time to time, the "Schedules"). On October 9, 2007, in compliance with the order, the Debtors filed their Schedules. The Debtors have subsequently filed various amendments to the Schedules.

H. Setting a Deadline to File Proofs of Claim on Account of Pre-Petition Claims against the Debtors or Their Estates

The Bankruptcy Court entered an order, dated October 16, 2007, setting December 18, 2007 as the deadline for all parties other than Governmental Entities to file proofs of claim in the Debtors' Bankruptcy Cases on account of any Claims that existed as of the Petition Date. The Bankruptcy Court set February 5, 2008 as the deadline for Governmental Entities to file proofs of claim in the Debtors' Bankruptcy Cases on account of any Claims that existed as of the Petition Date. The Bar Date was extended to May 19, 2008, only as to certain Claimants alleged to hold rights under the Fair Labor Standards Act against HBMC.

I. WARN Act Litigation

As mentioned above, just prior to the Petition Date, the Debtors were forced to shut down their loan origination business. Accordingly, on August 7, 2007, the Debtors implemented a reduction in their workforce, resulting in the termination of approximately 800 employees. The Debtors retained approximately 184 employees who were absolutely essential to the Debtors' orderly wind-down operations. However, as a result of the layoffs, on August 21, 2007, certain of the Debtors' employees filed a class action lawsuit, captioned *Hiwot Mekonnen, Kyiesha Shepard and Sharon Thomson, on behalf of themselves and all others similarly situated v. HomeBanc Mortgage Corporation, HomeBanc Corp., HomeBanc Funding Corp., HomeBanc Funding Corp. II, HMB Acceptance Corp. and HMB Mortgage Partners, LLC*, Adversary Proceeding No. 07- 51695-KJC (the "WARN Act Lawsuit"), pursuant to the Worker Adjustment and Retraining Notification Act ("WARN Act"), 29 U.S.C. § 2101 *et seq.* The WARN Act Lawsuit is currently pending in the Bankruptcy Court.

J. Bear Stearns Litigation

On September 19, 2005, HMB and Bear Stearns & Co., Inc. entered into a Master Repurchase Agreement, and on October 4, 2005, HMB and Bear, Stearns International Limited entered into a TBMA/ISMA Global Master Repurchase Agreement (the "Bear Repo Agreements"). Pursuant to the Bear Repo Agreements, the Debtors entered into certain

transactions with Bear Stearns related to certain mortgage-backed securities owned by the Debtors. The Debtors now contend that Bear Stearns converted certain securities, unlawfully retained excess proceeds from the sale of certain other securities, unlawfully retained principal and interest payments on the various securities, and generally breached the Bear Repo Agreements in connection with the sale of certain of the securities. As a result, the Debtors have filed claims against Bear Stearns in connection with an adversary proceeding pending in the Bankruptcy Court (Adv. Pro. No. 07-51740), which litigation remains ongoing. Bear Stearns has vigorously denied and defended itself against the claims asserted by the Debtors in the litigation, and it is difficult to predict the ultimate outcome thereof.

K. Addressing Pre-Petition Litigation Claims

In the ordinary course of their businesses, the Debtors were often parties in any number of lawsuits, including workers' compensation actions, employment discrimination actions, foreclosure proceedings and other types of actions arising from claims that arose from their operations. One of the main lawsuits pending on the Petition Date was a lawsuit filed on February 21, 2006 by Bradford T. King, a former loan officer employed by the Debtors, styled as *Bradford T. King v. HomeBanc Mortgage Company*, Case No. 2:06-CV-96-FtM-99SPC, in the Florida District Court in which the plaintiff is seeking recovery of unpaid overtime benefits under the FLSA. After the initial case was filed, six related cases were filed in the Florida District Court seeking similar relief (collectively with the Bradford T. King case, the "FLSA Cases").³ The Florida District Court entered an order consolidating all of the FLSA Cases into the case filed by Mr. King, and Mr. King is seeking class certification. Currently, the FLSA Cases, as well as the other lawsuits pending against the Debtors as of the Petition Date, are stayed pursuant to Section 362 of the Bankruptcy Code.

L. Claims Objections

The Debtors received over 1,000 proofs of claim by the Bar Date and are in the process of reconciling such claims with their books and records. Under the Plan, the Liquidation Agent will prosecute any necessary objections to administrative, priority or secured claims that are filed. **Under the Plan, the Debtors, through the Liquidating Agent, have the right to file objections to claims after Confirmation. The fact that a Claim has not been the subject of an objection to date is no guarantee that such Claim will be an Allowed Claim, or that the Debtors are waiving the right to object to such Claim.**

³ *King v. HomeBanc Mortgage Corporation and Patrick Flood*, Case No. 2:06-cv-96-FtM-33-SPC; *Marchand v. HomeBanc Mortgage Corporation and Patrick Flood*, Case No. 2:06-cv-112-FtM-29-DNF; *Rodriguez v. HomeBanc Mortgage Corporation and Patrick Flood*, Case No. 2:06-cv-135-FtM-33-DNF; *Mellman v. HomeBanc Mortgage Corporation and Patrick Flood*, Case No. 2:06-cv-97-FtM-33-DNF; *John S. Rudolph and Amanda L. Rudolph v. HomeBanc Mortgage Corporation and Patrick Flood*, Case No. 2:06-cv-196-FtM-33-SPC; *Gottlieb v. HomeBanc Mortgage Corporation and Patrick Flood*, Case No. 2:06-cv-197-FtM-29-DNF; *Paine and Robinson v. HomeBanc Mortgage Corporation and Patrick Flood*, Case No. 2:06-cv-203-FtM-29-SPC.

M. Enforcing Estate Causes of Action

The causes of action belonging to the Debtors' estates include claims against Bear Stearns that, as noted above, are currently in litigation, potential claims against certain of the Debtors' former officers and directors, with respect to payments received from the Debtors within one year of the Petition Date, claims with respect to a deferred compensation plan for the Debtors' former officers, and claims arising under Section 547 of the Bankruptcy Code relating to preferential payments prior to the Petition Date to parties other than "insiders" of the Debtors (collectively referred to in the Plan as the "Wind-Down Litigation Claims").

As to the last of the foregoing, under Section 547, the Debtors, or a designee of the Debtors' Estates, may file a lawsuit to recover a payment (or payments) made by the Debtors to a creditor within ninety (90) days prior to the Petition Date (or during the year prior to the Petition Date, if the creditor was an insider), if the payment was made on account of an antecedent debt while the Debtors were insolvent, and if the payment enabled the subject creditor to receive more than it would have had if the Debtors had filed a Chapter 7 case. Section 547 of the Bankruptcy Code does provide certain defenses to creditors, however, that may allow them to keep some or all of the subject payments, depending on the facts surrounding each specific payment. The Debtors are in the process of analyzing the payments made during the preference periods set forth in Section 547 of the Bankruptcy Code and identifying the creditors that have received payments that may be subject to an action under Section 547 of the Bankruptcy Code (referred to, among other types of actions, as "Other Avoidance Claims" in the Plan). As such, litigation may be required to pursue the Debtors' actions under Section 547 of the Bankruptcy Code, both prior to and after confirmation of the Plan.

Under the Plan, the Debtors, through the Liquidating Agent, have the right to continue to pursue and commence various causes of action post-confirmation, including the Wind-Down Litigation Claims and any claims that are not Wind-Down Litigation Claims (the "Other Litigation Claims"). The Plan Supplement will include a list of actions the Debtors may prosecute and all parties that the Debtors believe may be subject to such actions. The fact that a creditor or third party has not already been the subject of an action with respect to the Wind-Down Litigation Claims and the Other Litigation Claims is no guarantee that such creditor or other third party is free from liability, or that the Debtors are waiving the right to pursue such an action against such creditor or other third party.

N. Wind-Down Stipulation

On January 3, 2008, the Bankruptcy Court entered an Order approving, on a final basis, that certain Stipulation (i) Supplementing Certain Provisions of Final DIP Order and Sale Order; (ii) Confirming Termination of Committee Investigation Period; and (iii) Approving Wind-Down Budget and Procedures (the "Wind-Down Stipulation"). Pursuant to the Wind-Down Stipulation, the Debtors, the Committee and the Prepetition Agent, on behalf of the Prepetition Lenders and Prepetition Purchasers, agreed upon the mechanism and budget to be employed for the Debtors to complete the liquidation of their Estates, wind-up their affairs, and remit to the Prepetition Agent, for the benefit of the Prepetition Lenders and Prepetition Purchasers, the

proceeds of their collateral. The Wind-Down Stipulation further provided for: (i) the repayment to the Prepetition Lenders and Prepetition Purchasers of cash collateral made available to the Debtors during the wind-down period in the amount of approximately \$4.85 million; (ii) the recognition of potential adequate protection and deficiency claims in favor of Prepetition Lenders and Prepetition Purchasers with respect to the MSR and Warehouse Facilities; (iii) the creation of a trust for the benefit of unsecured creditors (the “GUC Trust”) with respect to the proceeds of the Debtors’ deferred compensation plan; (iv) the granting to the Prepetition Lenders and Prepetition Purchasers of an allowed adequate protection claim in the amount of \$1.5 million to the extent necessary to compensate them for the use of their collateral to fund the GUC Trust; and (v) the allocation of the proceeds of the Wind-Down Litigation Claims among the Prepetition Lenders and Prepetition Purchasers and the holders of Allowed Unsecured Claims in accordance with agreed-upon sharing ratios. The provisions of the Wind-Down Stipulation have been incorporated into the Plan.

O. Adequate Protection and Deficiency Claims

Under the Final DIP Order, the Prepetition Agent was granted, for the benefit of the Prepetition Lenders and Prepetition Purchasers, a superpriority administrative claim under Section 507(b) of the Bankruptcy Code to the extent that any diminution in the value of its collateral was left uncompensated by the adequate protection granted under the Final DIP Order. By operation of law, moreover, both the Prepetition Lenders and the Prepetition Purchasers were entitled to deficiency claims to the extent that the value of their collateral was not sufficient to satisfy the amount of their secured or contractual claims, subject to certain defenses of the Debtors. The Prepetition Agent asserted that the uncompensated decrease in the value of the collateral under the MSR Facility was in excess of \$30 million and that the deficiency claim as to the Warehouse Facility was in excess of \$50 million. The Debtors and Committee disputed these claim amounts, and further questioned whether there was any basis, under the circumstances of these Bankruptcy Cases, for adequate protection or deficiency claims in favor of the Prepetition Lenders and the Prepetition Purchasers.

In order to avoid the delay, disruption and expense of litigation concerning these issues, the Debtors, the Committee, and the Prepetition Agent agreed to compromise these claims by (i) granting to the Prepetition Agent, for the benefit of the Prepetition Lenders and Prepetition Purchasers, the Allowed Prepetition Agent Deficiency Amount in the reduced amount of \$20 million; (ii) liquidating the Prepetition Agent’s MSR Adequate Protection Claim in the reduced amount of \$2 million and adding this amount to secured claim as to which the Prepetition Agent could receive Prepetition Agent Wind-Down Property under the Wind-Down Stipulation; and (iii) agreeing that the Prepetition Agent, on behalf of the Prepetition Lenders and Prepetition Purchasers, would not share pro rata in any part of the first \$1.5 million in recoveries with respect to the Deferred Compensation Claims.

V. THE DEBTORS’ CHAPTER 11 PLAN

The Plan, together with the schedules and exhibits thereto, is annexed hereto as Exhibit A and forms a part of this Disclosure Statement. This Disclosure Statement is qualified in its entirety by reference to the more detailed provisions set forth in Exhibit A.

THE DEBTORS BELIEVE THAT THE PLAN PROVIDES THE BEST POSSIBLE RECOVERY FOR CLAIMANTS. FURTHER, THE DEBTORS BELIEVE THAT, WITH RESPECT TO THE IMPAIRED CLASSES OF CLAIMS, THE DISTRIBUTIONS UNDER THE PLAN ARE GREATER THAN THE AMOUNTS THAT WOULD BE RECEIVED IF THE DEBTORS WERE LIQUIDATED UNDER CHAPTER 7 OF THE BANKRUPTCY CODE. THE DEBTORS THEREFORE BELIEVE THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF ALL CLAIMANTS AND RECOMMEND THAT YOU ACCEPT THE PLAN.

A. Classification of Claims and Interests

i. Substantive Consolidation

THE PLAN SEEKS SUBSTANTIVE CONSOLIDATION OF THE DEBTORS AND THEIR ESTATES. IF SUBSTANTIVE CONSOLIDATION IS AUTHORIZED AND ORDERED BY THE BANKRUPTCY COURT IN ITS ORDER CONFIRMING THE PLAN, ALL ALLOWED CLAIMS AGAINST THE DEBTORS OR THEIR ESTATES SHALL BE SATISFIED FROM THE COMBINED CASH AND OTHER ASSETS OF THE DEBTORS EXCEPT FOR THE ALLOWED CLAIMS IN CLASSES 2 AND 4, AS PROVIDED BELOW. SUCH SUBSTANTIVE CONSOLIDATION SHALL BE WITHOUT PREJUDICE TO ANY WIND-DOWN LITIGATION CLAIM, OTHER LITIGATION CLAIM OR ANY OTHER CLAIMS OR DEFENSES OF THE DEBTORS AND SHALL NOT BE CONSTRUED AS AN ELECTION OF REMEDIES WITH RESPECT TO SUCH CLAIMS OR ANY OTHER MATTERS. THE PLAN SHALL SERVE AS A MOTION SEEKING ENTRY OF AN ORDER SUBSTANTIVELY CONSOLIDATING THE BANKRUPTCY CASES AND THE ESTATES, AS DESCRIBED HEREIN.

Entry of the Confirmation Order shall constitute the approval, pursuant to Section 105(a) of the Bankruptcy Code, effective as of the Effective Date, of the substantive consolidation of the Debtors, the Bankruptcy Cases, and the Estates (except as specifically provided herein) for all purposes related to the Plan, including without limitation, voting, confirmation, and distribution. On and after the Effective Date, except as specifically provided herein, (i) all assets and liabilities of the Debtors shall be treated as though they were merged, provided, however, that all Estate Assets shall remain subject to only those Liens that attached to such assets prior to such merger; (ii) all Intercompany Claims between and among the Debtors shall be eliminated, and no distributions shall be made under the Plan on account of any Claim held by a Debtor against any other Debtor; (iii) the interests of HMB in HBMC, HB Funding, HB Funding II and HMB Acceptance, and the interests of HBMC in HMB Mortgage shall be eliminated and no distributions shall be made under the Plan on account of such Equity Interests; (iv) all guarantees of the Debtors of the obligations of any other Debtor shall be eliminated so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint or several liability of any of the Debtors shall be deemed one obligation of the consolidated Debtors; and (v) each and every Allowed Unsecured Claim filed or to be filed against any Debtor shall be deemed filed against, and shall be one Claim against and obligation of, the consolidated Debtors.

The substantive consolidation effected pursuant to the Plan shall not be construed as an election of remedies and shall not affect or prejudice: (i) any Claims or defenses of the Debtors existing prior to such substantive consolidation or at any time, whenever asserted, including without limitation the Wind-Down Litigation Claims and the Other Litigation Claims; (ii) requirements for any third party to establish mutuality in order to assert a right of setoff; (iii) distributions out of any insurance policies or proceeds of such policies; and (iv) any similar or analogous rights, including any which may constitute a right or asset of any Debtor or Estate. Without limiting the generality of the foregoing, all claims and causes of action held by any Debtor against non-Debtors shall be unaffected by substantive consolidation under the Plan.

The Plan shall serve as a motion seeking entry of an order substantively consolidating the Debtors, the Bankruptcy Cases, and the Estates, in the manner described herein. Any objections to substantive consolidation must be made in writing by a creditor affected by the Plan by the Voting Deadline (which will be the same as the general Plan objection deadline) in accordance with any relevant scheduling order. In the event any such objections to substantive consolidation are timely filed, a hearing with respect thereto shall be scheduled by the Bankruptcy Court, which hearing may coincide with the Confirmation Hearing or be held at any earlier time established by the Bankruptcy Court. Entry of the Confirmation Order shall constitute the approval, pursuant to Section 105(a) of the Bankruptcy Code, of the substantive consolidation of the Debtors, effective as of the Effective Date.

The Debtors and the Creditors' Committee believe that substantive consolidation of the Debtors and their Estates is justified for the following reasons:

- a. None of the Debtors other than the HMB and HBMC had any employees. HBMC employees essentially performed all services rendered by the other Debtors. HMB had ten (10) employees prior to the Petition Date, all of whom worked on matters related to all of the Debtors.
- b. The Debtors all occupied the same physical facilities for purposes of conducting their businesses.
- c. HBMC paid all of the bills and receipted all of the revenue for all of the Debtors, and then allocated such bills and receipts to various accounts.
- d. Virtually all invoices from creditors were billed to HBMC, whether the goods supplied or services performed were rendered to HBMC or one or more of the other Debtors.
- e. The Debtors believe that the general perception of their creditors was that the Debtors were a single entity.
- f. There will be considerable savings in administrative costs by having one disclosure statement and plan of reorganization instead of six.

ii. *Creation of Classes*

Section 1122 of the Bankruptcy Code provides that a plan of reorganization must designate classes of claims and equity interests, each of which must contain only substantially similar claims or equity interests.

Consistent with Section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims are not included in any classes of Claims or Equity Interests. As defined in the Plan, "Administrative Expense Claims" are any Claims for costs and expenses of administration of these Bankruptcy Cases allowed under Sections 503, 507(a)(1) or 507(b) of the Bankruptcy Code, and all fees and costs assessed against the Estates pursuant to 28 U.S.C. § 1930. Also as defined in the Plan, "Priority Tax Claims" are any Claims entitled to priority in payment under Section 507(a)(8) of the Bankruptcy Code.

In addition, the Plan provides for the classification and treatment of the following classes of Claims and Interests:

Class 1 – Allowed Priority Claims (other than Allowed Priority Tax Claims).

Class 2 – Allowed Secured Tax Claims (with each such Secured Tax Claim to be placed in its own subclass within Class 2).

Class 3 – Allowed Prepetition Agent Claims.

Class 4 – Allowed Other Secured Claims, with each such Secured Claim to be placed in its own subclass within Class 4.

Class 5 – Allowed Unsecured Claims.

Class 6 – Equity Interests.

B. Treatment of Claims and Interests

Except as otherwise indicated below, many payments under the Plan are expected to occur on the Effective Date, which is defined in the Plan as the eleventh Business Day after the Plan is confirmed, or as soon thereafter as is practicable. Of course, if the Plan is not confirmed, either because parties successfully object to it or because the Debtors are unable to garner enough votes in Classes 3 and 5 to confirm it, then there will be no Effective Date as to the Plan, and distributions (if any) will be delayed while the Debtors determine another course of action to resolve these Bankruptcy Cases.

With respect to Allowed Administrative Expense Claims, Allowed Priority Tax Claims, Allowed Priority Claims (Class 1) and Allowed Secured Tax Claims (Class 2), the Debtors shall tender to such holders, in full satisfaction, release and discharge of and in exchange for such Claim, either (i) the amount of their Allowed Claim, in Cash, or (ii) such other consideration as may be agreed upon in writing by the holder of such Claim and the Liquidating Agent. These

distributions will take place on the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes Allowed.

The Prepetition Agent, on account of the Allowed Prepetition Agent Claims (Class 3), shall receive, for the benefit of the Prepetition Lenders and the Prepetition Purchasers and on the terms and conditions set forth in the Wind-Down Stipulation, the Prepetition Agent Wind-Down Property, it being understood that the aggregate recovery of the Prepetition Agent with respect to the principal and accrued prepetition interest on the Prepetition Agent Claims shall not exceed the Prepetition Payoff Settlement Amount. The timing and nature of the distributions to be made on account of the Allowed Prepetition Agent Claims shall be governed by Article VIII of the Plan.

With respect to Allowed Other Secured Claims (Class 4), each holder shall receive in full satisfaction and release of and in exchange for such Claim either (i) Cash equal to the amount of such Allowed Secured Claim on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Secured Claim, and all Liens and security interests asserted by the holder of such Allowed Secured Claim shall be extinguished and of no further force or effect, or (ii) a return of the collateral or other property that secures the Allowed Secured Claim, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Secured Claim.

With respect to Allowed Unsecured Claims (Class 5), each holder, including the Prepetition Agent, as the holder of the Prepetition Agent Deficiency Claim, shall receive in full satisfaction and release of and in exchange for such Claim, its Pro Rata share of (i) the Unsecured Claim Wind-Down Property; (ii) the GUC Trust; and (iii) any other Cash distribution to the holders of Allowed Unsecured Claims from the Estate Assets; provided, however, that the Prepetition Agent shall not receive, on behalf of the Prepetition Purchasers and Prepetition Lenders, any Pro Rata Share of the GUC Trust. The timing and nature of the distributions to be made to the holders of Allowed Unsecured Claims shall be governed by Article VIII of the Plan.

On the Effective Date, all Equity Interests shall be canceled, annulled and voided, and the holders thereof shall be entitled to no distribution whatsoever under the Plan or in the Bankruptcy Cases on account of such Equity Interests. One new share of reorganized HomeBanc's common stock shall be issued to the Liquidating Agent on the Effective Date.

C. Funding of Distributions

i. Establishment of Accounts and Reserves.

On or before the Effective Date, the Liquidating Agent shall establish: (i) the Adequate Protection Claim Escrow; (ii) the Liquidation Proceeds Account; (iii) the Post-Confirmation Operating Account; (iv) the Disputed APS Claims Reserve; (v) the Disputed Unsecured Claims Reserve, and (vi) the Unsecured Claims Distribution Reserve, all of which shall be interest bearing accounts. On the Effective Date, the Liquidating Agent shall fund: (i) to the extent required by Section 2.1 of the Plan, the Adequate Protection Claim Escrow with Cash in the

amount of \$1.5 million (provided that the Liquidating Agent shall not use for such purpose Cash (a) in the Wind-Down Budget Account, (b) in the Post-Confirmation Operating Account, (c) that is part of the Deferred Compensation GUC Amount, or (d) otherwise required to be distributed to the Prepetition Agent under the Wind-Down Stipulation, as the case may be); (ii) the Disputed APS Claims Reserve with Cash in an amount necessary for the payment in full of all Disputed Administrative Expense Claims, all Disputed Priority Tax Claims, all Disputed Priority Claims, all Disputed Secured Tax Claims, all Disputed Secured Claims and unpaid Professional Claims; (iii) the Post-Confirmation Operating Account with all Cash then on deposit in the Wind-Down Budget Account, to the extent consistent with the amount budgeted in the Wind-Down Budget to pay for all costs of administration of the Estate Assets; and (iv) to the extent that an Initial Distribution is made to the holders of Allowed Unsecured Claims, as contemplated by Section 8.3.3 of the Plan, the Disputed Unsecured Claims Reserve with Cash sufficient to fund a Pro Rata distribution in like amount on account of Disputed Unsecured Claims. To the extent the Liquidating Agent determines to pay the Pro Rata share with respect to an undisputed portion of any Disputed Claim of the type described above, the Liquidating Agent shall be allowed to reduce the amount reserved for that Claim in the appropriate account.

Thereafter, as and when the Estate Assets are liquidated and reduced to Cash, subject to the provisions of the Wind-Down Stipulation, the Liquidating Agent shall make an initial deposit (to the extent that no Initial Distribution is made to the holders of Allowed Unsecured Claims, as contemplated by Section 8.3.3 of the Plan) or add to the Disputed Unsecured Claims Reserve, in sufficient amounts such that the aggregate amount in the Disputed Unsecured Claims Reserve is sufficient to pay all Disputed Unsecured Claims the same Pro Rata share of such Claims as if they were Allowed Unsecured Claims, in the lesser of (i) the amount claimed in the filed proof of claim by the holder of each such Claim, and (ii) the estimated amount of such Claim as determined by Final Order of the Bankruptcy Court, plus any other amount that the Liquidating Agent, in its sole discretion (after consultation with the Post-Effective Date Committee), deems necessary and appropriate.

ii. Distributions on Account of Indenture Claims

All distributions on account of Allowed Indenture Claims shall be made to (i) the respective Indenture Trustee for the particular issue of Floating Rate Debentures or Junior Subordinated Notes, as the case may be; or (ii) with the prior written consent of the Indenture Trustee, through the facilities of DTC (if applicable) or a Third Party Disbursing Agent. If a distribution is made to the Indenture Trustee, the Indenture Trustee, in its capacity as Third Party Disbursing Agent, shall administer the distributions in accordance with the Plan and the Indenture Documents and shall be compensated, without further Bankruptcy Court approval, for all services related to distributions pursuant to the Plan (and for the related fees and expenses of any counsel or professional engaged by the Indenture Trustee with respect to administering or implementing such distributions), through the exercise of the Charging Lien against the distributions received by the Indenture Trustee on account of Allowed Indenture Claims, and such fees and expenses will be deducted from the amounts to be paid to holders of Allowed Indenture Claims. Please refer to Section 8.5 of the Plan for the precise mechanics by which such distributions shall be made, and the Indenture Trustees compensated.

iii. Subsequent Distributions

It is anticipated that after the Effective Date, the Liquidating Agent will reduce to Cash various of the non-Cash assets still belonging to the Debtors, such as the Wind-Down Litigation Claims and the Other Litigation Claims. Upon receipt, such proceeds shall: (i) if, prior to the Effective Date, the Wind-Down Budget Amount (as defined in the Wind-Down Stipulation) has not been deposited into the Wind-Down Budget Account, be deposited into the Post-Confirmation Operating Account until an amount equal to the Wind-Down Budget Amount has been deposited into the Wind-Down Budget Account or Post-Confirmation Operating Account (as the case may be); (ii) if the Wind-Down Budget Amount has been deposited into the Wind-Down Budget Account, then, until the Prepetition Payoff occurs, be deposited, as contemplated by Paragraphs 7(iv) and 7(v) of the Wind-Down Stipulation, into the Liquidation Proceeds Account for distribution therefrom to the Prepetition Agent for the benefit of the Prepetition Lenders and Prepetition Purchasers; (iii) to the extent the Liquidation Proceeds Account has been fully funded, be allocated between the Prepetition Agent and the holders of other Allowed Unsecured Claims, as contemplated by Paragraph 7(vi) of the Wind-Down Stipulation, with the portion allocated to the holders of Allowed Unsecured Claims being deposited into the Unsecured Claim Distribution Reserve until all conditions precedent to its distribution have been satisfied; and (iv) to the extent that such proceeds comprise up to \$1.5 million of proceeds of the Deferred Compensation Claims, be deposited into the GUC Trust. In addition, as Disputed Claims become Disallowed Claims or are only partially Allowed, funds held on reserve on account thereof may, subject to the provisions of the Wind-Down Stipulation, then be distributed to holders of Allowed Claims under the Plan. No cost of administration or distribution (other than the fees and expenses of the Indenture Trustees or the Third Party Disbursing Agent as provided for in Section 8.5 of the Plan) shall be charged against the Deferred Compensation GUC Amount, which amount shall (subject, as provided for in Section 8.5 of the Plan, to the exercise of any Charging Lien) be distributed, Pro Rata, to holders of Allowed Unsecured Claims.

On the Effective Date, the Liquidating Agent shall establish the GUC Trust solely for the benefit of the holders of Allowed Unsecured Claims. The first \$1.5 million of the proceeds of the Deferred Compensation Claims, whether available on the Effective Date or thereafter, in a single transfer or multiple transfers, shall be transferred into the GUC Trust. On the date of any such deposit into the GUC Trust, the Debtors, the Liquidating Agent, the Committee and the Post-Effective Date Committee shall be deemed to have waived any and all objections to the Allowed Adequate Protection Claim to the extent of the Deferred Compensation GUC Amount on such date. The Liquidating Agent shall, subject to Section 5.5 of the Plan, make distributions from the GUC Trust to the holders of Allowed Unsecured Claims in accordance with the provisions of the Plan governing all other distributions, including, without limitation, Sections 8.3 and 8.6 thereof.

Following the Initial Distribution, and until the occurrence of the Prepetition Payoff, the Disbursing Agent shall make distributions on the timetable set forth in the Wind-Down Stipulation, with distributions to the Prepetition Agent and/or allocations to the Unsecured Claim Distribution Reserve being made to satisfy the Cash Collateral Reimbursement Amount and/or on any date the balance in the Liquidation Proceeds Account exceeds \$1 million. Beginning on

the date which is three (3) months after the date of the Initial Distribution, and every three (3) months thereafter, the Disbursing Agent shall distribute all Cash in the Unsecured Claim Distribution Reserve to the holders of Allowed Unsecured Claims; provided, however, that unless it is the Final Distribution, the Disbursing Agent, at the direction of the Liquidating Agent, shall not be required to make any distribution from the Unsecured Claim Distribution Reserve unless there is at least \$250,000 in the Unsecured Claim Distribution Reserve.

D. Procedures for Resolving Disputed Claims

Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, and except as otherwise expressly provided for in the Plan, following the Effective Date, the Liquidating Agent, in accordance with the terms of the Liquidating Agent Agreement, shall be authorized, and vested with the right to object to any and all Claims not deemed allowed hereunder, file and/or prosecute such objections on behalf of the Debtors so as to have the Bankruptcy Court determine the Allowed amount, if any, of such Claims. All objections to Claims shall be filed with the Bankruptcy Court and served upon the holder of the applicable Claim by no later than the Claims Objection Deadline. Responses and litigation over the allowance of any Claim that is the subject of an objection shall be governed by the Bankruptcy Code and the Bankruptcy Rules, and any other applicable order of the Bankruptcy Court. From and after the Effective Date, all objections filed by the Liquidating Agent shall be litigated to a Final Order, except to the extent that the Liquidating Agent elects, in consultation with the Post-Effective Date Committee and, until occurrence of the Prepetition Payoff, the Prepetition Agent, to withdraw, compromise, settle or otherwise resolve any such objection in accordance with the terms of the Liquidating Agent Agreement, to the extent not inconsistent with the Wind-Down Stipulation. The Liquidating Agent shall provide regular, periodic reports of any such resolutions to the Post-Effective Date Committee.

E. Liquidation of Assets and Prosecution of Claims.

On and after the Confirmation Date, the Liquidating Agent may, without further approval of the Bankruptcy Court, use, sell, assign, transfer, abandon or otherwise dispose of at a public or private sale any of the Debtors' remaining assets for the purpose of liquidating and converting such assets to Cash, making distributions, subject to and consistent with the terms of the Wind-Down Stipulation and the Liquidating Agent Agreement, and fully consummating the Plan; provided, however, that the Liquidating Agent shall provide five (5) Business Days written notice to (i) the Post-Effective Date Committee and (ii) until Prepetition Payoff, counsel for the Prepetition Agent of any such intended use, sale, assignment, transfer, abandonment, or other disposal of the Debtors' tangible assets (the "Intended Asset Disposition"), and the Post-Effective Date Committee and the Prepetition Agent each shall have five (5) Business Days from the date of the receipt of the written notice to advise the Liquidating Agent in writing that it objects to the Intended Asset Disposition. If an objection is timely asserted and the parties are unable to resolve the objection, the Liquidating Agent will not proceed with the Intended Asset Disposition unless the Liquidating Agent obtains Bankruptcy Court approval.

The Liquidating Agent, in consultation with (i) the Post-Effective Date Committee, and (ii) until the occurrence of the Prepetition Payoff, counsel to the Prepetition Agent, and

exercising its reasonable business judgment, shall, in an expeditious but orderly manner, liquidate and convert to Cash the Wind-Down Litigation Claims and the Other Litigation Claims, either through prosecution, compromise and settlement, abandonment or dismissal of any or all claims, rights or causes of action, or otherwise. The Liquidating Agent, subject to the approval of the Post-Effective Date Committee and the Prepetition Agent, and subject to Section 15.3 of the Plan, shall have the absolute right to pursue, settle and compromise or not pursue any and all Wind-Down Litigation Claims and Other Litigation Claims as it determines is in the best interests of the Debtors and Claimants. With regard to any settlement or compromise of the Wind-Down Litigation Claims and Other Litigation Claims, the Liquidating Agent shall provide five (5) Business Days written notice to (i) the Post-Effective Date Committee and (ii) until the Prepetition Payoff, counsel for the Prepetition Agent, of any such intended settlement or compromise (the "Intended Settlement"), and the Post-Effective Date Committee and the Prepetition Agent each shall have five (5) Business Days from the date of the receipt of the written notice to advise the Liquidating Agent in writing that it objects to the Intended Settlement. If an objection is timely asserted and the parties are unable to resolve the objection, the Liquidating Agent will not proceed with the Intended Settlement unless the Liquidating Agent obtains Bankruptcy Court approval.

F. The Liquidating Agent and Oversight of Plan Implementation

From and after the Confirmation Date, the Debtors shall continue in existence pursuant to the terms of the Plan solely for the purposes of allowing the Liquidating Agent to (i) wind-up their affairs, (ii) liquidate, by converting to Cash or other methods, any remaining Estate Assets, (iii) enforce and prosecute claims, interests, rights and privileges of the Debtors in conjunction with the marshaling of the Estate Assets, (iv) resolve Disputed Claims, (v) administer the Plan and the Wind-Down Stipulation, and (vi) file appropriate tax returns.

The Estate Assets will be managed by the Liquidating Agent subject to the provisions of the Liquidating Agent Agreement, the Plan, the Wind-Down Stipulation and the Confirmation Order. The Liquidating Agent will be the exclusive trustee of the Estate Assets for the purposes of 31 U.S.C. § 3713(b) and 26 U.S.C. § 6012(b)(3), as well as the representative of the Estates appointed pursuant to Section 1123(b)(3)(B) of the Bankruptcy Code. Further, for purposes of any insurance policy of the Debtors allowing recovery only if an action is brought by a "trustee" (or some similar designation), the Liquidating Agent shall be a "trustee" (or similar designation) for such purposes (or, in the event that an action is assigned to the Post-Effective Date Committee for prosecution, then the Post-Effective Date Committee shall be considered a "trustee" (or similar designation) for such purposes). The Liquidating Agent shall have fiduciary duties to the beneficiaries of the Estate Assets in the same manner that members of an official committee of creditors appointed pursuant to Section 1102 of the Bankruptcy Code have fiduciary duties to the creditor constituents represented by such a committee. Mr. Donald R. Ramon initially shall serve as the Liquidating Agent. The Liquidating Agent shall be compensated from the Estate Assets as specified in the Liquidating Agent Agreement. Removal of the Liquidating Agent shall be governed by the provisions of the Liquidating Agent Agreement.

Except as otherwise specifically provided by the Plan or by an order of the Bankruptcy Court, the responsibilities of the Liquidating Agent shall include: (i) the receipt, management, supervision, and protection of the Estate Assets for the benefit of the beneficiaries of the Estate Assets; (ii) the investigation and, if appropriate, objection to or request for estimation of, and if necessary and appropriate, compromise of the objections to, estimations and settlements of Disputed Claims; (iii) the investigation, pursuit, initiation, commencement, filing, prosecution and/or enforcement, and if necessary and appropriate, compromise of the claims and causes of action included among the Estate Assets, including, without limitation, Wind-Down Litigation Claims and the Other Litigation Claims against third parties, consistent with the terms of the Wind-Down Stipulation; (iv) calculation and implementation of all distributions to be made under the Plan to the holders of Allowed Claims; (v) marketing, selling, leasing, or otherwise disposing of all of the Estate Assets; (vi) filing all required tax returns and paying taxes and all other obligations of the Debtors; and (vii) such other responsibilities as may be vested in the Liquidating Agent pursuant to the Plan, the Liquidating Agent Agreement, and orders of the Bankruptcy Court, or as may be necessary and proper to carry out the provisions of the Plan and the Wind-Down Stipulation.

Except as otherwise specifically provided by the Plan or pursuant to an order of the Bankruptcy Court, the powers vested in the Liquidating Agent and the Post-Effective Date Committee (as applicable) under the Plan shall include, subject to consultation with and/or consent and approval of the Post-Effective Date Committee (and, until the occurrence of the Prepetition Payoff, the Prepetition Agent) where required under the Plan or the Liquidating Agent Agreement, the power to: (i) invest funds, including all or a portion of the Cash in accounts and reserves established pursuant to Section 8.4 of the Plan, to the extent not otherwise required to be distributed pursuant to the terms of the Plan or the Wind-Down Stipulation; (ii) make distributions, either directly or through the Disbursing Agent, provided for in the Plan and the Wind-Down Stipulation; (iii) pay taxes and other obligations of the Debtors from the Estate Assets; (iv) dispose of the Estate Assets; (v) litigate, request estimation of, or compromise and settle Disputed Claims; (vi) investigate, pursue, initiate, commence, file, prosecute, abandon, assign to the Post-Effective Date Committee to pursue, and, if necessary and appropriate, compromise all Wind-Down Litigation Claims and Other Litigation Claims; (vii) engage (and compensate from the Estate Assets) consultants, agents, employees, attorneys, auctioneers, brokers, marketing agents and other professional persons to assist and/or advise it in the sale or other disposition of the Estate Assets and in otherwise carrying out its obligations under the Plan and the Liquidating Agent Agreements; (viii) utilize Estate Assets to purchase appropriate insurance to insure the acts and omissions of the Liquidating Agent, or to insure other Estate Assets; and (ix) implement the Plan, the Wind-Down Stipulation, and orders of the Bankruptcy Court; provided, however, that in no event shall the Liquidating Agent use, or permit the use of, Prepetition Agent Wind-Down Property to object to Claims filed by, or file Wind-Down Litigation or Other Litigation Claims against, the Prepetition Agent, the Prepetition Lenders or the Prepetition Purchasers. The Liquidating Agent shall exercise such powers in accordance with the provisions of the Plan and the Liquidating Agent Agreement.

The Liquidating Agent may, consistent with the restrictions of the Wind-Down Budget, employ one or more attorneys, accountants, appraisers, auctioneers, or other professional persons, that do not hold or represent an interest adverse to the Debtors, and are disinterested

persons, to represent the Liquidating Agent in carrying out the Liquidating Agent's duties under the Plan and the Liquidating Agent Agreement. In connection therewith, the Liquidating Agent also may, but shall not be required to, consistent with the Wind-Down Budget, retain and employ existing counsel for the Debtors or for the Committee to represent the Liquidating Agent with respect to any matter, including, without limitation, the prosecution of the Wind-Down Litigation Claims and Other Litigation Claims on behalf of the Debtors.

After the Effective Date, in addition to reimbursement for the actual, reasonable and necessary expenses incurred, the (i) Liquidating Agent, (ii) any employees, agents, consultants, financial advisors, attorneys, accountants or professionals engaged or retained by the Liquidating Agent; and (iii) subject to Section 15.4.2 of the Plan, Liaison Counsel shall be entitled, subject to compliance with the Wind-Down Budget, to reasonable compensation from the Estate Assets to perform their respective duties. The fees for the Liquidating Agent and any professionals employed by the Liquidating Agent shall be subject to the approval of the Post-Effective Date Committee (and, until the Prepetition Payoff occurs, the Prepetition Agent) upon receipt of a detailed invoice. The expenses of the Post-Effective Date Committee and the fees and expenses of Liaison Counsel and Contingency Fee Counsel, if any, shall be subject to (i) Section 15.4.2 of the Plan and (ii) the approval of the Liquidating Agent (and, until the Prepetition Payoff occurs, the Prepetition Agent), upon receipt of a detailed invoice. To the extent a dispute occurs, the Bankruptcy Court will resolve same.

Only the Post-Effective Date Committee and, until the Prepetition Payoff occurs, the Prepetition Agent, acting jointly, have standing to remove the Liquidating Agent or any successor Liquidating Agent upon filing a notice of such removal with the Bankruptcy Court and serving a copy upon counsel to the Liquidating Agent. Removal of the Liquidating Agent shall be in accordance with the Liquidating Agent Agreement.

In the event that the Liquidating Agent is removed, resigns or otherwise ceases to serve as Liquidating Agent, the Post-Effective Date Committee (until the Prepetition Payoff occurs, in consultation with the Prepetition Agent) shall, acting jointly, select a proposed successor Liquidating Agent within ten (10) Business Days or as soon thereafter as practicable following such resignation, removal, or cessation of service by the incumbent Liquidating Agent. Notice of any Successor Liquidating Agent shall be filed with the Bankruptcy Court and shall be effective upon the filing of such notice. Any successor Liquidating Agent shall be subject to the same qualifications and shall have the same rights, powers, duties and discretion, and otherwise be in the same position, as the originally named Liquidating Agent.

The duties, responsibilities and powers of the Liquidating Agent shall terminate after all causes of action involving the Debtors are fully resolved or abandoned, all the Estate Assets have been distributed on the Final Distribution Date in accordance with the Plan, and a Final Decree has been entered closing the Bankruptcy Cases. The Estate Assets shall be distributed no later than five (5) years from the Effective Date; provided, however, that the Cash Collateral Reimbursement Amount must be paid to the Prepetition Agent on or before the Wind-Down Termination Date. However, if warranted by the facts and circumstances provided for in the Plan, and subject to the approval of the Bankruptcy Court upon a finding that an extension is necessary, the term for distributing Estate Assets may be extended for a finite period based on the

particular circumstances at issue. Each such extension must be approved by the Bankruptcy Court within six (6) months of the beginning of the extended term, after notice and a hearing.

G. Post-Effective Date Committee

On the Effective Date, the Committee shall be dissolved for all purposes other than the preparation, filing, and prosecution of final fee applications, and the Post-Effective Date Committee, comprised of no more than three (3) members, formed. The Post-Effective Date Committee shall continue in existence until the Final Distribution Date.

The individual members of the Post-Effective Date Committee shall serve without compensation, except that they shall be entitled to reimbursement of reasonable, actual and necessary out-of-pocket expenses (which shall not include any professional fees and expenses for attorneys or other professionals retained by an individual committee member) from the Debtors pursuant to the procedures set forth in Section 9.3.3 of the Plan.

Following the Effective Date, the powers and duties of the Post-Effective Date Committee shall be limited solely to performing (i) the functions specifically provided for in the Plan, including, but not limited to the prosecution of certain Wind-Down Litigation Claims and Other Litigation Claims; (ii) the retention of Liaison Counsel and Contingency Fee Counsel to assist in the prosecution of such Claims; and (iii) such additional functions as (x) may be agreed to by the Debtors or the Liquidating Agent and the Prepetition Agent, (y) are provided for in the Confirmation Order, or (z) provided for by further Order of the Court entered after the Effective Date. The fees and expenses of Liaison Counsel shall be limited to an amount not to exceed \$5,000 per month, with any amount remaining out of said \$5,000 after the payment of Liaison Counsel in any month to be carried over and available to Liaison Counsel in subsequent months. Contingency Fee Counsel may be retained pursuant to a contingency fee agreement which (i) shall be satisfactory in form and substance to the Liquidating Agent and the Prepetition Agent; and (ii) provide for (x) no compensation to Contingency Fee Counsel until resolution of the relevant Wind-Down Litigation Claims or Other Litigation Claims and (y) reimbursement of expenses in an amount that shall not exceed \$1,500 per month without the consent in writing of the Liquidating Agent and the Prepetition Agent, which consent shall be sought in advance of monthly expenses in excess of \$1,500 being incurred and shall not be unreasonably withheld.

On the Final Distribution Date, the Post-Effective Date Committee shall be dissolved and the members thereof shall be released and discharged of and from all further authority, duties, responsibilities and obligations related to and arising from their service as Post-Effective Date Committee members, and the retention or employment of the Post-Effective Date Committee's attorneys, financial advisors, accountants, and other agents shall terminate.

H. Executory Contracts and Unexpired Leases

Effective on and as of the Effective Date, all Executory Contracts that exist between any Debtor and any Person that have not previously been assumed, assumed and assigned, or rejected by the Debtors will be deemed rejected pursuant to Section 365 of the Bankruptcy Code. Entry

of the Confirmation Order shall constitute approval, pursuant to Section 365(a) of the Bankruptcy Code, of the rejection of such Executory Contracts.

Proofs of Claim for damages allegedly arising from the rejection pursuant to the Plan of any Executory Contract must be filed with the Bankruptcy Court and served on the Liquidating Agent not later than thirty (30) days after the Effective Date. All proofs of Claim for such damages not timely filed and properly served as prescribed herein shall be forever barred and the holder of such a Claim shall not be entitled to participate in any distribution under the Plan.

All parties in interest shall be authorized to file an objection to any proof of Claim, including those based on the rejection of an Executory Contract pursuant to the Plan. The objection to any such proof of Claim shall be filed by the Claims Objection Deadline. Such deadline may be extended by the Bankruptcy Court for cause shown.

I. Injunction

Provided that the Effective Date occurs, the entry of the Confirmation Order shall be deemed to permanently enjoin all Persons that have held, currently hold or may hold a Claim against the Debtors or the Estates, or who have held, currently hold or may hold an Equity Interest in the Debtors, from taking any of the following actions (whether directly, indirectly, derivatively or otherwise) on account of such Claim or Equity Interest: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against the Debtors, the Disbursing Agent, the Liquidating Agent, the Prepetition Agent, the Committee, the Post-Effective Date Committee, the Prepetition Purchasers, the Prepetition Lenders, the DIP Agent, the DIP Lenders, and the Indenture Trustees with respect to any property to be distributed under the Plan or the Wind-Down Stipulation, including funds or reserves held or maintained by any of them pursuant to the Plan; (ii) enforcing, levying, attaching, collecting, or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree, or order against the Debtors or the Liquidating Agent with respect to any property to be distributed under the Plan, including funds or reserves held or maintained by any of them pursuant to the Plan or the Wind-Down Stipulation; (iii) creating, perfecting or enforcing in any manner directly or indirectly, any lien, charge or encumbrance of any kind against the Debtors, the Liquidating Agent, the Prepetition Agent, the Committee, the Post-Effective Date Committee, the Prepetition Purchasers, the Prepetition Lenders, the DIP Agent, the DIP Lenders, and the Indenture Trustees with respect to any property to be distributed under the Plan, including funds or reserves held or maintained by any of them pursuant to the Plan or the Wind-Down Stipulation; and (iv) proceeding in any manner in any place whatsoever against the Debtors, the Liquidating Agent, the Prepetition Agent, the Committee, the Post-Effective Date Committee, the Prepetition Purchasers, the Prepetition Lenders, the DIP Agent, the DIP Lenders, and the Indenture Trustees with respect to any property to be distributed under the Plan or the Wind-Down Stipulation, including funds or reserves held or maintained by any of them pursuant to the Plan; provided, however, that nothing in such injunction shall prohibit any Person from enforcing the terms of the Plan, the Wind-Down Stipulation or the Confirmation Order in the Bankruptcy Court.

J. Other Matters Attendant to Implementation of the Plan

i Revesting of Property and Retention of Actions and Defenses

In accordance with section 1123(b)(3) of the Bankruptcy Code and except as otherwise provided for herein, as of the Effective Date, all property of the Estates or the Debtors shall be the property of, and vest in, the Post-Effective Date Debtors and shall be under the exclusive dominion and control of the Liquidating Agent for the benefit of the Claimants of the Estates. All Wind-Down Litigation Claims and Other Litigation Claims shall be and hereby are preserved for the benefit of the holders of Allowed Claims, and retained by and vested in the Post-Effective Date Debtors, for all purposes as of the Effective Date. On and after the Confirmation Date, the Liquidating Agent, in consultation with the Prepetition Agent and the Post-Effective Date Committee will have the exclusive right to investigate, pursue, initiate, commence, file, prosecute and/or enforce any and all Wind-Down Litigation Claims and Other Litigation Claims, subject to Section 9.4.2 of the Plan.

ii. Bankruptcy Court to Retain Jurisdiction

Following the Effective Date, and notwithstanding the entry of the Confirmation Order, the Bankruptcy Court shall retain exclusive jurisdiction of the Bankruptcy Cases and all matters arising under, arising out of, or related to, the Bankruptcy Cases, the Plan, and the Wind-Down Stipulation to the fullest extent permitted by law, including, among other things, jurisdiction to:

- (a) Hear and determine motions, applications, adversary proceedings, and contested matters pending or commenced after the Effective Date;
- (b) Hear and determine objections (whether filed before or after the Effective Date) to, or requests for estimation of any Claim, and to enter any order requiring the filing of proof of any Claim before a particular date;
- (c) Ensure that distributions to holders of Allowed Claims are accomplished as provided in the Plan and the Wind-Down Stipulation;
- (d) Enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;
- (e) Issue or construe such orders or take any action as may be necessary for the implementation, execution, enforcement and consummation of the Plan, the Wind-Down Stipulation and the Confirmation Order, and hear and determine disputes arising in connection with the foregoing;
- (f) Hear and determine any applications to modify the Plan, to cure any defect or omission or to reconcile any inconsistency in the Plan, the Disclosure Statement or in any order of the Bankruptcy Court including, without limitation, the Confirmation Order;
- (g) Hear and determine all applications for Professional Claims ;

(h) Hear and determine other issues presented or arising under the Plan, including disputes among holders of Claims and arising under agreements, documents or instruments executed in connection with the Plan and the Wind-Down Stipulation;

(i) Hear and determine any action concerning the recovery and liquidation of Estate Assets, wherever located, including without limitation, litigation to liquidate and recover Estate Assets that consist of, among other things, the Wind-Down Litigation Claims and the Other Litigation Claims, or other actions seeking relief of any sort with respect to issues relating to or affecting Estate Assets;

(j) Hear and determine any action concerning the determination of taxes, tax refunds, tax attributes, and tax benefits and similar or related matters with respect to the Debtors or the Estates including, without limitation, matters concerning federal, state and local taxes in accordance with Sections 346, 505 and 1146 of the Bankruptcy Code;

(k) Hear and determine any other matters related hereto and not inconsistent with Chapter 11 of the Bankruptcy Code; and

(l) Enter the Final Decree.

iii. Exculpation

The Plan provides that with respect to Exculpated Persons (defined as the Debtors, the Debtors in Possession, the Liquidating Agent, the Disbursing Agent, the DIP Agent, the Prepetition Agent, JP Morgan, Chase Home Finance (as to all matters other than matters relating to the Subservicing Agreement, as to which Chase Home Finance will become an Exculpated Person upon resolution of all outstanding reconciliations and disputes with respect to the Subservicing Agreement), the Prepetition Lenders, the Prepetition Purchasers, the DIP Lenders, the Committee and its members, the Indenture Trustees, the Post-Effective Date Committee and its members, and any of their respective present or future accountants, advisors, agents, attorneys, consultants, directors, employees, officers, representatives, or professional persons, each in their capacity as such), shall not have or incur any liability to any Person for any act taken or omission made in good faith in connection with or in any way related to negotiating, formulating, implementing, confirming, or consummating the Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created in connection with or related to the Plan or the Bankruptcy Case, including, without limitation, the Wind-Down Stipulation and the Subservicing Agreement. The Exculpated Persons shall have no liability to any Person for actions taken in good faith under or relating to the Plan, including, without limitation, failure to obtain confirmation of the Plan or to satisfy any condition or conditions, or refusal to waive any condition or conditions precedent to confirmation or to the occurrence of the Effective Date. Further, the Exculpated Persons shall not have or incur any liability to any Person for any act or omission in connection with or arising out of their administration of the Plan or the property to be distributed under the Plan or the Wind-Down Stipulation or the operations or activities of the Debtors, the Liquidating Agent, the Disbursing Agent, and the Prepetition Agent except for gross

negligence, willful misconduct, or breach of fiduciary duty as determined by the Bankruptcy Court, and, in all respects, the Exculpated Persons shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan or the Liquidating Agent Agreement. Without limiting the foregoing, the Exculpated Persons shall not have or incur any liability to any Person entitled to a distribution under the Plan, if insufficient funds are present to pay that Person's Allowed Claim in full. Notwithstanding anything to the contrary contained herein, none of the Exculpated Persons shall be released, exculpated or otherwise freed from liability in any way on account of any Wind-Down Litigation Claim or Other Litigation Claim of any type, except as may be otherwise provided by prior order of the Bankruptcy Court.

CREDITORS ARE URGED TO READ THE PLAN IN FULL SO THAT THEY MAY MAKE AN INFORMED JUDGMENT CONCERNING THE PLAN.

VI. CONFIRMATION AND CONSUMMATION PROCEDURE

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

A. Solicitation of Acceptances

As permitted by the Bankruptcy Code, the Debtors are soliciting, in good faith and in compliance with the applicable provisions of the Bankruptcy Code, the acceptance of the Plan by all Classes of Claims that are "impaired" under the Plan and that are entitled to vote on the Plan. The solicitation of acceptances from holders of Claims in unimpaired Classes is not required under the Bankruptcy Code, nor is the solicitation of acceptances from Classes that are deemed to have rejected the Plan, which in this case is the Class of Equity Interests. The following Classes are impaired and entitled to vote on the Plan:

Class 3 – Allowed Prepetition Agent Claims;

Class 5 – Allowed Unsecured Claims.

The Bankruptcy Code defines acceptance of a plan by a class of claims as acceptance by creditors that hold at least two-thirds in dollar amount and more than one-half in number of the allowed claims of such class the holders of which actually accept or reject a plan. The vote of a holder of a claim or interest may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that the acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

Any holder of an impaired Claim (i) whose Claim has been scheduled by the Debtors in the schedules of assets and liabilities filed with the Bankruptcy Court (provided that such Claim has not been scheduled as disputed, contingent or unliquidated), (ii) who has timely filed a proof of Claim, with respect to which the Debtors or the Committee, as applicable, has not filed an objection on or before [REDACTED], 2008, or (iii) whose claim has been determined or estimated for voting purposes by the Bankruptcy Court, is entitled to accept or reject the Plan (unless such Claim has been disallowed by the Bankruptcy Court for purposes of accepting or

rejecting the Plan). The Voting Record Date for determining whether holders of Claims are entitled to accept or reject the Plan is [REDACTED], 2008.

B. Confirmation

i. Sections 1129(a) and 1129(b) of the Bankruptcy Code

In order to confirm the Plan, the Debtors must satisfy Sections 1129(a) of the Bankruptcy Code. Certain of these requirements are described below.

ii. The Best Interests Test

In order to confirm the Plan, the Court must independently determine that the Plan is in the best interests of each holder of a Claim or Interest in any impaired Class who has not voted to accept the Plan. This is often called the “best interests of creditors” test. Accordingly, if an impaired Class does not unanimously accept the Plan, the best interests test requires the Court to find that the Plan provides to each member of such impaired Class a recovery on account of the Class member’s Claim or Interest that has a value, as of the Effective Date, at least equal to the value of the distribution that each such member would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code on such date.

The Debtors’ Bankruptcy Cases have proceeded as liquidating Chapter 11 cases since the Petition Date. As of the date of this Disclosure Statement, the Debtors believe that more funds are likely to exist after the prosecution, collection or settlement of certain causes of action if the Bankruptcy Cases continue in Chapter 11 than if the Bankruptcy Cases were converted to Chapter 7 for completion. Insufficient funds exist and no prospect of sufficient additional funds exist to allow for any payment to common shareholders regardless of whether the Bankruptcy Cases are completed under Chapter 11 or Chapter 7 of the Bankruptcy Code.

The only issue under the best interest of creditors test is the value of distributions available for creditors if the Plan is confirmed compared to the value of distributions available to them if the Bankruptcy Cases were converted to Chapter 7. The Debtors believe that larger distributions will be available to creditors under the Plan than under Chapter 7 and, therefore, that the Plan meets the best interest of creditors test. Conversion of the Bankruptcy Cases to cases under Chapter 7 would replace the Liquidating Agent with a Chapter 7 trustee. As a consequence, the liquidation and completion of the Bankruptcy Cases would be substantially disrupted. Disruption would occur because a Chapter 7 trustee would be unfamiliar with the Bankruptcy Cases, as would the Chapter 7 trustee’s counsel. A Chapter 7 trustee may be required to employ new counsel other than the Debtors’ counsel, which might be unfamiliar with the issues requiring resolution. The creditors would bear the cost of educating the Chapter 7 trustee, resulting in delays and reduced distributions. Furthermore, all fees of, and expenses incurred by, the Chapter 7 trustee and its professionals would have priority over all Administrative Expense Claims and Unsecured Claims previously incurred in these Bankruptcy Cases under Section 726(b) of the Bankruptcy Code.

iii. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation should not be likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor to the Debtors, unless such liquidation or reorganization is proposed in the Plan. Since the Plan provides for the liquidation of the Debtors, the feasibility requirement of Section 1129(a)(11) is not applicable.

C. Projected Distributions

Based upon the most recent projections prepared by the Debtors, the total unsecured Claims (including contract rejection damage Claims) will total approximately \$223 million (including the Allowed Deficiency Claim of the Prepetition Agent). Projected priority and administrative claims, excluding those for the wind-down already budgeted, are projected to be approximately \$4 million (excluding certain reserves regarding potential administrative expense claims which the Debtors believe are unlikely to accrue). The Debtors anticipate collecting at least \$2.0 million in amounts that would be available for distribution to unsecured creditors. Finally, the Debtors will pursue the Bear Stearns Litigation, the Wind-Down Litigation Claims and the Other Avoidance Claims, which have an uncertain value at this time. Accordingly, it is projected that the Plan could yield a dividend to unsecured creditors that could potentially be between 1%-10% under a best case scenario and depending on the results of the litigation against third parties. Since the claims reconciliation process has not yet begun, the projected universe of claims is an estimate. In addition, this amount might be adjusted upwards or downwards depending upon the success of the Debtors in pursuing their litigation claims. Furthermore, nothing in the estimates set forth above constitutes an admission as to the allowability or the amount of any Claim asserted. Generally the estimates set forth were prepared using asserted amounts of Claims, not the amount the Debtors or the Committee believe will ultimately be Allowed.

D. Alternatives to the Plan

If the Plan is not approved by the holders of Claims in Classes 3 and 5, and it is not otherwise confirmed by the Bankruptcy Court, the alternative would be to convert the Bankruptcy Cases to cases under Chapter 7 of the Bankruptcy Code. The Debtors believe that liquidation priorities would be the same as the priorities set forth in this Plan and that the distribution to creditors under Chapter 7 while being fairly similar to those in the Plan would almost certainly be lower. This is so because liquidation under Chapter 7 of the Bankruptcy Code requires the appointment of a trustee to administer the estates immediately upon the commencement of the cases. Such a Trustee would normally be expected to retain professionals to assist it, which would add an additional layer of administrative expenses to the Bankruptcy Cases.

The Debtors also believe, and have believed throughout the Bankruptcy Cases, that the assets have generated (and will continue to generate) significantly greater proceeds in the proposed orderly disposition in Chapter 11 rather than if a liquidation occurs in Chapter 7. Further, the Debtors and their professionals are most familiar with the Debtors' Schedules and

the Claims as filed. Moreover, the Debtors and their professionals are in the best position to bring the Bear Stearns litigation to a conclusion.

VII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES

A. Introduction

Implementation of the Plan may have federal, state, local or foreign tax consequences to the Debtors as well as to Claimants and Equity Interest holders in the Debtors. No tax opinion or ruling has been sought or will be obtained with respect to any tax consequences of the Plan, and the following discussion does not constitute nor is intended to constitute either a tax opinion or tax advice to any person.

The following discussion does not address every aspect of the U.S. federal income tax laws that may be relevant to Claimants or Equity Interest holders in light of their individual circumstances, or to certain types of Claimants or Equity Interest holders subject to special treatment under U.S. federal income tax laws. The following discussion does not attempt to consider any facts or limitations applicable to any particular Claimant or Equity Interest holder which may modify or alter the consequences described below. This disclosure also does not address state, local, or foreign tax consequences, or the consequences of any federal tax other than the federal income tax.

The following discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended, the Treasury Regulations promulgated thereunder, and published rulings and court decisions in effect as of the date hereof, all of which are subject to change, possibly retroactively. Any such changes could modify or adversely affect the tax consequences summarized below.

Each Claimant or Equity Interest holder in the Debtors is urged to consult with its own tax advisor in determining the federal, state, local, and foreign income and other tax consequences of the transactions contemplated by the Plan.

B. Federal Income Tax Consequences To The Debtors

i. Sale Of Assets

The Debtors have sold substantially all of their operating assets and continue to liquidate their remaining assets. If the Debtors' asset sales generate a net gain for federal income tax purposes, the Debtors will incur tax on such gain to the extent that it exceeds the Debtors' available net operating loss carryforwards, or to the extent of any alternative minimum tax liability that may not be fully offset by net operating loss carryforwards.

ii. Cancellation of Indebtedness Income

In general, the discharge of a debt obligation by the obligor for an amount less than the adjusted issue price gives rise to cancellation of indebtedness income that must be included in the obligor's gross income for federal income tax purposes, unless the payment of that liability

would have given rise to a deduction. However, cancellation of indebtedness income is not included in gross income if the obligor is under the jurisdiction of the court in a Title 11 case and the discharge is granted by the court or is pursuant to a plan approved by the court. Instead, the amount excluded from gross income is applied to reduce the following tax attributes in the following order: (a) net operating losses and net operating loss carryovers; (b) general business credits; (c) minimum tax credits; (d) capital loss carryovers; (e) basis of property of the taxpayer; (f) passive activity loss or credit carryovers; and (g) foreign tax credit carryovers. Tax attributes generally are reduced by one dollar for each dollar excluded from gross income, except that tax credits are reduced by one-third of the amount excluded from gross income.

iii. Alternative Minimum Tax

In general, an alternative minimum tax (“AMT”) is imposed on a corporation’s alternative minimum taxable income at a rate of twenty percent (20%) to the extent such tax exceeds the corporation’s regular federal income tax liability. In computing alternative minimum taxable income, certain tax deductions and other adjustments are modified or eliminated. In particular, even though a corporation might otherwise be able to offset all of its taxable income for regular tax purposes by available net operating losses, only ninety percent (90%) of a corporation’s alternative minimum taxable income may be offset by available net operating losses (as recomputed for AMT purposes). Accordingly, to the extent that the Debtors have taxable income, the Debtors may be subject to AMT even though such income would be offset by net operating losses for general tax purposes.

C. Federal Income Tax Consequences To Creditors

i. Recognition of Gain or Loss

A Claimant will recognize gain or loss on the exchange of such Claimant’s Claim for cash and any other consideration received pursuant to the Plan in an amount equal to the difference between (i) the amount realized in respect of such Claim (other than amounts attributable to accrued interest) and (ii) the Claimant’s tax basis in such Claim. Except as discussed below in connection with market discount, such gain or loss generally will be capital gain or loss if the Claim was a capital asset in the hands of the Claimant.

ii. Accrued Interest

A Claimant will recognize ordinary income to the extent that any consideration received pursuant to the Plan is allocable to accrued but unpaid interest not previously included in such Claimant’s taxable income. If the amount of accrued but unpaid interest previously included in such Claimant’s taxable income exceeds the amount of consideration allocable to such interest, the Claimant should be treated as recognizing an ordinary loss.

iii. Accrued Market Discount

Gain with respect to a Claim that is a “market discount bond” will be treated as ordinary income to the extent of market discount accrued during the Claimant’s period of ownership unless the Claimant elected to include market discount in income as it accrued. In general, a debt

obligation will be deemed a market discount bond in the hands of a Claimant if the stated redemption price at maturity (or, if it was issued with original issue discount, the revised issue price) exceeds the Claimant's tax basis in the obligation. Certain obligations are excluded from the operation of the market discount rules, including obligations with a fixed maturity date not exceeding one year from the date of issue, installment obligations to which Section 453B of the Internal Revenue Code applies, and obligations with a *de minimis* amount of market discount.

iv. Backup Withholding

A noncorporate Claimant may be subject to backup withholding if he fails to supply his taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest or certain other payments properly, or, under certain circumstances, fails to provide a certified statement, under penalties of perjury, that he is not subject to backup withholding.

D. Federal Income Tax Consequences To Holders of Equity Interests

Under the Plan, all Equity Interests in the Debtors will be cancelled, and the holders thereof will not be entitled to any distribution under the Plan. Each holder of an Equity Interest in the Debtors will be entitled to recognize a loss on his Equity Interests at the time such Equity Interests became worthless for tax purposes, in an amount equal to his tax basis in the Equity Interests. If the Equity Interests were held as a capital asset, the loss will be a long-term capital loss, if the Equity Interest holder's holding period is greater than one year, or a short-term capital loss, if the Equity Interest holder's holding period is not greater than one year.

E. General Disclaimer

The foregoing discussion is not intended to be a substitute for careful tax planning, particularly since certain of the federal income tax consequences of the Plan will not be the same for all Claimants or Equity Interest holders due to their individual circumstances. Each Claimant and Equity Interest holder of any of the Debtors is urged to consult with its own tax advisor in determining the federal, state, local, and foreign income and other tax consequences of the transactions contemplated by the Plan.

VIII. CONCLUSION AND RECOMMENDATION

The Debtors believe that the Confirmation and consummation of the Plan is preferable to all other alternatives.

THE DEBTORS URGE ALL CREDITORS TO ACCEPT THE PLAN BY RETURNING THEIR BALLOTS TO THE DEBTORS SO THAT THEY WILL BE RECEIVED BY 4:00 P.M. (ET) ON [REDACTED], 2008.

Dated: April 30, 2008

**HOME Banc MORTGAGE CORPORATION,
HOME Banc CORP.,
HOME Banc FUNDING CORP. II,
HMB ACCEPTANCE CORP.,
HMB MORTGAGE PARTNERS, LLC, and
HOME Banc FUNDING CORP., AS
DEBTORS AND DEBTORS IN POSSESSION**

/s/ Donald R. Ramon

Donald R. Ramon

Acting CEO

Senior Vice President/Controller

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Telephone: (404) 881-7000

Facsimile: (404) 881-7777

Counsel for the Debtors and Debtors in Possession

Exhibit A – Debtors’ Joint Consolidated Liquidating Chapter 11 Plan

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In re:)	Chapter 11
)	
HOMEBANC MORTGAGE)	Case Nos. 07-11079 through
CORPORATION, HOMEBANC CORP.,)	07-11084 (KJC)
HOMEBANC FUNDING CORP. II,)	
HMB ACCEPTANCE CORP., HMB)	Jointly Administered
MORTGAGE PARTNERS, LLC, and)	
HOMEBANC FUNDING CORP.,)	Judge Kevin J. Carey
)	
Debtors.)	
<hr/>		

**DEBTORS' JOINT CONSOLIDATED
LIQUIDATING CHAPTER 11 PLAN**

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Attorneys for the Debtors and Debtors-in-Possession

Dated: April 30, 2008

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HomeBanc Mortgage Corporation, HomeBanc Corp., HomeBanc Funding Corp. II, HMB Acceptance Corp., HMB Mortgage Partners, LLC, and HomeBanc Funding Corp., the Debtors and Debtors in Possession in the above-referenced Bankruptcy Cases, hereby propose the following Debtors' Joint Consolidated Liquidating Chapter 11 Plan pursuant to the provisions of Section 1121 of the Bankruptcy Code:

ARTICLE I

DEFINITIONS AND INTERPRETATION

1.1 **Rules of Interpretation.** Unless otherwise specified, all Section, Article and Exhibit references in this Plan are to the respective Section in, Article of, or Exhibit to this Plan, as the same may be amended or modified from time to time. The headings in this Plan are for convenience of reference only and shall not limit or otherwise affect the provisions hereof. Words denoting the singular number shall include the plural number and vice versa, unless the context requires otherwise. Pronouns stated in the masculine, feminine or neuter gender shall include the masculine, the feminine and the neuter. The words "herein," "hereof," "hereto," "hereunder," and others of similar import refer to this Plan as a whole, and not to any particular section, subsection, or clause contained in the Plan. In construing this Plan, the rules of construction set forth in Section 102 of the Bankruptcy Code shall apply. In computing any period of time prescribed or allowed by this Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

1.2 **Definitions.** Terms and phrases, whether capitalized or not, that are used and not defined in this Plan, but that are defined in the Bankruptcy Code, have the meanings ascribed to them in the Bankruptcy Code. Unless otherwise provided in this Plan, the following terms have the respective meanings set forth below, and such meanings shall be equally applicable to the singular and plural forms of the terms defined, unless the context otherwise requires.

1.2.1. **"Adequate Protection Claim Escrow"** means an escrow account created by the Liquidating Agent on the Effective Date in accordance with Article 2.1.

1.2.2. **"Administrative Expense Claim"** means a Claim for costs and expenses of administration of the Bankruptcy Cases allowed under Sections 503, 507(a)(1) or 507(b) of the Bankruptcy Code, and all fees and costs assessed against the Estate pursuant to 28 U.S.C. § 1930, other than the Allowed Adequate Protection Claim and the MSR Adequate Protection Claim. Administrative Expense Claims shall include but are not limited to Professional Claims.

1.2.3. **"Administrative Expense Claim Bar Date"** means the date 30 days after the Confirmation Date or such other date set by the Bankruptcy Court as the last day for filing of a proof of Administrative Expense Claim or a request

for payment of an Administrative Expense Claim subject to the exceptions set forth in this Plan.

1.2.4. **“Administrative Tax Claim”** means an Administrative Expense Claim held by a Governmental Unit for taxes (and for Allowed interest and/or penalties related to such taxes) for any tax year or period, all or any portion of which occurs or falls within the period from and including the Petition Date through and including the Effective Date.

1.2.5. **“Allowed”** means, subject to Section 7.1 of this Plan, as it relates to any type of Claim, a Claim (i) which has been scheduled as undisputed, noncontingent and liquidated in the Schedules and as to which no proof of Claim in a differing amount or priority has been timely filed (subject to the Debtors’ rights to amend the Schedules); (ii) as to which a proof of Claim has been properly and timely filed and either (a) no objection thereto has been timely filed, or if an objection has been timely filed, any portion of such Claim not subject to such objection, or (b) such Claim has been allowed (but only to the extent allowed) by a Final Order of the Bankruptcy Court; or (iii) which has been expressly allowed under the provisions of this Plan. Except with respect to any of the Prepetition Agent Claims arising under the MSR Facility, “Allowed Claim” shall not, for purposes of computation of distributions under this Plan, include interest on such Claim from and after the Petition Date or include any penalty on such Claim. For purposes of distribution under the Plan, a Disputed Claim shall not be treated as an Allowed Claim (i) until the Liquidating Agent has determined, in accordance with the terms of the Liquidating Agent Agreement, at any time prior to the expiration of the deadline to object to Claims (including any extensions of such deadline) that the Claim is valid in all respects or (b) unless no objection has been filed to such Claim by the Claims Objection Deadline (including any extensions of such deadline).

1.2.6. **“Allowed Adequate Protection Claim”** means the adequate protection Claim in the amount of up to \$1,500,000 granted to the Prepetition Agent on behalf of the Prepetition Lenders and the Prepetition Purchasers in Paragraph 7 of the Wind-Down Stipulation.

1.2.7. **“Allowed Prepetition Agent Deficiency Claim”** means the Allowed Unsecured Claim held by the Prepetition Agent, on behalf of the Prepetition Lenders and Prepetition Purchasers, in the fixed amount of \$20,000,000.

1.2.8. **“Available Cash”** means, subject to and consistent with the Wind-Down Stipulation and Wind-Down Budget, all Cash of a Debtor’s Estate to be distributed to holders of Allowed Claims against such Estate, pursuant to the provisions of this Plan, as well as all Cash that subsequently becomes an Estate Asset, including, without limitation, (i) Cash in any accounts wherever located; (ii) with respect to Class 5, cash held in trust for such Class pursuant to the terms

of the Wind-Down Stipulation; and (iii) Cash proceeds realized from the sale, disposition, collection, or other realization of value in respect of the Estate Assets (including interest earned thereon if applicable), LESS (i) the Cash or property contained in the Disputed APS Claims Reserve, the Disputed Unsecured Claims Reserve, and any other similar reserve or escrow accounts established or maintained by the Liquidating Agent after the Petition Date or pursuant to the provisions of this Plan or the Wind-Down Stipulation, and (ii) subject to and consistent with the Wind-Down Stipulation and Wind-Down Budget, the amount determined by the Liquidating Agent, in accordance with the Liquidating Agent Agreement, to be necessary and appropriate to reserve for future costs of administration of the Estate Assets (including, without limitation, the compensation, fees and costs of the Liquidating Agent and the compensation, fees, and costs of all Professionals, consultants, agents and employees retained by the Debtors, or to be retained by the Liquidating Agent, including the costs of liquidating the Estate Assets and of investigating, analyzing, and pursuing Wind-Down Litigation Claims and Other Litigation Claims pursuant to the terms of this Plan.

1.2.9. “**Ballot**” means the ballot, the form of which has been approved by the Bankruptcy Court, accompanying the Disclosure Statement provided to each holder of a Claim entitled to vote to accept or reject this Plan, on which such holder may vote to accept or reject this Plan.

1.2.10. “**Bankruptcy Cases**” means the bankruptcy cases initiated by the Debtors in the Bankruptcy Court on August 9, 2007, enumerated as Case Nos. 07-11079 through 07-11084 (KJC).

1.2.11. “**Bankruptcy Code**” means Title 11 of the United States Code, Section 101 *et seq.*, as now in effect or as hereafter amended.

1.2.12. “**Bankruptcy Court**” means the United States Bankruptcy Court for the District of Delaware or, if such court ceases to exercise jurisdiction, the court or adjunct thereof that exercises jurisdiction over the Bankruptcy Cases.

1.2.13. “**Bankruptcy Rules**” means the Federal Rules of Bankruptcy Procedure, as amended and promulgated under Section 2075 of Title 28 of the United States Code, together with the local bankruptcy rules for the Bankruptcy Court as now in effect or as the same may from time to time hereafter be amended.

1.2.14. “**Bar Date**” means the date(s) set by the Bankruptcy Court as the last day for filing of proofs of Claim in the Bankruptcy Cases.

1.2.15. “**Business Day**” means any day which is not a Saturday, Sunday, or “legal holiday” within the meaning of Bankruptcy Rule 9006(a).

1.2.16. “**Cash**” means lawful currency of the United States and its equivalents; provided, however, that any distributions by the Liquidating Agent under this Plan will be deemed to be made in Cash if made by check drawn on any United States bank.

1.2.17. “**Cash Collateral Reimbursement Amount**” has the meaning ascribed to it in Paragraph 7 of the Wind-Down Stipulation.

1.2.18. “**Certificate**” means an instrument evidencing an Allowed Indenture Claim.

1.2.19. “**Charging Lien**” means any lien which an Indenture Trustee is entitled to exercise under the terms of its Indenture against, or any other priority in payment to which such Indenture Trustee is entitled under the terms of its Indenture with respect to, any distribution to be made under such Indenture or on account of any debts of the Debtors owed to holders of obligations under such Indenture.

1.2.20. “**Claim**” means a claim against the Debtors or their property, as such term is defined in Section 101(5) of the Bankruptcy Code.

1.2.21. “**Claimant**” means the holder of any Allowed Claim entitled to distributions with respect to such Allowed Claim.

1.2.22. “**Claims Objection Deadline**” means the date which is one hundred and eighty (180) days after the Effective Date, as such date may be extended by the Bankruptcy Court for cause shown, upon motion by the Liquidating Agent or the Post-Effective Date Committee; provided, however, that in no event shall the Claim Objection Deadline be a date later than the Wind-Down Termination Date.

1.2.23. “**Class**” means one of the categories of Claims or Equity Interests established under Article III of this Plan pursuant to Sections 1122 and 1123(a) of the Bankruptcy Code.

1.2.24. “**Committee**” means the Statutory Committee of General Unsecured Creditors appointed by the Office of the United States Trustee for the District of Delaware on August 22, 2007 in the Bankruptcy Cases pursuant to Section 1102 of the Bankruptcy Code, as the constituency of such Committee may be altered from time to time.

1.2.25. “**Confirmation Date**” means the date on which the clerk of the Bankruptcy Court enters the Confirmation Order on the Bankruptcy Court’s docket.

1.2.26. “**Confirmation Hearing**” means the hearing(s) before the Bankruptcy Court pursuant to Section 1128 of the Bankruptcy Code to consider

confirmation of this Plan, as such hearing(s) may be continued, rescheduled or delayed.

1.2.27. “**Confirmation Order**” means the order of the Bankruptcy Court confirming this Plan pursuant to Section 1129 of the Bankruptcy Code, as such order may be amended, modified, or supplemented.

1.2.28. “**Contingency Fee Counsel**” means the counsel retained by the Post-Effective Date Committee on a contingency fee basis for the sole purpose of prosecuting any Wind-Down Litigation Claims or Other Litigation Claims that may be assigned to the Post-Effective Date Committee by the Liquidating Agent.

1.2.29. “**Debenture Holder**” means a holder of a Floating Rate Debenture.

1.2.30. “**Debtors**” means HomeBanc Mortgage Corporation, a Delaware corporation, HomeBanc Corp., a Georgia corporation, HomeBanc Funding Corp., a Delaware corporation, HomeBanc Funding Corp. II, a Delaware corporation, HMB Acceptance Corp., a Delaware corporation, and HMB Mortgage Partners, LLC, a Delaware limited liability company.

1.2.31. “**Debtors in Possession**” means the Debtors on and after the Petition Date.

1.2.32. “**Deferred Compensation Claims**” means any claims of the Debtors on the Effective Date to assets held in trust by Newport Group, Inc. and Reliance Trust Company pursuant to the Deferred Compensation Plan.

1.2.33. “**Deferred Compensation GUC Amount**” means the amount (not exceeding \$1,500,000) actually recovered on the Deferred Compensation Claims and paid into the GUC Trust on or before the Wind-Down Termination Date.

1.2.34. “**Deferred Compensation Plan**” has the meaning ascribed to it in Paragraph 5 of the Wind-Down Stipulation.

1.2.35. “**DIP Agent**” means JPMorgan, as agent under the DIP Facility.

1.2.36. “**DIP Facility**” means that certain postpetition credit facility approved by the Bankruptcy Court by its September 13, 2007 Order that (i) authorized the Debtors to (x) obtain postpetition financing and (y) continue using cash collateral, and (ii) granted adequate protection to the Prepetition Lenders and the Prepetition Purchasers.

1.2.37. “**DIP Lenders**” means the lenders under the DIP Facility.

1.2.38. **“Disallowed Claim”** means a Claim or portion thereof that: (i) has been disallowed by a Final Order; (ii) is identified in the Schedules in the amount of zero dollars or as contingent, unliquidated, or Disputed and as to which a proof of Claim was not deemed filed or actually filed by the Bar Date; (iii) is not identified in the Schedules and as to which no proof of Claim has been filed or deemed filed by the Bar Date; or (iv) was not filed in a timely manner as provided by a relevant Order of the Bankruptcy Court.

1.2.39. **“Disbursing Agent”** shall mean the Liquidating Agent acting as the disbursing agent for distributions made to Claimants pursuant to the Plan or any Third Party Disbursing Agent.

1.2.40. **“Disclosure Statement”** means the Disclosure Statement with respect to this Plan, approved by the Bankruptcy Court as containing adequate information for the purpose of dissemination and solicitation of votes on and confirmation of this Plan, as it may be altered, amended or modified from time to time in accordance with the provisions of the Bankruptcy Code and the Bankruptcy Rules.

1.2.41. **“Disputed”** means any Claim or any portion thereof which is not an Allowed Claim or a Disallowed Claim and which is (i) a filed Claim for which no amount was scheduled by the Debtors in the Schedules; (ii) a Claim which was filed in an amount or priority which is different than was scheduled by the Debtors in the Schedules; (iii) a scheduled and/or filed Claim which is contingent and/or unliquidated; (iv) a Claim which is a duplicate of another Claim; or (v) a Claim that is the subject of a pending application, motion, complaint, objection, or any other legal proceeding seeking to disallow, limit, subordinate, or estimate such Claim. Because holders of Allowed Equity Interests will not receive any distribution on account of such Equity Interests, it is unnecessary to characterize any Equity Interest, or part thereof, as Disputed.

1.2.42. **“Disputed APS Claims Reserve”** means the interest bearing reserve account established by the Liquidating Agent pursuant to Section 8.4 of this Plan to be used to satisfy Disputed Administrative Expense Claims, Disputed Priority Tax Claims, Disputed Priority Claims, Disputed Secured Tax Claims, and Disputed Secured Claims if and when such Claims become Allowed.

1.2.43. **“Disputed Unsecured Claims Reserve”** means the interest bearing reserve account established by the Liquidating Agent pursuant to Section 8.4 of this Plan to be used to satisfy Disputed Unsecured Claims if and when such Claims become Allowed.

1.2.44. **“DTC”** means the Depository Trust Company.

1.2.45. **“Effective Date”** means the later of (i) the eleventh (11th) Business Day after the Confirmation Date; or (ii) the date on which the conditions

specified in Section 11.1 of this Plan have been satisfied or waived in writing by the Debtors, the Committee, and the Prepetition Agent.

1.2.46. **“Equity Interest”** means any ownership interest or share in any Debtor (including, without limitation, all options, warrants or other rights to obtain such an interest or share in any Debtor) whether preferred, common, voting, or denominated “stock” or a similar security.

1.2.47. **“Estate Assets”** means the Debtors’ and their Estates’ consolidated assets or property of any nature as of the Effective Date, including any and all proceeds, rents, products, offspring, and profits arising from or generated by such assets or property after the Effective Date, including the Wind-Down Litigation Claims and the Other Litigation Claims.

1.2.48. **“Estates”** means the estates created for the Debtors pursuant to Section 541 of the Bankruptcy Code upon the commencement of the Bankruptcy Cases.

1.2.49. **“Executory Contracts”** means, collectively, the “executory contracts” and “unexpired leases” of the Debtors as of the Petition Date as such terms are used in Section 365 of the Bankruptcy Code.

1.2.50. **“Exculpated Person”** means, except as limited and restricted in Section 12.5 of this Plan, the Debtors, the Debtors in Possession, the Liquidating Agent, the Disbursing Agent, the DIP Agent, the Prepetition Agent, JP Morgan, Chase Home Finance (as to all matters other than matters relating to the Subservicing Agreement, as to which Chase Home Finance will become an Exculpated Person upon resolution of all outstanding reconciliations and disputes with respect to the Subservicing Agreement), the Prepetition Lenders, the Prepetition Purchasers, the DIP Lenders, the Committee and its members, the Indenture Trustees, the Post-Effective Date Committee and its members and any of their respective present or future accountants, advisors, agents, attorneys, consultants, directors, members, employees, officers, representatives, or professional persons, each solely in its capacity as such.

1.2.51. **“Final Decree”** means the final decree entered by the Bankruptcy Court closing the Bankruptcy Cases pursuant to Bankruptcy Rule 3022.

1.2.52. **“Final DIP Order”** means the Order entered by the Bankruptcy Court on September 13, 2007 that (i) authorized the Debtors to (x) obtain post-petition financing under the terms of the DIP Facility and (y) continue using Cash Collateral; and (ii) granted the Prepetition Secured Lenders adequate protection.

1.2.53. **“Final Distribution”** means the distribution of Available Cash made to Claimants pursuant to this Plan which (i) after giving effect to such

distribution, results in remaining Estate Assets with a de minimis value, and (ii) the Liquidating Agent determines, in accordance with the terms of the Liquidating Agent Agreement, to be the final distribution to be made pursuant to this Plan.

1.2.54. “**Final Distribution Date**” means the date of the Final Distribution.

1.2.55. “**Final Order**” means a judgment, order, ruling, or other decree issued and entered by the Bankruptcy Court or by any state or other federal court or other tribunal having jurisdiction over the subject matter thereof which judgment, order, ruling, or other decree has not been reversed, stayed, modified, or amended and as to which: (i) the time to appeal or petition for review, rehearing or certiorari or move for reargument has expired or shall have been waived in writing in form and substance satisfactory to the Debtors or the Liquidating Agent and as to which no appeal or petition for review, rehearing or certiorari or motion for reargument is pending; or (ii) any appeal or petition for review, rehearing, certiorari or reargument has been finally decided and no further appeal or petition for review, rehearing, certiorari or reargument can be taken or granted.

1.2.56. “**Floating Rate Debentures**” mean the Floating Rate Subordinated Debentures issued under the Floating Rate Subordinated Indentures.

1.2.57. “**Floating Rate Subordinated Indentures**” means (i) the Indenture dated as of June 15, 2006 (as amended and/or supplemented), between HomeBanc, as issuer, and Wilmington Trust, as trustee, pursuant to which HomeBanc issued the Floating Rate Debentures; and (ii) the Indenture dated as of September 21, 2006 (as amended and/or supplemented), between HomeBanc, as issuer, and Wilmington Trust, as trustee, pursuant to which HomeBanc issued its Floating Rate Debentures.

1.2.58. “**Floating Rate Subordinated Trust Declarations**” means: (a) the Amended and Restated Declaration of HMB Capital Trust IV dated as of June 15, 2006 (as amended and/or supplemented) by and among the Delaware trustee and the institutional trustee and HomeBanc, as sponsor, and John Kubiak and James Kraukau, as administrators; and (b) the Amended and Restated Declaration of HMB Capital Trust V dated as of September 21, 2006 (as amended and/or supplemented) by and among the Delaware trustee and the institutional trustee and HomeBanc, as sponsor, and John Kubiak and James Kraukau, as administrators.

1.2.59. “**GUC Trust**” means the trust to be established for the benefit of the holders of Allowed Unsecured Claims pursuant to the Wind-Down Stipulation and Section 8.6.2 hereof.

- 1.2.60. “**HB Funding**” means HomeBanc Funding Corp.
- 1.2.61. “**HB Funding II**” means HomeBanc Funding Corp. II.
- 1.2.62. “**HBMC**” means HomeBanc Mortgage Corporation.
- 1.2.63. “**HMB Acceptance**” means HMB Acceptance Corp.
- 1.2.64. “**HMB Mortgage**” means HMB Mortgage Partners, LLC.
- 1.2.65. “**HomeBanc**” means HomeBanc Corp.
- 1.2.66. “**HSBC**” means HSBC Bank USA, National Association, in its capacity as Indenture Trustee.
- 1.2.67. “**Indenture Claims**” means all Claims on account of the Floating Rate Debentures, the Junior Subordinated Notes, and the other Indenture Documents.
- 1.2.68. “**Indenture Documents**” means the Indentures, the Trust Declarations and all related documents.
- 1.2.69. “**Indenture Trustee**” means, as the case may be, either: (a) Wilmington Trust, in its capacity as (i) trustee under the Floating Rate Subordinated Indentures, (ii) the Delaware trustee and the institutional trustee under the Floating Rate Subordinated Trust Declarations, and (iii) paying agent, registrar and transfer agent under the Floating Rate Subordinated Trust Declarations; or (b) HSBC, in its capacity as successor to Wells Fargo, as (i) indenture trustee, property trustee, securities registrar and paying agent under the Junior Subordinated Indenture; and (ii) property trustee, Delaware trustee, paying agent, calculation agent and securities registrar under the Junior Subordinated Trust Agreement.
- 1.2.70. “**Indenture Trustee Fee Claims**” means, individually and collectively, any claim against the Debtors for any compensation, disbursements, fees, expenses and indemnification pursuant to an Indenture, arising on and after the Petition Date, including any claim under such Indenture for the reasonable fees and expenses of the Indenture Trustee, its counsel and any other professionals of the Indenture Trustee payable thereunder.
- 1.2.71. “**Indentures**” means, collectively, the Floating Rate Subordinated Indentures and the Junior Subordinated Indenture.
- 1.2.72. “**Initial Distribution**” means the distribution of Cash or other property made pursuant to Section 8.3 of this Plan.

1.2.73. “**Insider Preference Actions**” has the meaning ascribed to it in Paragraph 5 of the Wind-Down Stipulation.

1.2.74. “**Intercompany Claim**” means any Claim of any Debtor against any other Debtor as of the Effective Date.

1.2.75. “**Interim Distribution**” means any distribution of Available Cash made to Claimants pursuant to this Plan other than the Final Distribution.

1.2.76. “**Interim Distribution Date**” means the date on which any Interim Distribution is made to Claimants pursuant to this Plan.

1.2.77. “**JPMorgan**” means JPMorgan Chase Bank, N.A.

1.2.78. “**Junior Subordinated Indenture**” means the Amended and Restated Junior Subordinated Indenture, dated as of August 29, 2005, between HomeBanc, as issuer, and Wells Fargo, as original Indenture Trustee (and for which HSBC is the successor Indenture Trustee), pursuant to which the Debtor issued its Junior Subordinated Notes due 2035 in the aggregate principal amount of \$51,547,000.

1.2.79. “**Junior Subordinated Note Holder**” means a holder of a Junior Subordinated Note.

1.2.80. “**Junior Subordinated Notes**” mean the Junior Subordinated Notes issued under the Junior Subordinated Indenture.

1.2.81. “**Junior Subordinated Trust Agreement**” means the Second Amended and Restated Trust Agreement of HomeBanc Corp., dated as of August 29, 2005, by and among the Administrative Trustees named therein, HomeBanc, as Depositor, and Wells Fargo, as Property Trustee and Delaware Trustee.

1.2.82. “**Liaison Counsel**” means the counsel retained by the Post-Effective Date Committee for the sole purpose of acting as a liaison between the members of such Committee and Contingency Fee Counsel and/or counsel to the Liquidating Agent solely in connection with the Wind-Down Liquidation Claims and the Other Liquidation Claims, it being understood that Liaison Counsel shall render advice to the Post-Effective Date Committee on no other matters.

1.2.83. “**Liens**” means valid and enforceable liens, mortgages, security interests, pledges, charges, encumbrances, or other legally cognizable security devices of any kind against any Estate Asset.

1.2.84. “**Liquidating Agent**” means the party designated in Section 9.3 hereof and/or the Liquidating Agent Agreement to control and manage the Debtors after the Confirmation Date.

1.2.85. “**Liquidating Agent Agreement**” means the agreement to be executed by the Debtors and the Liquidating Agent on or before the Effective Date setting forth the rights, powers and duties of the Liquidating Agent.

1.2.86. “**Liquidation Proceeds Account**” has the meaning ascribed to it in Paragraph 7 of the Wind-Down Stipulation.

1.2.87. “**MSR Adequate Protection Claim**” has the meaning ascribed to it in Paragraph 3 of the Wind-Down Stipulation.

1.2.88. “**MSR Agent**” means JPMorgan in its capacity as agent for the Prepetition Lenders under the MSR Facility.

1.2.89. “**MSR Debt**” shall have the meaning ascribed to it in Paragraph 40 of the Sale Order.

1.2.90. “**MSR Facility**” means that certain Loan and Security Agreement among the MSR Agent, the Prepetition Lenders, and HomeBanc and HBMC, as borrowers, dated November 17, 2006 (as heretofore amended, supplemented or otherwise modified, and the mortgages and all other documentation executed in connection therewith).

1.2.91. “**Other Avoidance Claims**” has the meaning ascribed to it in Paragraph 5 of the Wind-Down Stipulation.

1.2.92. “**Other Litigation Claims**” means any claims belonging to the Debtors as of the Effective Date other than the Wind-Down Litigation Claims, as described in Section IV.M of the Disclosure Statement.

1.2.93. “**Other Secured Claim**” means a Secured Claim other than a Secured Tax Claim or a Prepetition Agent Claim.

1.2.94. “**Person**” means and includes natural persons, corporations, limited partnerships, general partnerships, limited liability companies, joint ventures, trusts, land trusts, business trusts, unincorporated organizations, or other legal entities, irrespective of whether they are governments, agencies or political subdivisions thereof.

1.2.95. “**Petition Date**” means August 9, 2007, the date on which the Debtors commenced the Bankruptcy Cases by filing their voluntary petitions for relief under Chapter 11 of the Bankruptcy Code.

1.2.96. “**Plan**” means this joint, consolidated liquidating Chapter 11 plan (including all exhibits annexed hereto and the Plan Supplement), either in its present form or as it may be altered, amended or modified from time to time in accordance with the provisions of the Bankruptcy Code and the Bankruptcy Rules.

1.2.97. “**Plan Supplement**” means the collection of plan related documents to be filed with the Bankruptcy Court at least ten (10) days prior to the Voting Deadline, which may consist of one or multiple filings.

1.2.98. “**Post-Confirmation Operating Account**” means the account to be utilized by the Liquidating Agent in order to pay for all costs of administering or collecting the Estate Assets.

1.2.99. “**Post-Effective Date Committee**” means the committee formed after the Effective Date in accordance with, and for the purposes set forth in, Section 15.4 of this Plan and the Liquidating Agent Agreement.

1.2.100. “**Post-Effective Date Debtors**” means the Debtors as they continue in existence after the Effective Date solely for purposes of allowing the Liquidating Agent to wind up their affairs, as contemplated by Section 9.1 hereof.

1.2.101. “**Prepetition Agent**” means JPMorgan in its capacities as the MSR Agent and the Warehouse Agent.

1.2.102. “**Prepetition Agent Claims**” means those Claims, other than the Allowed Adequate Protection Claim, the Allowed Prepetition Agent Deficiency Claim, and the MSR Adequate Protection Claim, held by the Prepetition Agent on behalf of the Prepetition Lenders and Prepetition Purchasers on the Effective Date, such Claims constituting the outstanding secured Claims against the Debtors arising under the MSR Facility and the Warehouse Facility after taking into account all payments made to the Prepetition Agent prior to the Effective Date under and in accordance with the Wind-Down Stipulation.

1.2.103. “**Prepetition Agent Wind-Down Property**” means the property to be distributed to the Prepetition Agent, for benefit of the Prepetition Lenders and Prepetition Purchasers, pursuant to and on the terms and conditions set forth in Paragraph 7 of the Wind-Down Stipulation.

1.2.104. “**Prepetition Debt**” shall have the meaning ascribed to it in Paragraph 3(a) of the Final DIP Order.

1.2.105. “**Prepetition Lenders**” means the lenders under the MSR Facility.

1.2.106. “**Prepetition Payoff**” means payment in Cash to the Prepetition Agent, on behalf of the Prepetition Lenders and the Prepetition Purchasers, in satisfaction of the Prepetition Agent Claims and MSR Adequate Protection Claim in an aggregate amount (excluding any amounts paid as adequate protection under the Final DIP Order) of not less than the Prepetition Payoff Settlement Amount.

1.2.107. “**Prepetition Payoff Settlement Amount**” means Cash in the amount of \$69,600,000, which amount shall, for avoidance of doubt, constitute

full recovery for the Prepetition Agent on account of the Prepetition Agent Claims, but not on account of the Allowed Prepetition Agent Deficiency Claim.

1.2.108. “**Prepetition Purchasers**” means the purchasers under the Warehouse Facility.

1.2.109. “**Priority Claim**” means a Claim entitled to priority in payment under Section 507 of the Bankruptcy Code, excluding any Claim that is an Administrative Expense Claim or a Priority Tax Claim.

1.2.110. “**Priority Tax Claim**” means a Claim entitled to priority in payment under Section 502(i) or Section 507(a)(8) of the Bankruptcy Code.

1.2.111. “**Professional**” means any Person employed or to be compensated pursuant to Sections 327, 328, 330, 331, 503(b), or 1103 of the Bankruptcy Code.

1.2.112. “**Professional Claim**” means a Claim by a Professional for compensation and/or reimbursement of expenses pursuant to Sections 327, 328, 330, 331, 503(b) or 1103 of the Bankruptcy Code in connection with an application made to the Bankruptcy Court in the Bankruptcy Cases.

1.2.113. “**Pro Rata**” means proportionally, so that, with respect to any Allowed Claim, the ratio of the cumulative amount of all funds distributed on account of such Allowed Claim to the amount of such Allowed Claim is the same as the ratio of the cumulative amount distributed to, or reserved for, all Allowed Claims in the Class in which such Allowed Claim is included to the total amount of all Allowed Claims in such Class.

1.2.114. “**Repo Liquidation Claims**” shall have the meaning ascribed to it in Paragraph 5 of the Wind-Down Stipulation.

1.2.115. “**Sale Order**” means the Order entered by the Bankruptcy Court on November 5, 2007, approving the terms of the sale of certain of the Debtors’ servicing rights to EMC Mortgage Corporation.

1.2.116. “**Schedules**” means the Schedules of Assets and Liabilities and Statement of Financial Affairs filed by the Debtors with the Clerk of the Bankruptcy Court pursuant to Bankruptcy Rule 1007, as they have been or may be amended or supplemented from time to time in accordance with Bankruptcy Rule 1009.

1.2.117. “**Secured Claim**” means a Claim that is secured, in whole or in part (but only to the extent of the value of the Debtor’s interest in such collateral), (i) by a Lien that is not subject to avoidance or subordination under the Bankruptcy Code or applicable non bankruptcy law, or (ii) as a result of rights of setoff under Section 553 of the Bankruptcy Code, but in any event only to the

extent of the value, determined in accordance with Section 506(a) of the Bankruptcy Code, of the holder's interest in the Debtors' interest in such property or to the extent of the amount subject to such setoff, as the case may be.

1.2.118. "**Secured Tax Claim**" means a Secured Claim of a Governmental Unit for taxes arising or accrued before the Petition Date.

1.2.119. "**Subservicing Agreement**" has the meaning ascribed to it in Paragraph 12 of the Wind-Down Stipulation.

1.2.120. "**Third Party Disbursing Agent**" means an entity (including, but not limited to, an Indenture Trustee), acting as a Disbursing Agent pursuant to Article 8 with respect to the Floating Rate Notes or the Junior Subordinated Notes.

1.2.121. "**Total Operating Expenses**" shall have the meaning ascribed to it in the Wind-Down Budget.

1.2.122. "**Trust Declarations**" means, collectively, the Floating Rate Subordinated Trust Declarations and the Junior Subordinated Trust Agreement.

1.2.123. "**Unsecured Claim**" means any Claim that is not an Administrative Expense Claim, an Allowed Adequate Protection Claim, an MSR Adequate Protection Claim, a Prepetition Agent Claim, a Priority Claim, a Priority Tax Claim, a Secured Claim (including the Prepetition Agent Claims, the Allowed Adequate Protection Claim, and the MSR Adequate Protection Claim), or a Secured Tax Claim. For the avoidance of doubt, Unsecured Claims shall include the Indenture Claims and Allowed Unsecured Claims shall include, subject to Section 5.5 hereof, the Allowed Prepetition Agent Deficiency Claim.

1.2.124. "**Unsecured Claims Distribution Reserve**" means the interest bearing reserve account established by the Liquidating Agent pursuant to Section 8.4 of this Plan from which all distributions under this Plan shall be made to the holders of Allowed Unsecured Claims, except, to the extent permitted by the Wind-Down Stipulation, the Initial Distribution.

1.2.125. "**Unsecured Claim Wind-Down Property**" means the property to be distributed to the Liquidating Agent, for the benefit of holders of Allowed Unsecured Claims, pursuant to and on the terms and conditions set forth in Paragraph 7 of the Wind-Down Stipulation, other than the GUC Trust.

1.2.126. "**Voting Deadline**" means the deadline set by the Bankruptcy Court for parties to submit their Ballots to accept or reject the Plan.

1.2.127. "**Voting Record Date**" means, for purposes of establishing who can vote on this Plan, the date on which the Bankruptcy Court approves the Disclosure Statement.

1.2.128. “**Warehouse Agent**” means JPMorgan in its capacity as agent for the Prepetition Purchasers under the Warehouse Facility.

1.2.129. “**Warehouse Debt**” has the meaning ascribed to it in Paragraph 3(a) of the Final DIP Order.

1.2.130. “**Warehouse Facility**” means that certain Master Repurchase Agreement, between, among others, the Warehouse Agent, the Prepetition Purchasers, as buyers, and HomeBanc and HBMC, as sellers, dated October 31, 2006 (as heretofore amended, supplemented or otherwise modified, and the mortgages and all other documentation executed in connection therewith).

1.2.131. “**Wells Fargo**” means Wells Fargo Bank, N.A.

1.2.132. “**Wilmington Trust**” means Wilmington Trust Company.

1.2.133. “**Wind-Down Budget**” means that certain budget attached to the Wind-Down Stipulation as Exhibit A.

1.2.134. “**Wind-Down Budget Account**” has the meaning ascribed to it in Paragraph 7 of the Wind-Down Stipulation.

1.2.135. “**Wind-Down Budget Amount**” has the meaning ascribed to it in Paragraph 7 of the Wind-Down Stipulation.

1.2.136. “**Wind-Down Litigation Claims**” mean, collectively, (i) the Repo Liquidation Claims; (ii) the Insider Preference Claims; (iii) the Other Avoidance Claims; and (iv) the Deferred Compensation Claims, all as more particularly described in Section IV.M of the Disclosure Statement.

1.2.137. “**Wind-Down Stipulation**” means that certain Stipulation (i) Supplementing Certain Provisions of Final DIP Order and Sale Order; (ii) Confirming Termination of Committee Investigation Period; and (iii) Approving Wind-Down Budget and Procedures, approved by the Bankruptcy Court on a final basis on January 3, 2008, a copy of which is annexed hereto as Exhibit A.

1.2.138. “**Wind-Down Termination Date**” means December 31, 2008, or such later date as may be agreed in accordance with Section 9.8 hereof.

ARTICLE II

PROVISION FOR PAYMENT OF ADMINISTRATIVE EXPENSE CLAIMS AND PRIORITY TAX CLAIMS

2.1 **Treatment of Allowed Adequate Protection Claim.** On the Effective Date, if and only if (i) the Prepetition Payoff has not occurred, (ii) the payment to the

Prepetition Lenders of the Cash Collateral Reimbursement Amount has not occurred, and (iii) the payment of the Cash Collateral Reimbursement Amount has been waived as a condition precedent to the Effective Date by all parties to the Wind-Down Stipulation in compliance with Section 11.1(c) hereof, then in full and final satisfaction of the Allowed Adequate Protection Claim, the Liquidating Agent shall deposit Cash in the amount of \$1,500,000 in the Adequate Protection Claim Escrow (provided, however, that the Liquidating Agent shall not use for such purpose Cash (i) in the Wind-Down Budget Account; (ii) in the Post-Confirmation Operating Account; (iii) the Deferred Compensation GUC Amount; or (iv) otherwise required to be distributed to the Prepetition Agent under the Wind-Down Stipulation, as the case may be), which escrow funds (or applicable portion thereof) shall be paid to the Prepetition Agent, for the benefit of the Prepetition Lenders and the Prepetition Purchasers, if, and solely to the extent that, (i) the Deferred Compensation GUC Amount has been paid into the GUC Trust; and (ii) the Cash Collateral Reimbursement Amount has not been paid to the Prepetition Agent in full on or before the Wind-Down Termination Date. If the foregoing conditions have been satisfied, on the Wind-Down Termination Date, the Liquidating Agent shall distribute from the Adequate Protection Claim Escrow to the Prepetition Agent, for the benefit of the Prepetition Lenders and the Prepetition Purchasers, an amount equal to the difference between the Cash Collateral Reimbursement Amount and the value of all Prepetition Agent Wind-Down Property distributed to the Prepetition Agent prior to the Wind-Down Termination Date, which amount shall not be greater than the Deferred Compensation GUC Amount. Any amount remaining on deposit in the Adequate Protection Claim Escrow after the Wind-Down Termination Date, shall be returned to the Liquidating Agent to be used as part of the Final Distribution.

2.2 **Treatment of MSR Adequate Protection Claim.** In full and final satisfaction of the MSR Adequate Protection Claim, the Prepetition Agent shall be permitted to receive, on account of the Prepetition Agent Claims, distributions of Prepetition Agent Wind-Down Property until such time as the aggregate recovery from any and all sources (other than adequate protection payments under the Final DIP Order) of the Prepetition Agent, on behalf of the Prepetition Lenders and Prepetition Purchasers, with respect to such Prepetition Agent Claims is equal to the Prepetition Payoff Settlement Amount.

2.3 **Treatment of Prepetition Agent and Related Claims.** All Prepetition Agent Claims shall be paid in accordance with the Wind-Down Stipulation. To the extent that Prepetition Payoff has not occurred on or before the Effective Date, all Prepetition Agent Claims shall constitute Allowed Claims in Class 3 until, and to extent necessary to ensure, payment in full of the Prepetition Payoff Settlement Amount. The Prepetition Agent Claims shall be Allowed Claims to the same extent that the "Prepetition Obligations" are allowed claims under Paragraph 6 of the Wind-Down Stipulation; provided, however, that, in light of the treatment of the MSR Adequate Protection Claim and the Allowed Prepetition Agent Deficiency Claim reflected herein, (i) no party, including the Debtors, the Committee, and any successors thereto shall have the right to seek to recharacterize any adequate protection payments made to Prepetition Agent under the Final DIP Order as payments of principal; (ii) no party, including the Debtors, the

Committee, and any successors thereto, shall have the right to challenge the amount of the deficiency with respect to the Warehouse Debt reflected in the Allowed Prepetition Agent Deficiency Claim; and (iii) the Debtors, the Committee, and the Prepetition Agent shall agree upon any previously unliquidated amounts of the Prepetition Debt on or before the Effective Date. To the extent the Prepetition Agent Claims have not been satisfied in full as a result of the distributions made to Class 3 and the Warehouse Debt has not been paid in full, the amount of any remaining deficiency shall constitute and be limited to the Allowed Prepetition Agent Deficiency Claim and, subject to Section 5.5 hereof, receive the treatment accorded to other Unsecured Claims in Class 5.

2.4 **Treatment of Allowed Administrative Expense Claims.** Each holder of an Allowed Administrative Expense Claim shall receive in full satisfaction, release and discharge of and in exchange for such Claim: (i) the amount of such Allowed Administrative Expense Claim, without interest, in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Administrative Expense Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim and the Debtors or the Liquidating Agent (as the case may be, in consultation with the Committee or the Post-Effective Date Committee, as the case may be, and, until Prepetition Payoff, the Prepetition Agent). To the extent that the amount budgeted in the Wind-Down Budget for the satisfaction of Allowed Administrative Expense Claims, after the funding of the Adequate Protection Claim Escrow, is not sufficient to satisfy all such Claims in full, any deficiency shall be deducted from the Unsecured Claim Wind-Down Property.

2.4.1 **Bar Date For The Filing And Assertion Of Administrative Expense Claims, excluding Professional Claims and Indenture Trustee Fee Claims.** Except as may otherwise be provided by separate order of the Bankruptcy Court, the date that is thirty (30) days after the Effective Date shall be the final date for all parties to file any requests for payment or any other means of preserving and obtaining payment of an Administrative Expense Claim that has not been paid, released, or otherwise settled, excluding all requests for payment of Professional Claims. Any request for payment of an Administrative Expense Claim (other than a Professional Claim or Indenture Trustee Fee Claim expressly excluded from the operation of the Administrative Expense Claim Bar Date) that is not timely filed as set forth above will be forever barred, and holders of such Claims will not be able to assert such Claims in any manner against the Debtors, the Post-Effective Date Debtors, the Liquidating Agent or any of the foregoing parties' assets, accountants, advisors, agents, attorneys, consultants, directors, employees, members, officers, representatives, or Professionals.

2.4.2 **Approval of Payments.** Except as otherwise provided herein, all payments made or to be made by the Debtors or the Liquidating Agent for costs and expenses in connection with the Bankruptcy Cases, or in connection with this Plan and incident to the Bankruptcy Cases (other than those expenses expressly contemplated by the Plan, the Wind-Down Stipulation and the Wind-Down

Budget) shall be subject to approval of the Bankruptcy Court as reasonable, following application and the opportunity for notice and a hearing.

2.4.3 **Bar Date For Filing And Assertion Of Professional Claims.** All requests for payment or any other means of preserving and obtaining payment of a Professional Claim that arose prior to the Effective Date and that was not already paid, released, or otherwise settled must be filed with the Bankruptcy Court and served upon counsel to the Debtors, counsel to the Committee, counsel to the Liquidating Agent, counsel to the Post-Effective Date Committee, the fee auditor appointed in the Bankruptcy Cases and the United States Trustee (and notice thereof must also be served on all parties who have requested notice in the Bankruptcy Case) by no later than sixty (60) days after the Effective Date, or such extended date as the Bankruptcy Court may allow. Any request for payment of a Professional Claim that is not timely filed as set forth above will be forever barred, and holders of such Claims will not be able to assert such Claims in any manner against the Debtors, the Post-Effective Date Committee, the Liquidating Agent, or their respective assets. All compensation and reimbursement of expenses for Professionals allowed by the Bankruptcy Court shall be paid by the Debtors or the Liquidating Agent, as the case may be, within ten (10) days after service of the order allowing such fees and expenses upon the Debtors or the Liquidating Agent, as the case may be. All Professional fees and expenses incurred after the Effective Date, including fees and expenses incurred in connection with preparation of final fee applications, responding to objections to such applications, and attendance at the hearings on such final fee applications, are not subject to Bankruptcy Court approval and shall be paid in accordance with Section 9.3.3 of this Plan.

2.5 **Treatment of Allowed Priority Tax Claims.** Each holder of an Allowed Priority Tax Claim shall receive in full satisfaction, release and discharge of and in exchange for such Claim: (i) the amount of such Allowed Priority Tax Claim, without interest, in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Priority Tax Claim; (ii) at the Debtors' election, payment in equal monthly installments over no more than five (5) years from the Petition Date, at an interest rate to be set by the Bankruptcy Court; or (iii) such other treatment as may be agreed upon in writing by the holder of such Claim, the Debtors or the Liquidating Agent (as the case may be), and the Committee or the Post-Effective Date Committee (as the case may be). To the extent that the amount budgeted in the Wind-Down Budget for the satisfaction of Allowed Priority Tax Claims, after the funding of the Adequate Protection Claim Escrow, is not sufficient to satisfy all such Claims in full, any deficiency shall be deducted from the Unsecured Claim Wind-Down Property.

ARTICLE III

CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

3.1 **Substantive Consolidation.** THIS PLAN SEEKS SUBSTANTIVE CONSOLIDATION, TO THE EXTENT SET FORTH HEREIN, OF THE DEBTORS AND THE ESTATES. IF SUBSTANTIVE CONSOLIDATION IS AUTHORIZED AND ORDERED BY THE BANKRUPTCY COURT IN ITS ORDER CONFIRMING THIS PLAN, ALL ALLOWED CLAIMS AGAINST THE DEBTORS OR THEIR ESTATES SHALL BE SATISFIED FROM THE COMBINED CASH AND OTHER ASSETS OF THE DEBTORS EXCEPT FOR THE ALLOWED CLAIMS IN CLASSES 2 AND 4, AS PROVIDED BELOW. SUCH SUBSTANTIVE CONSOLIDATION SHALL BE WITHOUT PREJUDICE TO ANY WIND-DOWN LITIGATION CLAIM, OTHER LITIGATION CLAIM OR ANY OTHER CLAIMS OR DEFENSES OF THE DEBTORS AND SHALL NOT BE CONSTRUED AS AN ELECTION OF REMEDIES WITH RESPECT TO SUCH CLAIMS OR ANY OTHER MATTERS. THIS PLAN SHALL SERVE AS A MOTION SEEKING ENTRY OF AN ORDER SUBSTANTIVELY CONSOLIDATING THE BANKRUPTCY CASES AND THE ESTATES, AS DESCRIBED HEREIN.

3.1.1 **Generally.** Entry of the Confirmation Order shall constitute the approval, pursuant to Section 105(a) of the Bankruptcy Code, effective as of the Effective Date, of the substantive consolidation of the Debtors, the Bankruptcy Cases, and the Estates (except as specifically provided herein) for all purposes related to the Plan, including without limitation, voting, confirmation, and distribution. On and after the Effective Date, except as specifically provided herein, (i) all assets and liabilities of the Debtors shall be treated as though they were merged, provided, however, that all Estate Assets shall remain subject to only those Liens that attached to such assets prior to such merger; (ii) all Intercompany Claims between and among the Debtors shall be eliminated and no distributions shall be made under the Plan on account of any Claim held by a Debtor against any other Debtor; (iii) the interests of HomeBanc in HBMC, HB Funding, HB Funding II and HMB Acceptance, and the interests of HBMC in HMB Mortgage shall be eliminated and no distributions shall be made under the Plan on account of such Equity Interests; (iv) all guarantees of the Debtors of the obligations of any other Debtor shall be eliminated so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint or several liability of any of the Debtors shall be deemed one obligation of the consolidated Debtors; and (v) each and every Allowed Unsecured Claim filed or to be filed against any Debtor shall be deemed filed against, and shall be one Claim against and obligation of, the consolidated Debtors.

3.1.2 **No Prejudicial Effects.** The substantive consolidation effected pursuant to this Section 3.1 shall not be construed as an election of remedies and shall not affect or prejudice: (i) any Claims or defenses of the Debtors existing prior to such substantive consolidation or at any time, whenever asserted, including without limitation the Wind-Down Litigation Claims and the Other Litigation Claims; (ii) requirements for

any third party to establish mutuality in order to assert a right of setoff; (iii) distributions out of any insurance policies or proceeds of such policies; and (iv) any similar or analogous rights, including any which may constitute a right or asset of any Debtor or Estate. Without limiting the generality of the foregoing, all Claims and causes of action held by any Debtor shall be unaffected by substantive consolidation under the Plan.

3.1.3 **Plan as Motion; Objections; Hearing.** This Plan shall serve as a motion seeking entry of an order substantively consolidating the Debtors, the Bankruptcy Cases, and the Estates, in the manner described herein. Any objections to substantive consolidation must be made in writing by a creditor affected by the Plan by the date that is fixed as the Voting Deadline (which will be the same as the general Plan objection deadline) in accordance with any relevant scheduling order. In the event any such objections to substantive consolidation are timely filed, a hearing with respect thereto shall be scheduled by the Bankruptcy Court, which hearing may coincide with the Confirmation Hearing or be held at any earlier time established by the Bankruptcy Court. Entry of the Confirmation Order shall constitute the approval, pursuant to section 105(a) of the Bankruptcy Code, of the substantive consolidation of the Debtors, effective as of the Effective Date.

3.2 **Creation of Classes.** Pursuant to sections 1122 and 1123 of the Bankruptcy Code, set forth below is a designation of Classes of Claims and Equity Interests. Administrative Expense Claims and Priority Tax Claims have not been classified and are excluded from the following classes in accordance with section 1123(a)(1) of the Bankruptcy Code. For purposes of voting, distribution and all confirmation matters, this Plan classifies the other Claims against and the Equity Interests in the Debtors as follows:

Class 1 – Allowed Priority Claims (other than Allowed Priority Tax Claims).

Class 2 – Allowed Secured Tax Claims (with each such Secured Tax Claim to be placed in its own subclass within Class 2).

Class 3 – Allowed Prepetition Agent Claims.

Class 4 – Allowed Other Secured Claims, with each such Secured Claim to be placed in its own subclass within Class 4.

Class 5 – Allowed Unsecured Claims.

Class 6 – Equity Interests.

3.3 **Claims May Be in More Than One Class.** A Claim is part of a particular Class or subclass only to the extent that the Claim qualifies within the definition of that Class or subclass and such Claim is part of a different Class or subclass to the extent that the remainder of the Claim qualifies within the description of a different Class or subclass.

ARTICLE IV

IDENTIFICATION OF CLASSES OF CLAIMS AND EQUITY INTERESTS THAT ARE AND ARE NOT IMPAIRED UNDER THIS PLAN

4.1 **Classes of Claims Not Impaired.** Claims in Classes 1, 2 and 4 (and all subclasses thereof) are not impaired under this Plan.

4.2 **Impaired Classes of Claims.** Other than the Claims in Classes specified in Section 4.1 above, Claims in all other Classes are impaired under this Plan.

4.3 **Impairment or Classification Controversies.** If a controversy arises as to whether Claims or Equity Interests in any Class are impaired under this Plan, or whether a particular Claim should be in a particular Class, such Class or Claim shall be treated as specified in this Plan unless the Bankruptcy Court shall determine such controversy differently upon motion of the party challenging the characterization of a particular Class or particular Claim or Equity Interests under this Plan.

ARTICLE V

PROVISIONS FOR TREATMENT OF CLASSES OF CLAIMS AND EQUITY INTERESTS

5.1 **Class 1 - Allowed Priority Claims.** Each holder of an Allowed Priority Claim shall receive in full satisfaction, release and discharge of and in exchange for such Claim: (i) the amount of such Allowed Priority Claim, without interest, in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Priority Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim and the Liquidating Agent. To the extent that the amount budgeted in the Wind-Down Budget for the satisfaction of Allowed Priority Claims is not sufficient to satisfy all such Claims in full, any deficiency shall be deducted from the Unsecured Claim Wind-Down Property.

5.2 **Class 2 - Allowed Secured Tax Claims.** Each holder of an Allowed Secured Tax Claim shall receive in full satisfaction, release and discharge of and in exchange for such Claim: (i) the amount of such Allowed Secured Tax Claim (including, to the extent Allowed, any interest on such Claim accrued under applicable nonbankruptcy law), in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Secured Tax Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim and the Liquidating Agent.

5.3 **Class 3 - Allowed Prepetition Agent Claims.** The Prepetition Agent shall receive, on behalf of the Prepetition Lenders and the Prepetition Purchasers and on the terms and conditions set forth in the Wind-Down Stipulation, the Prepetition Agent Wind-Down Property, it being understood that the aggregate recovery of the Prepetition

Agent with respect to the principal and interest owing as of the Petition Date on the Prepetition Agent Claims shall not exceed the Prepetition Payoff Settlement Amount. The timing and nature of the distributions to be made on account of the Allowed Prepetition Agent Claims shall be governed by Article VIII of this Plan.

5.4 **Class 4 - Allowed Other Secured Claims.** Each holder of an Allowed Other Secured Claim shall receive in full satisfaction, release and discharge of and in exchange for such Claim either (i) Cash equal to the amount of such Allowed Secured Claim on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Secured Claim, and all Liens and security interests asserted by the holder of such Allowed Secured Claim shall be extinguished and of no further force or effect, or (ii) a return of the collateral or other property that secures the Allowed Secured Claim, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Secured Claim.

5.5 **Class 5 - Allowed Unsecured Claims.** Each holder of an Allowed Unsecured Claim shall receive in full satisfaction, release and discharge of and in exchange for such Claim, its Pro Rata share of (i) the Unsecured Claim Wind-Down Property; (ii) the GUC Trust; and (iii) any other Cash distribution to the holders of Allowed Unsecured Claims from the Estate Assets; provided, however, that the Prepetition Agent shall not receive, on behalf of the Prepetition Purchasers and Prepetition Lenders, any Pro Rata Share of the GUC Trust. Except as otherwise provided herein or in the Wind-Down Stipulation, the Unsecured Claim Wind Down Property shall not be used to pay or satisfy any Claim other than Claims of holders of Allowed Unsecured Claims. The timing and nature of the distributions to be made to the holders of Allowed Unsecured Claims shall be governed by Article VIII of this Plan.

5.6 **Class 6 - Equity Interests.** On the Effective Date, all Equity Interests shall be canceled, annulled and voided, and the holders thereof shall be entitled to no distribution whatsoever under this Plan or in the Bankruptcy Cases on account of such Equity Interests. One new share of reorganized HomeBanc's common stock shall be issued to the Liquidating Agent on the Effective Date.

ARTICLE VI

ACCEPTANCE OR REJECTION OF PLAN; CRAMDOWN

6.1 **Classes and Claims Entitled to Vote.** Each holder of an Allowed Claim in an impaired Class as of the Voting Record Date shall be entitled to vote to accept or reject this Plan. Classes of Claims not impaired under this Plan shall not be entitled to vote to accept or reject this Plan and shall be presumed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Classes 1, 2, and 4 are not impaired and hence are presumed to have accepted this Plan. Classes 3 and 5 are impaired and the members of those Classes will receive or retain property under this Plan and, therefore,

are entitled to vote to accept or reject this Plan. Equity Interests in Class 6 are impaired under this Plan, and the members of that Class will not receive or retain any property under this Plan on account of their Equity Interests. Accordingly, such members of Class 6 are presumed to have rejected this Plan under section 1126(g), and shall not be entitled to vote.

6.2 **Acceptance by a Class of Claims.** Consistent with section 1126(c) of the Bankruptcy Code and except as provided for in section 1126(e) of the Bankruptcy Code, a Class of Claims shall have accepted this Plan if it is accepted by at least two-thirds in dollar amount and more than one-half in number of the holders of Allowed Claims of such Class that have timely and properly voted to accept or reject this Plan.

6.3 **Cramdown.** Since the Equity Interests in Class 6 are presumed to have rejected the Plan under section 1126(g), and assuming all applicable requirements for confirmation of this Plan as set forth in sections 1129(a)(1) through (13) of the Bankruptcy Code shall have been met, the Debtors shall request that the Bankruptcy Court confirm this Plan notwithstanding the rejection of such or any other Class on the basis that this Plan is fair and equitable and does not discriminate unfairly with respect to Class 6 or any other rejecting class.

ARTICLE VII

PROVISIONS FOR THE RESOLUTION OF OBJECTIONS TO CLAIMS AND EQUITY INTERESTS

7.1 **Objections to Claims.** Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, and except as otherwise expressly provided for in this Plan, following the Effective Date, the Liquidating Agent, in accordance with the terms of the Liquidating Agent Agreement, shall be authorized and vested with the right to object to any and all Claims not deemed allowed hereunder, file and/or prosecute such objections on behalf of the Debtors so as to have the Bankruptcy Court determine the Allowed amount, if any, of such Claims. All objections to Claims shall be filed with the Bankruptcy Court and served upon the holder of the applicable Claim by no later than the Claims Objection Deadline. Responses and litigation over the allowance of any Claim that is the subject of an objection shall be governed by the Bankruptcy Code and the Bankruptcy Rules, and any other applicable order of the Bankruptcy Court. From and after the Effective Date, all objections filed by the Liquidating Agent shall be litigated to a Final Order, except to the extent that the Liquidating Agent elects, in consultation with the Post-Effective Date Committee and, until Prepetition Payoff, the Petition Agent, to withdraw, compromise, settle or otherwise resolve any such objection in accordance with the terms of the Liquidating Agent Agreement, to the extent not inconsistent with the Wind-Down Stipulation. The Liquidating Agent shall provide regular, periodic reports of any such resolutions to the Post-Effective Date Committee.

7.2 **Amendments to Claims.** No Claim that was required to be filed by the Bar Date or the Administrative Expense Claims Bar Date (as the case may be) shall be amended (except to reduce the amount of the Claim) after the Confirmation Date. Any such purported amendment shall be deemed null and void without further action by the Liquidating Agent or order of the Bankruptcy Court; provided that this Section 7.2 does not apply to any Claims by JPMorgan or the Prepetition Agent.

ARTICLE VIII

FUNDING OF DISTRIBUTIONS AND PROVISIONS FOR TREATMENT OF DISPUTED CLAIMS

8.1 **Liquidation of Assets.** On and after the Confirmation Date, the Liquidating Agent may, without further approval of the Bankruptcy Court, use, sell, assign, transfer, abandon or otherwise dispose of at a public or private sale any of the Debtors' remaining assets for the purpose of (i) liquidating and converting such assets to Cash, (ii) making distributions, subject to and consistent with the terms of the Wind-Down Stipulation and the Liquidating Agent Agreement, and (iii) fully consummating this Plan; provided, however, that the Liquidating Agent shall provide five (5) Business Days written notice to (i) the Post-Effective Date Committee and (ii) until Prepetition Payoff, counsel for the Prepetition Agent of any such intended use, sale, assignment, transfer, abandonment, or other disposal of the Debtors' tangible assets (the "Intended Asset Disposition"), and the Post-Effective Date Committee and the Prepetition Agent shall have five (5) Business Days from the date of the receipt of the written notice to advise the Liquidating Agent in writing that it objects to the Intended Asset Disposition. If an objection is timely asserted and the parties are unable to resolve the objection, the Liquidating Agent will not proceed with the Intended Asset Disposition unless the Liquidating Agent obtains Bankruptcy Court approval. Nothing herein restricts the right of the Liquidating Agent to obtain Bankruptcy Court approval of the sale, assignment, transfer or other disposal of certain of the Debtors' tangible assets after the Confirmation Date, if it deems it warranted.

8.2 **Prosecution of Claims.** The Liquidating Agent, in consultation with (i) counsel to the Post-Effective Date Committee, and (ii) until the occurrence of the Prepetition Payoff, counsel to the Prepetition Agent, and exercising its reasonable business judgment, shall, in an expeditious but orderly manner, liquidate and convert to Cash the Wind-Down Litigation Claims and the Other Litigation Claims, either through prosecution, compromise and settlement, abandonment or dismissal of any or all claims, rights or causes of action, or otherwise. The Liquidating Agent, subject to the approval of the Post-Effective Date Committee and the Prepetition Agent (solely as to the Wind-Down Litigation Claims), and subject to Section 15.3 of this Plan, shall have the absolute right to pursue, settle and compromise or not pursue any and all Wind-Down Litigation Claims and Other Litigation Claims as it determines is in the best interests of the Debtors and Claimants, and consistent with the terms and conditions of the Wind-Down Stipulation and the Liquidating Agent Agreement, and the Liquidating Agent shall have

no liability for the outcome of any such decision except for any damages caused by recklessness, gross negligence, willful misconduct, or knowing violation of law. With regard to any settlement or compromise of the Wind-Down Litigation Claims and Other Litigation Claims, the Liquidating Agent shall provide five (5) Business Days written notice to (i) the Post-Effective Date Committee and (ii) until Prepetition Payoff, counsel for the Prepetition Agent, of any such intended settlement or compromise (the "Intended Settlement"), and the Post-Effective Date Committee and the Prepetition Agent shall have five (5) Business Days from the date of the receipt of the written notice to advise the Liquidating Agent in writing that it objects to the Intended Settlement. If an objection is timely asserted and the parties are unable to resolve the objection, the Liquidating Agent will not proceed with the Intended Settlement unless the Liquidating Agent obtains Bankruptcy Court approval.

8.3 **The Initial Distribution.** On the Effective Date, or (except with respect to Administrative and Priority Claims) as soon thereafter as is practicable, the Disbursing Agent shall make the following distributions, at all times, subject to and consistent with the terms of the Wind-Down Stipulation:

8.3.1 **Cash Distributions to Administrative, Priority, Secured Tax, and Other Secured Claims.** The Disbursing Agent shall pay, in full and in Cash, (i) all Allowed Administrative Expense Claims; (ii) all Allowed Priority Tax Claims; (iii) all Allowed Priority Claims that are to be satisfied pursuant to Section 5.1(i) of this Plan; (iv) all Allowed Secured Tax Claims that are to be satisfied pursuant to Section 5.2(i) of this Plan; and (v) all Allowed Other Secured Claims that are to be satisfied pursuant to Section 5.4(i) of this Plan. To the extent that the amount budgeted in the Wind-Down Budget for the satisfaction of the foregoing Claims, after the funding of the Adequate Protection Claim Escrow, is not sufficient to satisfy all such Claims in full, any deficiency shall be deducted from the Unsecured Claim Wind-Down Property.

8.3.2 **Cash Distributions to Class 3.** To the extent the balance in the Liquidation Proceeds Account exceeds the thresholds set forth in Paragraph 7(iv) and (v) of the Wind-Down Stipulation, the Disbursing Agent shall distribute the amounts provided for therein to the Prepetition Agent for the benefit of the Prepetition Lenders and Prepetition Purchasers.

8.3.3 **Cash Distributions to Class 3 and Class 5.** To the extent the balance in the Liquidation Proceeds Account exceeds the threshold set forth in Paragraph 7(vi) of the Wind-Down Stipulation, the Disbursing Agent shall distribute the (i) the available Prepetition Agent Wind-Down Property to the Prepetition Agent for the benefit of the Prepetition Lenders and Prepetition Purchasers; and (ii) subject to Section 5.5 hereof, the available Unsecured Claim Wind-Down Property, Pro Rata, to the holders of Allowed Unsecured Claims.

8.3.4 **Cash Distributions to Class 5.** To the extent the Deferred Compensation GUC Amount has been paid into the GUC Trust, the Disbursing

Agent shall, subject to Section 5.5 hereof, distribute the Deferred Compensation GUC Amount, Pro Rata, to holders of Allowed Unsecured Claims.

8.3.5 **Property Distributions.** To the extent not prohibited by the Wind-Down Stipulation, the Liquidating Agent shall surrender to each holder of an Allowed Secured Claim that is being treated in accordance with Section 5.4(ii) of this Plan, the property securing such Allowed Secured Claim.

8.3.6 **Cash Distributions to Establish Reserves.** After giving effect to the Cash distributions described in Sections 8.3.1, 8.3.2, 8.3.3. and 8.3.4 of this Plan, the Disbursing Agent shall deposit all remaining Cash in its possession, custody or control in the reserves and accounts established by this Plan, as described in Section 8.4 below.

8.4 **Establishment of Accounts and Reserves.** On or before the Effective Date, the Liquidating Agent shall establish: (i) the Adequate Protection Claim Escrow; (ii) the Liquidation Proceeds Account; (iii) the Post-Confirmation Operating Account; (iv) the Disputed APS Claims Reserve; (v) the Disputed Unsecured Claims Reserve, and (vi) the Unsecured Claims Distribution Reserve, all of which shall be interest bearing accounts. On, or as soon as practicable after the occurrence of, the Effective Date, the Liquidating Agent shall fund: (i) to the extent required by Section 2.1 hereof, the Adequate Protection Claim Escrow with Cash in the amount of \$1,500,000 (provided that no Cash in the Wind-Down Budget Account or the Post-Confirmation Operating Account, as applicable, shall be used therefor); (ii) the Disputed APS Claims Reserve with Cash in an amount necessary for the payment in full of all Disputed Administrative Expense Claims, all Disputed Priority Tax Claims, all Disputed Priority Claims, all Disputed Secured Tax Claims, all Disputed Secured Claims and unpaid Professional Claims; (iii) the Post-Confirmation Operating Account with all Cash then on deposit in the Wind-Down Budget Account, to the extent consistent with the amount budgeted in the Wind-Down Budget to pay for all costs of administration of the Estate Assets; and (iv) to the extent that an Initial Distribution is made to the holders of Allowed Unsecured Claims, as contemplated by Sections 8.3.3 and 8.3.4 hereof, the Disputed Unsecured Claims Reserve with Cash sufficient to fund a distribution in like amount on account of Disputed Unsecured Claims. To the extent the Liquidating Agent determines to pay the Pro Rata share with respect to an undisputed portion of any Disputed Claim of the type described above, the Liquidating Agent shall be allowed to reduce the amount reserved for that Claim in the appropriate account.

Thereafter, as and when the Estate Assets are liquidated and reduced to Cash, subject to the provisions of the Wind-Down Stipulation, the Liquidating Agent shall make an initial deposit (to the extent that no Initial Distribution is made to the holders of Allowed Unsecured Claims, as contemplated by Sections 8.3.3 and 8.3.4 hereof) or add to the Disputed Unsecured Claims Reserve, in sufficient amounts such that the aggregate amount in the Disputed Unsecured Claims Reserve is sufficient to pay all Disputed Unsecured Claims the same Pro Rata share of such Claims as if they were Allowed Unsecured Claims, in the lesser of (i) the amount claimed in the filed proof of claim by

the holder of each such Claim, and (ii) the estimated amount of such Claim as determined by Final Order of the Bankruptcy Court, plus any other amount that the Liquidating Agent, in its sole discretion (after consultation with the Post-Effective Date Committee and, until Prepetition Payoff, the Prepetition Agent), deems necessary and appropriate.

8.5 Distributions on Account of Indenture Claims. All distributions on account of Allowed Indenture Claims shall be made to (i) the respective Indenture Trustee for the particular issue of Floating Rate Debentures or Junior Subordinated Notes, as the case may be; or (ii) with the prior written consent of the Indenture Trustee, through the facilities of DTC (if applicable) or, a Third Party Disbursing Agent. If a distribution is made to the Indenture Trustee, such Indenture Trustee shall administer the distributions in accordance with the Plan and the Indenture Documents and shall be compensated, without further Bankruptcy Court approval, for all services related to distributions pursuant to the Plan (and for the related fees and expenses of any counsel or professional engaged by the Indenture Trustee with respect to administering or implementing such distributions), through the exercise of the Charging Lien against the distributions received by the Indenture Trustee on account of Allowed Indenture Claims and such fees and expenses will be deducted from the amounts paid to holders of Allowed Indenture Claims. An Indenture Trustee, whether in its own name or in the capacity of a Third Party Disbursing Agent shall not be required to give any bond, surety, or other security for the performance of its duties with respect to the administration and implementation of distributions. Any distribution on account of Allowed Indenture Claims shall be subject to the right of the respective Indenture Trustee to exercise its Charging Lien for any unpaid Indenture Trustee Fee Claim, any unpaid pre-bankruptcy or post-Effective Date fees and costs (including the unpaid pre-petition fees and costs of counsel or other professionals retained by such Indenture Trustee), and any fees and costs of the Indenture Trustee related to distributions pursuant to the Plan (including the fees and costs of counsel or other professionals retained by such Indenture Trustee). The exercise of an Indenture Trustee's Charging Lien against a distribution under this paragraph to recover payment for any unpaid Indenture Trustee Fee Claim or any unpaid prepetition or post-Effective Date fees and costs of the Indenture Trustee (including its counsel and other professionals), or any fees and costs of the Indenture Trustee related to distributions pursuant to the Plan (including its counsel and other professionals) shall not subject the Indenture Trustee to the jurisdiction of the Bankruptcy Court with respect to either the exercise of the Charging Lien or the fees and costs recovered thereby. Notwithstanding any of the foregoing, nothing herein shall be deemed to impair, waive, or extinguish any rights of the Indenture Trustees under their respective Indentures with respect to the Charging Lien.

Each holder of a Certificate shall surrender such Certificate to the Indenture Trustee or the Third Party Disbursing Agent, as the case may be, and such Certificate shall be cancelled solely with respect to the Debtors and such cancellation shall not alter the obligations or rights of any non-Debtor parties as between or among such persons pursuant to such instruments. No distribution of property hereunder shall be made to such holder unless and until such Certificate is received by the Indenture Trustee or the Third Party Disbursing Agent, as the case may be, or the unavailability of such

Certificate is established to the reasonable satisfaction of such Disbursing Agent or Third Party Disbursing Agent. Any holder who fails to surrender or cause the surrender of such Certificate, or fails to execute and deliver an affidavit of loss and indemnity reasonable satisfactory to the Indenture Trustee or the Third Party Disbursing Agent, as the case may be, prior to the second anniversary of the Effective Date shall be deemed to have forfeited all rights and Claims in respect of such Certificate and shall not participate in any distribution under the Plan, and all property in respect of such forfeited distribution shall be subject to distribution to all other holders of Claims under such Indenture who have duly surrendered or caused the surrender of their Certificates or reasonably established the unavailability thereof.

If the record holder of an Indenture Claim is DTC or its nominee or such other securities depository or custodian thereof, or if an Indenture Claim is held in book-entry or electronic form pursuant to a global security held by DTC, then the beneficial holder of such an Allowed Indenture Claim shall be deemed to have surrendered such holder's security, note, debenture or other evidence of indebtedness upon surrender of such global security by DTC or such other securities depository or custodian thereof.

Any holder of an Allowed Indenture Claim with respect to which the underlying Certificate has been lost, stolen, mutilated or destroyed must, in lieu of surrendering such Certificate, deliver to the Third Party Disbursing Agent: (1) evidence satisfactory to the Third Party Disbursing Agent of the loss, theft, mutilation or destruction; and (ii) such security or indemnity as may be required by the Third Party Disbursing Agent to hold the Third Party Disbursing Agent, the Post-Effective Date Debtors and the Liquidating Agent harmless from any damages, liabilities or costs incurred in treating such individual as a holder of such Certificate. Upon compliance with this Section by a holder of an Allowed Indenture Claim, such holder will, for all purposes under the Plan, be deemed to have surrendered the applicable Certificate.

Any holder of a Certificate that fails to surrender or is deemed not to have surrendered the applicable Certificate within the time prescribed in the second subparagraph of this Section 8.5 will be deemed to have had its right to distributions pursuant to the Plan on account thereof discharged and will be forever barred from asserting any such Claim against the Post-Effective Date Debtors, the Liquidating Agent, the Indenture Trustees, or their respective property.

8.6 Subsequent Distributions.

8.6.1 Source and Deposit of Funds for Subsequent Distributions. It is anticipated that after the Effective Date, the Liquidating Agent will reduce to Cash various of the non-Cash assets still belonging to the Post-Effective Date Debtors, such as the Wind-Down Litigation Claims and the Other Litigation Claims. Upon receipt, such proceeds shall: (i) if, prior to the Effective Date, the Wind-Down Budget Amount has not been deposited into the Wind-Down Budget Account, be deposited into the Post-Confirmation Operating Account until an amount equal to the Wind-Down Budget Amount is on deposit in the Post-

Confirmation Operating Account; (ii) if the Wind-Down Budget Amount has been deposited into the Wind-Down Budget Account or the Post-Confirmation Operating Account, then, until the Prepetition Payoff occurs, be deposited, as contemplated by Paragraphs 7(iv) and 7(v) of the Wind-Down Stipulation, into the Liquidation Proceeds Account for distribution therefrom to the Prepetition Agent for the benefit of the Prepetition Lenders and Prepetition Purchasers; (iii) to the extent deposited in the Liquidation Proceeds Account, be allocated between the Prepetition Agent and the holders of other Allowed Unsecured Claims, as contemplated by Paragraph 7(vi) of the Wind-Down Stipulation, with the portion allocated to the holders of Allowed Unsecured Claims being deposited into the Unsecured Claim Distribution Reserve until all conditions precedent to its distribution have been satisfied; and (iv) to the extent that such proceeds comprise up to \$1,500,000 of proceeds of the Deferred Compensation Claims, be deposited into the GUC Trust. In addition, as Disputed Claims become Disallowed Claims or are only partially Allowed, funds held on reserve on account thereof may, subject to the provisions of the Wind-Down Stipulation, then be distributed to holders of Allowed Claims under the Plan.

8.6.2 **GUC Trust.** On the Effective Date, the Liquidating Agent shall establish the GUC Trust solely for the benefit of the Holders of Allowed Unsecured Claims. The first \$1,500,000 of the proceeds of the Deferred Compensation Claims, whether available on the Effective Date or thereafter, in a single transfer or multiple transfers, shall be transferred into the GUC Trust. On the date of any such deposit into the GUC Trust, the Debtors, the Post-Effective Date Debtors, the Liquidating Agent, the Committee and the Post-Effective Date Committee shall be deemed to have waived any and all objections to the Allowed Adequate Protection Claim to the extent of the Deferred Compensation GUC Amount on such date. The Liquidating Agent shall, subject to Section 5.5 hereof, make distributions from the GUC Trust to the holders of Allowed Unsecured Claims in accordance with the provisions of this Plan governing all other distributions, including, without limitation, Sections 8.3 and 8.6 hereof. No cost of administration or distribution (other than the fees and expenses of the Indenture Trustees or the Third Party Disbursing Agent provided for in Section 8.5 hereof) shall be charged against the Deferred Compensation GUC Amount, which amount shall (subject to the exercise of any Charging Lien) be distributed, Pro Rata, to holders of Allowed Unsecured Claims.

8.6.3 **Timing of Subsequent Distributions.** Following the Initial Distribution, and until the occurrence of the Prepetition Payoff, the Disbursing Agent shall make distributions on the timetable set forth in the Wind-Down Stipulation, with distributions to the Prepetition Agent and/or allocations to the Unsecured Claim Distribution Reserve being made to (i) satisfy the Cash Collateral Reimbursement Amount and (ii) on any date, subsequent to satisfaction of the Cash Collateral Reimbursement Amount, that the balance in the Liquidation Proceeds Account exceeds \$1,000,000. Beginning on the date which is three (3) months after the date of the Initial Distribution, and every three (3)

months thereafter, the Disbursing Agent shall distribute all Cash in the Unsecured Claim Distribution Reserve to the holders of Allowed Unsecured Claims; provided, however, that unless it is the Final Distribution, the Disbursing Agent, at the direction of the Liquidating Agent, shall not be required to make any distribution from the Unsecured Claim Distribution Reserve unless there is at least \$250,000 in the Unsecured Claim Distribution Reserve.

8.7 **Distributions on Account of Disputed Claims.** When a Disputed Claim becomes an Allowed Claim for distribution purposes, the Disbursing Agent shall, on the next Interim Distribution Date, or such other date as may be agreed upon between the Liquidating Agent, the holder of the Claim and the Post-Effective Date Committee, make to the holder of such Claim, from the applicable reserve established for that type of Claim, a distribution equal to the aggregate distribution that previously would have been made with respect to such Claim if such Claim had been an Allowed Claim; provided, however, that the aggregate consideration distributed on account of such previously Disputed Claim may not exceed the total amount reserved with respect to such Claim in its applicable reserve as contemplated by Section 8.4 hereof. Thereafter, unless previously paid in full, the previously Disputed Claim shall be paid in the same manner as all other Allowed Claims of the same Class.

8.8 **Estimation.** The Liquidating Agent may, subject to the terms of the Liquidating Agent Agreement, at any time, request that the Bankruptcy Court estimate any Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether any party in interest has previously objected to such Claim, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time, including, without limitation, during litigation concerning any objection to such Claim, including any pending appeal. In the event that the Bankruptcy Court estimates any Disputed Claim, that estimated amount may constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Liquidating Agent may elect, in accordance with the terms of the Liquidating Agent Agreement, to pursue any supplemental proceedings to object to any ultimate payment of such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not exclusive of one another.

8.9 **Investment of Disputed APS and Unsecured Claims Reserves.** The Liquidating Agent shall be permitted, in accordance with the terms of the Liquidating Agent Agreement, from time to time, to invest all or a portion of the Cash in the Disputed APS Claims Reserve and Disputed Unsecured Claims Reserve in United States Treasury Bills, interest-bearing certificates of deposit, tax exempt securities, money market accounts or investments permitted a trustee by section 345 of the Bankruptcy Code or otherwise authorized by the Bankruptcy Court, using prudent efforts to enhance the rates of interest earned on such Cash without inordinate credit risk or interest rate risk. All interest earned on such Cash shall be held in the respective Disputed APS Claims Reserve or Disputed Unsecured Claims Reserve and, after satisfaction of any expenses incurred in connection with the maintenance of the respective Disputed APS Claims

Reserve or Disputed Unsecured Claim Reserve, including taxes payable on such interest income, if any, shall be transferred out of the respective Disputed APS Claims Reserve or Disputed Unsecured Claim Reserve and be used to satisfy the costs of administering and fully consummating this Plan or become Available Cash for distribution in accordance with this Plan.

8.10 **Minimum Distribution.** Notwithstanding anything to the contrary in this Plan, the Disbursing Agent shall not be required to make distribution of less than \$25.00 to any Claimant unless such distribution is the Final Distribution to such Claimant. Notwithstanding any other provision of this Plan, the Disbursing Agent may round all distributions to the nearest \$1.00.

8.11 **Unclaimed Distributions.** If any property distributed by the Disbursing Agent is returned to sender as undeliverable or otherwise, or in the case of a check, is not negotiated for a period of six (6) months after it has been delivered, such unclaimed property shall be forfeited by the Person entitled to receive it, the right to such property shall revert to and vest in the Post-Effective Date Debtors free and clear of any rights, claims or interests of such Person, and such unclaimed property (together with any further distributions to the Person that failed to claim such property) shall instead be distributed to the holders of Allowed Claims in accordance with the Plan. The use of regular mail, postage prepaid, to the last known address of a holder of a Claim shall constitute delivery for purposes of this Section. In addition, the Disbursing Agent shall make no further distributions to the Person that failed to claim such property, and any subsequent distributions that would have been made to such Person shall instead be distributed Pro Rata to the holders of Allowed Claims in accordance with the Plan. Any balance of \$10,000 or less remaining in the Unsecured Claim Distribution Reserve or other funds established by the Plan after making all distributions required by this Plan may, in lieu of being redistributed to holders of Allowed Claims, be contributed to a qualified charity focused on providing housing for the disadvantaged, which charity shall be chosen by the Liquidating Agent in consultation with the Prepetition Agent and the Post-Effective Date Committee.

8.12 **Setoff.** In accordance with section 553 of the Bankruptcy Code and applicable non-bankruptcy law, the Liquidating Agent may, but shall not be required to, set off against any Claim, and the distributions to be made pursuant to this Plan with respect to such Claim, claims of any nature whatsoever that the Post-Effective Date Debtors may have against the holder of such Claim. Notwithstanding the foregoing, the failure to effect such a setoff or the allowance of any claim hereunder will not constitute a waiver or release by the Liquidating Agent or the Post-Effective Date Debtors of any such claim, right or cause of action against such holder.

8.13 **Distributions Paid to Holders of Record.** All distributions to be made pursuant to this Plan with respect to Claims of any nature whatsoever may be made by the Disbursing Agent to the holders of record as of the Confirmation Date. To the extent that any Claims are transferred, assigned or alienated in any way after the Confirmation Date,

the Disbursing Agent may ignore and disregard any such transfer or assignment that is not in compliance with the Bankruptcy Rules.

8.14 **Distributions in Cash.** At the option of the Disbursing Agent, any Cash payment to be made pursuant to this Plan may be made by check drawn on a domestic bank or by wire transfer or other means of electronic funds transfer.

ARTICLE IX

IMPLEMENTATION AND MEANS OF CONSUMMATING THIS PLAN

9.1 **Limited Survival and Ultimate Dissolution of Debtors.** From and after the Confirmation Date, the Debtors shall continue in existence as the Post-Effective Date Debtors pursuant to the terms of this Plan solely for the purposes of allowing the Liquidating Agent to (i) wind up their affairs, (ii) liquidate, by converting to Cash or other methods, any remaining Estate Assets, (iii) enforce and prosecute claims, interests, rights and privileges of the Debtors in conjunction with the marshaling of the Debtors' assets, (iv) resolve Disputed Claims, (v) administer this Plan and the Wind-Down Stipulation, and (vi) file appropriate tax returns.

9.2 **Estate Assets.** The Estate Assets will be managed by the Liquidating Agent, subject to the provisions of the Liquidating Agent Agreement, this Plan, the Wind-Down Stipulation and the Confirmation Order.

9.3 **The Liquidating Agent.** The Liquidating Agent will be the exclusive trustee of the Estate Assets for the purposes of 31 U.S.C. § 3713(b) and 26 U.S.C. § 6012(b)(3), as well as the representative of the Estates appointed pursuant to section 1123(b)(3)(B) of the Bankruptcy Code. Further, for purposes of any insurance policy of the Debtors allowing recovery only if an action is brought by a "trustee" (or some similar designation), the Liquidating Agent shall be a "trustee" (or similar designation) for such purposes (or, in the event that an action is assigned to the Post-Effective Date Committee for prosecution, then the Post-Effective Date Committee shall be considered a "trustee" (or similar designation) for such purposes). The Liquidating Agent shall have fiduciary duties to the beneficiaries of the Estate Assets in the same manner that members of an official committee of creditors appointed pursuant to section 1102 of the Bankruptcy Code have fiduciary duties to the creditor constituents represented by such a committee. Mr. Donald R. Ramon initially shall serve as the Liquidating Agent. The Liquidating Agent shall be compensated from the Estate Assets as specified in the Liquidating Agent Agreement. Removal of the Liquidating Agent shall be governed by the provisions of the Liquidating Agent Agreement.

9.3.1 **Responsibilities.** Except as otherwise specifically provided by this Plan or by an order of the Bankruptcy Court, the responsibilities of the Liquidating Agent shall include: (i) the receipt, management, supervision, and protection of the Estate Assets for the benefit of the beneficiaries of the Estate

Assets; (ii) the investigation and, if appropriate, objection to or request for estimation of, and if necessary and appropriate, compromise of the objections to Disputed Claims; (iii) the investigation, pursuit, initiation, commencement, filing, prosecution and/or enforcement, and if necessary and appropriate, compromise of the claims and causes of action included among the Estate Assets, including, without limitation, the Wind-Down Litigation Claims and the Other Litigation Claims, consistent with the terms of the Wind-Down Stipulation; (iv) calculation and implementation of all distributions to be made under this Plan to the holders of Allowed Claims; (v) marketing, selling, leasing, or otherwise disposing of all of the Estate Assets; (vi) filing all required tax returns and paying taxes and all other obligations of the Post-Effective Date Debtors; and (vii) such other responsibilities as may be vested in the Liquidating Agent pursuant to this Plan, the Liquidating Agent Agreement, and orders of the Bankruptcy Court, or as may be necessary and proper to carry out the provisions of this Plan and the Wind-Down Stipulation.

9.3.2 **Powers.** Except as otherwise specifically provided by this Plan or pursuant to an order of the Bankruptcy Court, the powers vested in the Liquidating Agent under this Plan shall include, subject to consultation with and/or consent and approval of the Post-Effective Date Committee (or, until the occurrence of Prepetition Payoff, the Prepetition Agent) where required under this Plan or the Liquidating Agent Agreement, the power to: (i) invest funds, including all or a portion of the Cash in accounts and reserves established pursuant to Section 8.4 hereof, to the extent not otherwise required to be distributed pursuant to the terms of this Plan or the Wind-Down Stipulation; (ii) make distributions, either directly or through the Disbursing Agent, provided for in the Plan and the Wind-Down Stipulation; (iii) pay taxes and other obligations of the Post-Effective Date Debtors from the Estate Assets; (iv) dispose of the Estate Assets; (v) litigate, request estimation of, or compromise and settle Disputed Claims; (vi) investigate, pursue, initiate, commence, file, prosecute, abandon, assign to the Post-Effective Date Committee to pursue, and, if necessary and appropriate, compromise all Wind-Down Litigation Claims and Other Litigation Claims; (vii) engage (and compensate from the Estate Assets) consultants, agents, employees, attorneys, auctioneers, brokers, marketing agents and other professional persons to assist and/or advise it in the sale or other disposition of the Estate Assets and in otherwise carrying out its obligations under the Plan and the Liquidating Agent Agreement; (viii) utilize Estate Assets to purchase appropriate insurance to insure the acts and omissions of the Liquidating Agent, or to insure other Estate Assets; and (ix) implement this Plan, the Wind-Down Stipulation, and orders of the Bankruptcy Court; provided, however, that in no event shall the Liquidating Agent use, or permit the use of, Prepetition Agent Wind-Down Property to object to Claims filed by, or file Wind-Down Litigation Claims or Other Litigation Claims against, the Prepetition Agent, the Prepetition Lenders or the Prepetition Purchasers. The Liquidating Agent shall exercise such powers in accordance with the provisions of this Plan and the Liquidating Agent Agreement.

9.3.2.1 **Employment of Professional Persons by the Liquidating Agent.** The Liquidating Agent may, consistent with the restrictions of the Wind-Down Budget, employ one or more attorneys, accountants, appraisers, auctioneers, or other professional persons, that do not hold or represent an interest adverse to the Post-Effective Date Debtors, and are disinterested persons, to represent the Liquidating Agent in carrying out the Liquidating Agent's duties under this Plan and the Liquidating Agent Agreement.

9.3.2.2 **Employment of Debtors' Counsel or Committee Counsel.** The Liquidating Agent may, but shall not be required to, consistent with the Wind-Down Budget, retain and employ existing counsel for the Debtors or for the Committee to represent it with respect to any matter, including, without limitation, the prosecution of the Wind-Down Litigation Claims and Other Litigation Claims on behalf of the Post-Effective Date Debtors.

9.3.3 **Compensation of Liquidating Agent and Related Professionals.** After the Effective Date, in addition to reimbursement for the actual, reasonable and necessary expenses incurred, the (i) Liquidating Agent, (ii) any employees, agents, consultants, financial advisors, attorneys, accountants or professionals engaged or retained by the Liquidating Agent; (iii) subject to Section 15.4.2 hereof, Liaison Counsel shall be entitled, subject to compliance with the Wind-Down Budget, to reasonable compensation from the Estate Assets to perform their respective duties, including fees and expenses incurred after the Effective Date in connection with the preparation of final fee applications, responding to objections and attendance at hearing with respect to such final fee applications, as described in Section 2.4.3. hereof. The fees for the Liquidating Agent and any professionals employed by the Liquidating Agent shall be subject to the approval of the Post-Effective Date Committee (and, until the Prepetition Payoff occurs, the Prepetition Agent) upon receipt of a detailed invoice. The expenses of the Post-Effective Date Committee and the fees and expenses of Liaison Counsel and Contingency Fee Counsel, if any, shall be subject to (i) Section 15.4.2 hereof and (ii) the approval of the Liquidating Agent (and, until the Prepetition Payoff occurs, the Prepetition Agent), upon receipt of a detailed invoice. Unless a party entitled to receive notice as set forth above files an objection with the Bankruptcy Court within fifteen (15) days of the receipt of such notice, the Liquidating Agent shall be fully authorized without an order of the Bankruptcy Court to pay, on a monthly basis, (i) one hundred percent (100%) of the reasonable fees and one hundred percent (100%) of the reasonable expenses incurred by Liaison Counsel and the professionals retained by the Liquidating Agent; and (ii) one hundred percent (100%) of the reasonable expenses incurred by Contingency Fee Counsel. If an objection is filed, then the Liquidating Agent shall still be fully authorized without an order of the Bankruptcy Court to pay, on a monthly basis, one hundred percent (100%) of the fees and one hundred percent (100%) of the expenses incurred by

the professionals that are not the subject to an objection. The disputed portion of such invoice shall not be paid until the dispute is resolved; the undisputed portion shall be paid as otherwise provided in this Section 9.3.3. The Bankruptcy Court shall retain jurisdiction over any objections to such fees and expenses that are filed.

9.3.4 **Removal of Liquidating Agent.** Only the Post-Effective Date Committee and (until the Prepetition Payoff occurs) the Prepetition Agent, acting jointly, have the power to remove the Liquidating Agent or any successor Liquidating Agent upon filing a notice of such removal with the Bankruptcy Court and serving a copy upon counsel to the Liquidating Agent. Removal of the Liquidating Agent shall be in accordance with the Liquidating Agent Agreement.

9.3.5 **Successor Liquidating Agent.** In the event that the Liquidating Agent is removed, resigns or otherwise ceases to serve as Liquidating Agent, the Post-Effective Date Committee and (until the Prepetition Payoff occurs) the Prepetition Agent, acting jointly, shall select a proposed successor Liquidating Agent within ten (10) Business Days or as soon thereafter as practicable following such resignation, removal, or cessation of service by the incumbent Liquidating Agent. Notice of any Successor Liquidating Agent shall be filed with the Bankruptcy Court and shall be effective upon the filing of such notice. Any successor Liquidating Agent shall be subject to the same qualifications and shall have the same rights, powers, duties and discretion, and otherwise be in the same position, as the originally named Liquidating Agent. Wherever reference is made in this Plan to the Liquidating Agent, the same shall be deemed to refer to the successor Liquidating Agent acting hereunder.

9.3.6 **Termination.** The duties, responsibilities and powers of the Liquidating Agent shall terminate after all causes of action involving the Debtors are fully resolved or abandoned, all the Estate Assets have been distributed on the Final Distribution Date in accordance with this Plan, and a Final Decree has been entered closing the Bankruptcy Cases. The Estate Assets shall be distributed no later than five (5) years from the Effective Date; provided, however, that the Cash Collateral Reimbursement Amount must be paid to the Prepetition Agent on or before the Wind-Down Termination Date. However, if warranted by the facts and circumstances provided for in this Plan, and subject to the approval of the Bankruptcy Court upon a finding that an extension is necessary, the term for distributing Estate Assets may be extended for a finite period based on the particular circumstances at issue. Each such extension must be approved by the Bankruptcy Court within six (6) months of the beginning of the extended term, after notice and a hearing.

9.3.7 **Records.** The Liquidating Agent shall maintain good and sufficient books and records of account relating to the Estate Assets, the Available Cash, the management thereof, all transactions undertaken by the Liquidating Agent, all expenses incurred by or on behalf of the Post-Effective Date Debtors,

and all distributions contemplated or effectuated under this Plan. Upon the entry of a Final Decree closing the Bankruptcy Cases, the Liquidating Agent may destroy or otherwise dispose of all records maintained by the Debtors, the Post-Effective Date Debtors and the Liquidating Agent.

9.4 **Exemption from Transfer Taxes.** All transfers of the Estate Assets made pursuant to the terms of this Plan, to the fullest extent permitted by law, shall be exempt from all stamp, transfer and similar taxes within the meaning of section 1146(c) of the Bankruptcy Code.

9.5 **Waiver of Subordination.** To facilitate the compromises set forth in the Plan and the Wind-Down Stipulation, the Prepetition Agent, the Prepetition Lenders, and the Prepetition Purchasers have agreed to waive the provisions in the Indentures subordinating the right to payment of the holders thereunder to the payment in full of senior indebtedness. For the avoidance of doubt, such waiver shall not (i) affect the rights of the Prepetition Agent, the Prepetition Lenders, and Prepetition Purchasers under section 507(b) of the Bankruptcy Code or (ii) result in the subordination of the rights, claims, and liens of the Prepetition Agent, Prepetition Lenders, and the Prepetition Purchasers to the rights, claims, or liens of any other party.

9.6 **Closing of the Bankruptcy Cases.** When all Disputed Claims have become Allowed Claims or have been disallowed by Final Order, and all remaining Estate Assets have been liquidated and converted into Cash (other than those assets otherwise transferred or abandoned by the Liquidating Agent), and such Cash has been distributed in accordance with this Plan, subject to the Wind-Down Stipulation, the Liquidating Agent shall seek authority from the Bankruptcy Court to close the Bankruptcy Cases in accordance with the Bankruptcy Code and the Bankruptcy Rules.

9.7 **Wind-Down Termination Date.** If on the Wind-Down Termination Date, the Prepetition Payoff has not occurred, the Estate Assets have not all been sold, and the Wind-Down Litigation Claims and Other Litigation Claims have not all been adjudicated or settled, the Liquidating Agent, the Post-Effective Date Committee and the Prepetition Agent shall confer in good faith among themselves about the role to be played by each, if any, the logistics, and the funding of continued efforts to liquidate the remaining Assets and Claims, which may include the extension of the Wind-Down Termination Date; provided, however, that none of the Liquidating Agent, the Post-Effective Date Committee, the Prepetition Agent, the Prepetition Purchasers, Prepetition Lenders, the DIP Agent or the DIP Lenders shall be obligated to participate in or fund such liquidation efforts.

9.8 **Finality of Distributions.** All distributions made under this Plan shall be final, and no party shall have any right to require or petition the Bankruptcy Court for a disgorgement of any such distribution.

9.9 **Wind-Down Budget Variances.** If on any Interim Distribution Date, the Final Distribution Date, or the Wind-Down Termination Date, (i) the aggregate amount of

the actual Total Operating Expenses (as that term is defined in the Wind-Down Budget) incurred up to and including such date have exceeded those set forth in the Wind-Down Budget and (ii) the Prepetition Payoff has not yet occurred, the amount of such excess (or such amount as is necessary to effectuate the Prepetition Payoff) shall be deducted from the amounts (other than the Deferred Compensation GUC Amount) distributable to the Unsecured Claims Distribution Reserve and added to the amount otherwise distributable to the Prepetition Agent under the Wind-Down Stipulation.

9.10 **Monthly Reports.** The Liquidating Agent shall provide to the Post-Effective Date Committee and, until occurrence of the Prepetition Payoff, the Prepetition Agent, on a monthly basis, a report setting forth with respect to the immediately preceding month: (i) Total Operating Expenses; (ii) deposits, if any, into the Wind-Down Budget Account; and (iii) deposits, if any, into the Liquidation Proceeds Account.

9.11 **Effect on Attorney/Client and the Work Product Privilege.** Nothing contained in the Plan shall permit any party other than the Liquidating Agent, as successor to the Debtors, to obtain or waive the attorney/client privilege or the work product privilege as between the Debtors and counsel to the Debtors. Nothing contained in the Plan shall permit any party other than the Committee to obtain or waive the attorney/client privilege or the work product privilege as between the Committee and counsel to the Committee.

ARTICLE X

EXECUTORY CONTRACTS

10.1 **Rejection.** Effective on and as of the Effective Date, all Executory Contracts that exist between any Debtor and any Person that have not previously been assumed, assumed and assigned, or rejected by the Debtors will be deemed rejected pursuant to section 365 of the Bankruptcy Code. Entry of the Confirmation Order shall constitute approval, pursuant to section 365(a) of the Bankruptcy Code, of the rejection of such Executory Contracts rejected pursuant to this Plan.

10.1.1 **Claims for Rejection Damages.** Proofs of Claim for damages allegedly arising from the rejection pursuant to this Plan of any Executory Contract must be filed with the Bankruptcy Court and served on the Liquidating Agent not later than thirty (30) days after the Effective Date. All proofs of Claim for such damages not timely filed and properly served as prescribed herein shall be forever barred and the holder of such a Claim shall not be entitled to participate in any distribution under this Plan.

10.1.2 **Objections to Proofs of Claim Based On Rejection Damages.** All parties in interest shall be authorized to file an objection to any proof of Claim based on the rejection of an Executory Contract pursuant to this Plan. The objection to any such proof of Claim shall be filed by the Claims Objection

Deadline. Such deadline may be extended by the Bankruptcy Court for cause shown.

ARTICLE XI

CONDITIONS PRECEDENT

11.1 **Conditions Precedent to the Effective Date.** The following are conditions precedent to the Effective Date of this Plan:

- (a) The Bankruptcy Court has entered the Confirmation Order;
- (b) No stay of the Confirmation Order is in effect; and
- (c) All terms and conditions of the Wind-Down Stipulation, including, without limitation, payment of the Cash Collateral Reimbursement Amount, have been satisfied or otherwise complied with by the Debtors and the Committee, unless waived by all parties to the Wind-Down Stipulation.

ARTICLE XII

EFFECTS OF PLAN CONFIRMATION

12.1 **No Discharge.** Under the Plan, the effects of Confirmation shall be as provided under Bankruptcy Code sections 1141(a), (c), and (d)(3). Bankruptcy Code section 1141(d)(1) shall not apply. The Debtors shall continue to exist as the Post-Effective Date Debtors following Confirmation and until there is a Final Distribution. Pursuant to section 1141(d)(3) of the Bankruptcy Code, the Debtors shall not be discharged by the Confirmation of the Plan. The Debtors shall not recognize any Cancellation of Indebtedness Income unless the party discharging the debt provides the Liquidating Agent with an appropriate Form 1099 indicating such discharge of indebtedness to be received no later than January 31, 2009.

12.2 **Satisfaction of Claims.** The treatment of and consideration to be received by holders of Allowed Claims pursuant to this Plan shall be in full satisfaction, settlement and release of such holders' respective Claims against the Debtors. Notwithstanding the foregoing, unless a Wind-Down Litigation Claim or Other Litigation Claim is expressly waived, relinquished, exculpated, released, compromised or settled in this Plan or another Final Order of the Bankruptcy Court, all Wind-Down Litigation Claims and Other Litigation Claims are expressly reserved for later adjudication and therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches shall apply to such Wind-Down Litigation Claims and Other Litigation Claims upon or after the confirmation or consummation of the Plan and the the Liquidating Agent shall retain the exclusive right to enforce any and all present and future rights, claims or causes of action against any Person.

12.3 **Injunction.** Provided that the Effective Date occurs, the entry of the Confirmation Order shall be deemed to permanently enjoin all Persons that have held, currently hold or may hold a claim against the Debtors or the Estates, or who have held, currently hold or may hold an Equity Interest in the Debtors, from taking any of the following actions (whether directly, indirectly, derivatively or otherwise) on account of such Claim or Equity Interest: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against the Debtors, the Disbursing Agent, the Liquidating Agent, the Post-Effective Date Debtors, the Prepetition Agent, the Committee, the Post-Effective Date Committee, the Prepetition Purchasers, the Prepetition Lenders, the DIP Agent, the DIP Lenders, and the Indenture Trustees with respect to any property to be distributed under this Plan or the Wind-Down Stipulation, including funds or reserves held or maintained by any of them pursuant to this Plan; (ii) enforcing, levying, attaching, collecting, or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree, or order against the Debtors, the Liquidating Agent or the Post-Effective Date Debtors, with respect to any property to be distributed under this Plan, including funds or reserves held or maintained by any of them pursuant to this Plan or the Wind-Down Stipulation; (iii) creating, perfecting or enforcing in any manner directly or indirectly, any lien, charge or encumbrance of any kind against the Debtors, the Liquidating Agent, the Post-Effective Date Debtors, the Prepetition Agent, the Committee, the Post-Effective Date Committee, the Prepetition Purchasers, the Prepetition Lenders, the DIP Agent, the DIP Lenders, and the Indenture Trustees with respect to any property to be distributed under this Plan, including funds or reserves held or maintained by any of them pursuant to this Plan or the Wind-Down Stipulation; and (iv) proceeding in any manner in any place whatsoever against the Debtors, the Liquidating Agent, the Post-Effective Date Debtors, the Prepetition Agent, the Committee, the Post-Effective Date Committee, the Prepetition Purchasers, the Prepetition Lenders, the DIP Agent, the DIP Lenders, and the Indenture Trustees with respect to any property to be distributed under this Plan or the Wind-Down Stipulation, including funds or reserves held or maintained by any of them pursuant to this Plan; provided, however, that nothing in this Section 12.3 shall prohibit any Person from enforcing the terms of this Plan, the Wind-Down Stipulation or the Confirmation Order in the Bankruptcy Court.

12.4 **No Liability for Solicitation or Participation.** Pursuant to section 1125(e) of the Bankruptcy Code, Persons that solicit acceptances or rejections of this Plan and/or that participate in the offer, issuance, sale, or purchase of securities offered or sold under this Plan, in good faith and in compliance with the applicable provisions of the Bankruptcy Code, shall not be liable, on account of such solicitation or participation, for violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of this Plan or the offer, issuance, sale, or purchase of securities.

12.5 **Limitation of Liability of Exculpated Persons.** The Exculpated Persons shall not have or incur any liability to any Person for any act taken or omission made in good faith in connection with or in any way related to negotiating,

formulating, implementing, confirming, or consummating this Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created in connection with or related to this Plan or the Bankruptcy Case, including, without limitation, the Wind-Down Stipulation and the Subservicing Agreement. The Exculpated Persons shall have no liability to any Person for actions taken in good faith under or relating to this Plan, including, without limitation, failure to obtain confirmation of this Plan or to satisfy any condition or conditions, or refusal to waive any condition or conditions precedent to confirmation or to the occurrence of the Effective Date. Further, the Exculpated Persons shall not have or incur any liability to any Person for any act or omission in connection with or arising out of their administration of this Plan or the property to be distributed under this Plan or the Wind-Down Stipulation or the operations or activities of the Debtors, the Liquidating Agent, the Disbursing Agent, and the Prepetition Agent except for gross negligence, willful misconduct, or breach of fiduciary duty as determined by the Bankruptcy Court, and, in all respects, the Exculpated Persons shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under this Plan or the Liquidating Agent Agreement. Without limiting the foregoing, the Exculpated Persons shall not have or incur any liability to any Person entitled to a distribution under this Plan, if insufficient funds are present to pay that Person's Allowed Claim in full. Notwithstanding anything to the contrary contained herein, none of the Exculpated Persons shall be released, exculpated or otherwise freed from liability in any way on account of any Wind-Down Litigation Claim or Other Litigation Claim of any type, except as may be otherwise provided by prior order of the Bankruptcy Court.

12.6 Term of Injunctions and Stays. Unless otherwise provided herein or in another order of the Bankruptcy Court, all injunctions or stays provided for in the Bankruptcy Cases pursuant to sections 105, 362 and 524 of the Bankruptcy Code, or otherwise, and in effect on the Confirmation Date shall remain in full force and effect until the Effective Date.

12.7 Release of Liens. Except as otherwise provided in this Plan, the Wind-Down Stipulation or the Confirmation Order, all Liens, security interests, deeds of trust, or mortgages against property of the Debtors or the Estates shall and shall be deemed to be released, terminated, and nullified on the Effective Date. Notwithstanding any of the foregoing, nothing herein shall be deemed to impair, waive or extinguish any rights of any Indenture Trustee with respect to a Charging Lien under the terms of its Indenture.

12.8 Cancellation of Instruments. Unless otherwise provided for herein or in the Wind-Down Stipulation, on the Effective Date, all promissory notes, instruments, indentures, agreements, or other documents evidencing, giving rise to, or governing any Claim against the Debtors shall represent only the right, if any, to participate in the distributions contemplated by this Plan and the Wind-Down Stipulation, as applicable. All shares, instruments or other evidences of any Equity Interest in Class 6 that constitute Equity Interests in HomeBanc shall be cancelled as of the Effective Date, to be replaced by one new share issued to the Liquidating Agent. Notwithstanding the foregoing and

anything contained in the Plan, the Indenture Documents will continue in effect solely for the purposes of (i) allowing distributions to be made under the Plan pursuant to the Indenture Documents and for the Indenture Trustees to perform such other necessary functions with respect thereto and to have the benefit of all the protections and other provisions of the applicable Indenture Documents in doing so; (ii) permitting an Indenture Trustee to maintain or assert any rights or Charging Liens it may have with respect to distributions pursuant to the terms of this Plan for Indenture Trustee Fee Claims or to recover unpaid pre-petition fees and costs of the Indenture Trustee (including its counsel and professionals); (iii) permitting the Indenture Trustee to maintain and enforce any right to indemnification, contribution or other Claim it may have under the applicable Indenture Documents; and (iv) permitting the Indenture Trustee to exercise its rights and obligations relating to the interests of the holders of Indenture Claims and its relationship with the holders of Indenture Claims pursuant to the applicable Indenture, including its right to appear and be heard in these Chapter 11 cases.

ARTICLE XIII

MODIFICATION, REVOCATION OR WITHDRAWAL OF THIS PLAN

13.1 **Modification of This Plan.** The Debtors may alter, amend or modify this Plan under section 1127 of the Bankruptcy Code or as otherwise permitted by applicable law at any time prior to the Confirmation Date. After the Confirmation Date and prior to the substantial consummation of this Plan, any party in interest in the Bankruptcy Cases may, so long as the treatment of holders of Claims or Equity Interests under this Plan are not materially adversely affected, institute proceedings in the Bankruptcy Court to remedy any defect or omission or to reconcile any inconsistencies in this Plan, the Disclosure Statement or the Confirmation Order, and any other matters as may be necessary to carry out the purposes and intents of this Plan; provided, however, prior notice of such proceedings shall be served in accordance with the Bankruptcy Rules or order of the Bankruptcy Court.

13.2 **Revocation or Withdrawal of This Plan.** The Debtors reserve the right to revoke or withdraw this Plan at any time prior to the Confirmation Date. If the Debtors revoke or withdraw this Plan prior to the Confirmation Date, this Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any claims by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors.

ARTICLE XIV

RETENTION OF JURISDICTION

14.1 **Jurisdiction of Bankruptcy Court.** Following the Effective Date, and notwithstanding the entry of the Confirmation Order, the Bankruptcy Court shall retain

exclusive jurisdiction of the Bankruptcy Cases and all matters arising under, arising out of, or related to, the Bankruptcy Cases, this Plan, and the Wind-Down Stipulation to the fullest extent permitted by law, including, among other things, jurisdiction to:

(a) Hear and determine motions, applications, adversary proceedings, and contested matters pending or commenced after the Effective Date;

(b) Hear and determine objections (whether filed before or after the Effective Date) to, or requests for estimation of any Claim, and to enter any order requiring the filing of proof of any Claim before a particular date;

(c) Ensure that distributions to holders of Allowed Claims are accomplished as provided in this Plan and the Wind-Down Stipulation;

(d) Enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;

(e) Issue or construe such orders or take any action as may be necessary for the implementation, execution, enforcement and consummation of this Plan, the Wind-Down Stipulation and the Confirmation Order, and hear and determine disputes arising in connection with the foregoing;

(f) Hear and determine any applications to modify this Plan, to cure any defect or omission or to reconcile any inconsistency in this Plan, the Disclosure Statement or in any order of the Bankruptcy Court including, without limitation, the Confirmation Order;

(g) Hear and determine all applications for Professional Claims;

(h) Hear and determine other issues presented or arising under this Plan, including disputes among holders of Claims and arising under agreements, documents or instruments executed in connection with this Plan and the Wind-Down Stipulation;

(i) Hear and determine any action concerning the recovery and liquidation of Estate Assets, wherever located, including without limitation, litigation to liquidate and recover Estate Assets that consist of, among other things, the Wind-Down Litigation Claims and the Other Litigation Claims, or other actions seeking relief of any sort with respect to issues relating to or affecting Estate Assets;

(j) Hear and determine any action concerning the determination of taxes, tax refunds, tax attributes, and tax benefits and similar or related matters with respect to the Debtors or the Estates including, without limitation, matters concerning federal, state and local taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

(k) Hear and determine any other matters related hereto and not inconsistent with chapter 11 of the Bankruptcy Code; and

(l) Enter the Final Decree.

ARTICLE XV

MISCELLANEOUS PROVISIONS

15.1 **Payment of Statutory Fees.** All fees payable pursuant to section 1930 of Title 28 of the United States Code shall be paid by the Estates on or before the Effective Date and, thereafter, by the Liquidating Agent from the Estate Assets when due.

15.2 **Revesting of Property and Retention of Actions and Defenses.** In accordance with section 1123(b)(3) of the Bankruptcy Code and except as otherwise provided for herein, as of the Effective Date, all property of the Estates or the Debtors shall be the property of, and vest in, the Post-Effective Date Debtors and shall be under the exclusive dominion and control of the Liquidating Agent for the benefit of the Claimants. All Wind-Down Litigation Claims and Other Litigation Claims shall be and hereby are preserved for the benefit of the Claimants, and retained by and vested in the Post-Effective Date Debtors, for all purposes as of the Effective Date. On and after the Confirmation Date, the Liquidating Agent, in consultation with the Prepetition Agent and the Post-Effective Date Committee, will have the exclusive right to investigate, pursue, initiate, commence, file, prosecute and/or enforce any and all Wind-Down Litigation Claims and Other Litigation Claims (or decline to do any of the foregoing), subject to Section 9.3.2.

15.3 **Settlement and Compromise of Wind-Down Litigation Claims and Other Litigation Claims.** For all Wind-Down Litigation Claims and Other Litigation Claims where the original amount sought is \$100,000 or less, the Liquidating Agent shall have the right and authority to settle or compromise such actions without notice to any other party or further order of the Bankruptcy Court, but subject to the provisions of Section 8.2 of this Plan. For all Wind-Down Litigation Claims and Other Litigation Claims where the original amount sought is more than \$100,000, the Liquidating Agent shall have the right and authority to settle or compromise such actions subject to obtaining an order of the Bankruptcy Court approving such settlement, upon notice to the Post-Effective Date Committee and, until the Prepetition Payoff has occurred, to the Prepetition Agent. The Liquidating Agent shall have the authority to execute any documents or take any other action required to effectuate such settlements or compromises.

15.4 **Post-Effective Date Committee.** On the Effective Date, the Committee shall be dissolved for all purposes other than the preparation, filing, and prosecution of final fee applications, and the Post-Effective Date Committee, comprised of no more than three (3) members, formed. The Post-Effective Date Committee shall continue in

existence until the Final Distribution Date. In the event of death or resignation of any member of the Post-Effective Date Committee after the Effective Date, the remaining members of the Post-Effective Date Committee shall have the right to designate a successor from among the holders of Allowed Class 5 Claims. If a Post-Effective Date Committee member assigns its Claim or releases the Debtors from payment of the balance of its Claim, such act shall constitute a resignation from the Post-Effective Date Committee. Until a vacancy on the Post-Effective Date Committee is filled, the Post-Effective Date Committee is authorized to perform the functions assigned to it hereunder in its reduced number.

15.4.1 Compensation of Post-Effective Date Committee Members.

The individual members of the Post-Effective Date Committee shall serve without compensation, except that they shall be entitled to reimbursement of reasonable, actual and necessary out-of-pocket expenses (which shall not include any professional fees and expenses for attorneys or other professionals retained by an individual committee member) from the Post-Effective Date Debtors pursuant to the procedures set forth in Section 9.3.3 of this Plan.

15.4.2 Powers and Duties of Post-Effective Date Committee.

Following the Effective Date, the powers and duties of the Post-Effective Date Committee shall be limited solely to performing (i) the functions specifically provided for in this Plan, including, but not limited to the prosecution of certain Wind-Down Litigation Claims and Other Litigation Claims; (ii) the retention of Liaison Counsel and Contingency Fee Counsel to assist in the prosecution of such Claims; and (iii) such additional functions as (x) may be agreed to by the Debtors or the Liquidating Agent and the Prepetition Agent, (y) are provided for in the Confirmation Order, or (z) provided for by further order of the Court entered after the Effective Date. The fees and expenses of Liaison Counsel shall be limited to an amount not to exceed \$5,000 per month, with any amount remaining out of said \$5,000 after the payment of Liaison Counsel in any month to be carried over and available to Liaison Counsel in subsequent months. Contingency Fee Counsel shall be retained pursuant to a contingency fee agreement which (i) shall be satisfactory in form and substance to the Liquidating Agent and the Prepetition Agent; and (ii) provide for (x) no compensation to Contingency Fee Counsel until resolution of the relevant Wind-Down Litigation Claims or Other Litigation Claims and (y) reimbursement of expenses in an amount that shall not exceed \$1,500 per month without the consent in writing of the Liquidating Agent and the Prepetition Agent, which consent shall be sought in advance of monthly expenses in excess of \$1,500 being incurred and shall not be unreasonably withheld.

15.4.3 Dissolution of Post-Effective Date Committee. On the Final Distribution Date, the Post-Effective Date Committee shall be dissolved and the members thereof shall be released and discharged of and from all further authority, duties, responsibilities and obligations related to and arising from their service as Post-Effective Date Committee members, and the retention or employment of the Post-Effective Date Committee's attorneys, financial advisors, accountants, and other agents shall terminate.

15.5 **No Admissions.** Notwithstanding anything herein to the contrary, nothing contained in this Plan shall be deemed an admission by the Debtors with respect to any matter set forth herein including, without limitation, liability on any Claim or Equity Interest or the propriety of any classification of any Claim or Equity Interest.

15.6 **Controlling Documents.** To the extent there is an inconsistency or ambiguity between any term or provision contained in the Disclosure Statement and this Plan, the terms and provisions of this Plan shall control. To the extent there is an inconsistency or ambiguity between any term or provision contained in the Plan and the Confirmation Order or the Wind-Down Stipulation, the terms and provisions of the Confirmation Order or the Wind-Down Stipulation, as applicable, shall control.

15.7 **Governing Law.** Except to the extent the Bankruptcy Code, the Bankruptcy Rules or other federal or state laws are applicable, the laws of the State of Delaware shall govern the construction, implementation and enforcement of this Plan and all rights and obligations arising under this Plan, without giving effect to the principles of conflicts of law.

15.8 **Substantial Consummation of Plan.** This Plan shall be deemed to be substantially consummated when the Disbursing Agent makes the Initial Distribution.

15.9 **Successors and Assigns.** The rights, benefits and obligations of any Person named or referred to in this Plan will be binding upon, and will inure to the benefit of, the heir, executor, administrator, representative, successor, or assign of such Person.

15.10 **Severability.** Should the Bankruptcy Court determine, on or prior to the Confirmation Date, that any provision of this Plan is either illegal or unenforceable on its face or illegal or unenforceable as applied to any Claim or Equity Interest, the Bankruptcy Court, at the request of the Debtors, shall have the power to alter and modify such provision to make it valid and enforceable to the maximum extent practicable consistent with the original purpose of such provision. Notwithstanding any such determination, interpretation, or alteration, the remainder of the terms and provisions of this Plan shall remain in full force and effect.

15.11 **Notices and Distributions.** On and after the Effective Date, all notices, requests and distributions to a holder of a Claim or Equity Interest shall be sent to the last known address of (i) the holder or its attorney of record as reflected in the holder's proof of Claim or Administrative Expense Claim filed by or on behalf of such holder, or (ii) if there is no such evidence of a last known address, to the last known address of the holder according to the books and records of the Debtors. Any holder of a Claim or Equity Interest may designate another address for the purposes of this Section by providing the Liquidating Agent written notice of such address, which notice will be effective upon receipt by the Liquidating Agent of the written designation. Any notices to the Liquidating Agent or the Post-Effective Date Committee or in connection with this Plan shall be in writing and served either by (i) certified mail, return receipt requested, postage

prepaid, (ii) via facsimile with a copy sent via First Class Mail, postage prepaid, or (iii) reputable overnight delivery service, all charges prepaid, and shall be deemed to have been given when received by the following parties:

To the Liquidating Agent:

Donald R. Ramon
HomeBanc Mortgage Corporation
Five Concourse Parkway, Suite 3000
Atlanta, GA 30328
Telephone: (404) 459-7711
Facsimile: (404) 705-2298

with copies to:

ALSTON & BIRD LLP
One Atlantic Center
1201 West Peachtree Street
Atlanta, Georgia 30309
Telephone: (404) 881-7000
Facsimile: (404) 881-7777
Attn: Matthew W. Levin, Esq.
Jennifer M. Meyerowitz, Esq.

-and-

YOUNG CONAWAY STARGATT & TAYLOR, LLP
The Brandywine Building
1000 West Street, 17th Floor
P.O. Box 391
Wilmington, Delaware 19801
Telephone: (302) 571-6600
Facsimile: (302) 571-1253
Attn: Joel A. Waite, Esq.
Joseph M. Barry, Esq.

To the Post-Effective Date Committee:

OTTERBOURG, STEINDLER, HOUSTON & ROSEN, P.C.
230 Park Avenue
New York, NY 10169
Telephone: (212) 661-9100
Facsimile: (212) 682-6104
Attn: William Silverman, Esq.
Jennifer Feeney, Esq.

-and-

DRINKER BIDDLE & REATH LLP
1100 North Market Street, Suite 1000
Wilmington, Delaware 19801
Telephone: (302) 367-4200
Facsimile: (302) 467-4201
Attn: Howard A. Cohen

To the Prepetition Agent:

William Austin
JPMorgan Chase Bank, N.A.
277 Park Avenue
New York, New York
Telephone: (212) 622-4507

with copies to:

MILBANK, TWEED, HADLEY & M^CCLOY LLP
1 Chase Manhattan Plaza
New York, New York 10005-1413
Telephone: (212) 530-5000
Facsimile: (212) 822-5287
Attn: Dennis C. O'Donnell, Esq.

-and-

MORRIS, NICHOLAS, ARSHT & TUNNELL LLP
1201 North Market Street
P.O. Box 1347
Wilmington, DE 19899-1347
(302) 658-9200
Attn: Gregory W. Werkheiser, Esq.

To the Indenture Trustee for the Debenture Holders:

Wilmington Trust Company
Rodney Square North
1100 Market Street
Wilmington, DE 19890
Telephone: (302) 636-6058
Facsimile: (302) 651-4149
Attn: Steven M. Cimalore

with copies to:

Arent Fox LLP
1675 Broadway
New York, New York 10019
Telephone: (212) 484-3900
Facsimile: (212) 484-3990
Attn: Andrew I. Silfen

To the Indenture Trustee for the Junior Subordinated Notes:

HSBC Bank USA, National Association, as Indenture Trustee
Corporate Trust and Loan Agency
10 East 40th Street
New York, New York 10016-0200
Attn: Robert A. Conrad, Vice President

with copies to:

Pryor Cashman LLP
410 Park Avenue
New York, New York 10022
Telephone: (212) 421-4100
Facsimile: (212) 326-0806
Attn: Tina Niehold Moss, Esq.

15.12 **Binding Effect.** This Plan shall be binding on and inure to the benefit of (and detriment to, as the case may be) the Debtors, the Committee, all holders of Allowed Claims or Equity Interests (whether or not they have accepted this Plan) and their respective personal representatives, successors and assigns.

15.13 **Withholding and Reporting.** In connection with this Plan and all instruments issued in connection therewith and distributions thereunder, the Liquidating Agent shall comply with all withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority and all distributions hereunder shall, to the extent applicable, be subject to any such withholding and reporting requirements. Notwithstanding anything herein to the contrary, in calculating and making the payments due to Claimants hereunder, the Liquidating Agent shall be authorized to deduct from such payments any necessary withholding amount.

15.14 **Other Documents and Actions.** Subject to the provisions of the Liquidating Agent Agreement, the Liquidating Agent may execute, deliver, file or record such documents, contracts, instruments, releases and other agreements, and take such other action as is reasonable, necessary, or appropriate to effectuate the transactions provided for in this Plan, without any further action by or approval of the Bankruptcy Court or the Board of Directors of the Debtors.

15.15. **Investment of Cash on Hand.** The Liquidating Agent shall be permitted, subject to the terms of the Liquidating Agent Agreement, from time to time, to invest all or a portion of the Cash on hand, including Cash in the accounts, escrows, and reserves established pursuant to Section 8.4 hereof (to the extent not otherwise required to be distributed pursuant to the terms of this Plan or the Wind-Down Stipulation), in United States Treasury Bills, interest-bearing certificates of deposit, tax exempt securities or investments permitted by section 345 of the Bankruptcy Code or otherwise authorized by the Bankruptcy Court, using prudent efforts to enhance the rates of interest earned on such Cash without inordinate credit risk or interest rate risk.

CONFIRMATION REQUEST

The Debtors hereby requests confirmation of this Plan pursuant to section 1129(a) and 1129(b) of the Bankruptcy Code.

Dated: April 30, 2008

**HOME Banc MORTGAGE CORPORATION,
HOME Banc CORP.,
HOME Banc FUNDING CORP. II,
HMB ACCEPTANCE CORP.,
HMB MORTGAGE PARTNERS, LLC, and
HOME Banc FUNDING CORP., AS
DEBTORS AND DEBTORS-IN-POSSESSION**

/s/ Donald R. Ramon

Donald R. Ramon

Acting CEO

Senior Vice President/Controller

YOUNG CONAWAY STARGATT & TAYLOR, LLP

Joel A. Waite (No. 2925)

Joseph M. Barry (No. 4221)

The Brandywine Building

1000 West Street, 17th Floor

Wilmington, Delaware 19801

P.O. Box 391

Wilmington, Delaware 19899-0391

(302) 571-6600

-and-

ALSTON & BIRD LLP

Matthew W. Levin

Jennifer M. Meyerowitz

ALSTON & BIRD LLP

1201 West Peachtree Street

Atlanta, Georgia 30309-3424

Telephone: (404) 881-7000

Facsimile: (404) 881-7777

Counsel for the Debtors and Debtors-in-Possession

Exhibit A

Wind-Down Stipulation

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:)
) Chapter 11
HOME Banc MORTGAGE)
CORPORATION, *et al.*,¹) Case No. 07-11079 (KJC)
)
Debtors.) Jointly Administered
)
) Ref. Docket No. 597, 604

ORDER APPROVING ON A FINAL BASIS THE STIPULATION (I) SUPPLEMENTING CERTAIN PROVISIONS OF FINAL DIP ORDER AND SALE ORDER; (II) CONFIRMING TERMINATION OF COMMITTEE INVESTIGATION PERIOD; AND (III) APPROVING WIND-DOWN BUDGET AND PROCEDURES

The Court having entered the *Order Approving, on an Interim Basis, in Part, and on a Final Basis, in Part, the Stipulation (I) Supplementing Certain Provisions of Final DIP Order and Sale Order; (II) Confirming Termination of Committee Investigation Period; and (III) Approving Wind-Down Budget and Procedures* (the "Interim Order") [Docket No. 604]; and the Court having considered the *Stipulation (I) Supplementing Certain Provisions of Final DIP Order and Sale Order; (II) Confirming Termination of Committee Investigation Period; and (III) Approving Wind-Down Budget and Procedures* (as revised from the version approved by the Interim Order, the "Stipulation"), a copy of which is annexed hereto as Exhibit A; and objections to the approval of the Stipulation on a final basis having been filed by Morris Hardwick Schneider LLC [Docket Nos. 601 & 626] and First Charter Bank [Docket No. 629] (collectively, the "Objections"); and the Objections having been resolved on a consensual basis as set forth in this Order; and due and adequate notice of the Stipulation having been given and sufficient cause appearing therefor; it is hereby

¹ The last four digits of the taxpayer identification numbers for each of the Debtors follow in parentheses: (i) HomeBanc Mortgage Corporation (2745); (ii) HomeBanc Corp. (3067); (iii) HomeBanc Funding Corp. II (6229); (iv) HMB Acceptance Corp. (6280); (v) HMB Mortgage Partners, LLC (9446); and (vi) HomeBanc Funding Corp. (5742). Each of these entities has a mailing address of: 2002 Summit Boulevard, Suite 100, Atlanta, GA 30319.

ORDERED, that, to the extent not approved on a final basis in the Interim Order, the Stipulation is hereby approved on a final basis; and it is further

ORDERED, that this Order and the provisions of the Stipulation shall not affect, impair or prejudice, in any way, the claims, rights or remedies, if any, of First Charter in the First Charter Litigation;² and it is further

ORDERED, that this Order and the provisions of the Stipulation shall not impair or prejudice the protections provided to First Charter pursuant to the terms of the Final DIP Order entered on September 13, 2007 (other than by precluding First Charter from asserting any claims of the type specified in Paragraph 15 of the Final DIP Order that have not already been asserted in the First Charter Litigation) or pursuant to the terms of the Consent Order Pursuant to Bankruptcy Code Sections 105 and 362 Compelling Turnover of Funds and Granting Relief from Stay to First Charter Bank, entered by this Court on September 20, 2007; and it is further

ORDERED, that no liens, claims, interests, rights or remedies granted pursuant to the terms of this Order or the Stipulation shall attach to or impair any rights of First Charter, if any, under the terms of the Participation Agreements or attach to or impair the Loans, the Collateral, the Loan Documents or the Collections, as those terms are defined in the FCB Participation Agreements as referred to in the Final DIP Order; and it is further

ORDERED, that notwithstanding any other terms or language contained in the Stipulation or this Order, nothing in the Stipulation or this Order shall adjudicate or otherwise affect or prejudice (i) whether the adversary proceeding (the "MHS AP") commenced by Morris Hardwick Schneider LLC ("MHS") was timely filed, (ii) whether the claims asserted in the MHS AP are subject to the filing requirements set forth in the Final DIP Order and (iii) any of MHS's

² To the extent not defined herein, capitalized terms shall have the meanings ascribed to such terms in the Stipulation.

asserted rights and claims in the MHS AP. Without limiting the foregoing, no payments, distributions or actions under the Stipulation or this Order shall affect or moot any of the claims asserted in the MHS AP and, in particular, to the extent that the Debtors hold funds in constructive trust (if any) for the benefit of MHS, as alleged in the MHS AP and which allegations the Debtors deny, the first dollars paid out by the Debtors to the Prepetition Secured Lenders or any other third parties will be deemed to come first from funds that are not subject to such constructive trust (if any); provided, however, that nothing contained in this paragraph shall be deemed to limit the Debtors' ability to expend funds in accordance with the terms of the Stipulation, including, if necessary, funds that may be subject to a constructive trust as alleged in the MHS AP.

Dated: Wilmington, Delaware
Jan 3, 2008

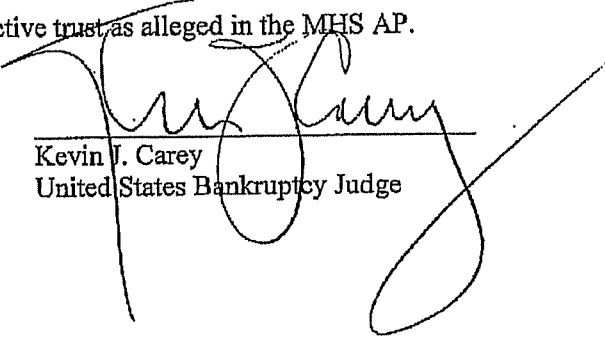

Kevin J. Carey
United States Bankruptcy Judge

Exhibit A

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
)
HOMEBANC MORTGAGE) Case No. 07-11079 (KJC)
CORPORATION, *et al.*,¹)
) Jointly Administered
Debtors.)
_____)

**STIPULATION (I) SUPPLEMENTING CERTAIN PROVISIONS
OF FINAL DIP ORDER AND SALE ORDER; (II) CONFIRMING
TERMINATION OF COMMITTEE INVESTIGATION PERIOD; AND
(III) APPROVING WIND-DOWN BUDGET AND PROCEDURES**

WHEREAS, on or about August 9, 2007, HomeBanc Mortgage Corporation (“HomeBanc” or the “Debtor”), one of the above-captioned debtors and debtors in possession (collectively, the “Debtors”), commenced its chapter 11 case; and

WHEREAS, on or about September 13, 2007, this Court entered an order (the “Final DIP Order”) [D.I. 268] that (i) authorized the Debtors to (x) obtain post-petition financing under the terms of the DIP Credit Agreement² and (y) continue using Cash Collateral and (ii) granted the Prepetition Secured Lenders adequate protection; and

WHEREAS, (i) the commitment of the DIP Lenders under the DIP Credit Agreement irrevocably terminated in accordance with the terms thereof on November 30, 2007

¹ The last four digits of the taxpayer identification numbers for each of the Debtors follow in parentheses: (i) HomeBanc Mortgage Corporation (2745); (ii) HomeBanc Corp. (3067); (iii) HomeBanc Funding Corp. II (6229); (iv) HMB Acceptance Corp. (6280); (v) HMB Mortgage Partners, LLC (9446); and (vi) HomeBanc Funding Corp. (5742). Each of these entities has a mailing address of: 2002 Summit Boulevard, Suite 100, Atlanta, GA 30319.

² Capitalized terms used herein that are not otherwise defined shall have the meanings ascribed thereto in the Final DIP Order or the Sale Order referred to below.

(the "Termination Date") and all outstanding obligations thereunder became payable by the Debtors contemporaneously therewith; and (ii) the ability of the Debtors to use Cash Collateral under the terms of the Final DIP Order was also set to expire on the Termination Date; and

WHEREAS, by Interim Stipulation and Agreed Order Amending Certain Provisions of Final DIP Order, entered by the Court on December 3, 2007 (the "Interim Extension Order") (D.I. 574), (i) the Prepetition Secured Lenders agreed to extend the period during which the Debtors would remain authorized to continue to use Cash Collateral (but not to have access to financing under the DIP Credit Agreement) to and including December 18, 2007; and (ii) the Court scheduled a hearing on the entry of a final order approving the Debtors' further use of Cash Collateral for December 18, 2007; and

WHEREAS, the Final DIP Order provided that the Servicing Sale Proceeds had to be paid immediately upon the closing of the Servicing Sale: first, to the Agent under the DIP Credit Agreement (the "DIP Agent") to satisfy outstanding obligations thereunder (if any), and second, to the Prepetition MSR Agent to be applied to the MSR Debt, with the proviso that, if the Servicing Sale Proceeds were equal to or less than the MSR Debt, then, certain Wind-Down Costs had to be deducted from the Servicing Sale Proceeds prior to application of such proceeds to the MSR Debt; and

WHEREAS, on or about November 5, 2007, this Court entered an order (the "Sale Order") [D.I. 491] approving the terms of the sale of the Non-Freddie Mac Servicing Rights (as such term is defined in the Sale Order); and

WHEREAS, the Sale Order modified the provisions of the Final DIP Order solely with respect to the disposition of the Servicing Sale Proceeds by providing that (i) pending

the Freddie Mac Sale, the Non-Freddie Mac Sale Proceeds are to be paid to JP Morgan, to be held in a segregated, interest-bearing account; and (ii) all of the Servicing Rights Proceeds (subject to the prior deduction of the Wind-Down Costs) are to be applied to the MSR Debt only upon the closing of the Freddie Mac Sale; provided that, if the Freddie Mac Sale did not close before December 17, 2007, the Non-Freddie Mac Sale Proceeds may be applied to the MSR Debt at that time, subject to this Court having approved the Wind-Down Budget; and

WHEREAS, the undersigned parties hereto now wish, by and through this Stipulation (I) Amending Certain Provisions of Final Dip Order and Supplementing Sale Order; (II) Confirming Termination of Committee Investigation Period; and (III) Approving Wind-Down Budget and Procedures (this "Stipulation"), to (i) modify certain provisions of the Final DIP Order and supplement certain provisions of the Sale Order; (ii) obtain approval of the Wind-Down Budget; (iii) confirm termination of the Committee Investigation Period; (iv) confirm the disposition and application of the Non-Freddie Mac Sale Proceeds and the Freddie Mac Proceeds; and (v) approve agreement regarding the extent of the Prepetition Secured Lenders' liens upon and the proposed disposition of the Debtors' other assets.

IT IS HEREBY STIPULATED AND AGREED BETWEEN AND AMONG the Debtors, JPMorgan Chase Bank, N.A., as the Prepetition Agent and the DIP Agent, and the Official Committee of Unsecured Creditors appointed in these Cases (the "Committee") **AS FOLLOWS:**

1. Notwithstanding anything to the contrary in the Final DIP Order, the DIP Credit Agreement, or the Interim Extension Order, including without limitation, the occurrence of the Termination Date, the Debtors shall be authorized to continue to use Cash Collateral (the

“Wind-Down Use of Cash Collateral”) during the period (the “Wind-Down Period”) between December 18, 2007 (the “Wind-Down Commencement Date”) through and including December 31, 2008 (the “Wind-Down Termination Date”) subject to the terms and conditions hereof. For avoidance of doubt, for purposes of this Stipulation, Cash Collateral shall mean the sum of (i) cash, negotiable instruments, documents of title, securities, deposit accounts, or other cash equivalents that the Debtors have on hand as of December 18, 2007, in an amount not less than \$6,781,000 minus previously accrued but unpaid professional expenses in an amount not more than \$1,855,000; (ii) proceeds received by the Debtors in connection with liquidation of the Assets and Claims (each, as defined below); and (iii) the Retained Funds (as defined below).

2. Notwithstanding (i) anything to the contrary in the Final DIP Order, (ii) the termination of the DIP Credit Agreement, and (iii) the defaults under the DIP Credit Agreement existing as of the Termination Date (if any), after the Wind-Down Commencement Date, the Debtors are authorized to use Cash Collateral solely in accordance with the Wind-Down Budget attached hereto as Exhibit A and hereby (a) deemed reasonably satisfactory to the parties hereto and (b) approved; provided, however, that compliance with the Wind-Down Budget shall be assessed only (i) on (x) the Wind-Down Termination Date; and (y) any Distribution Date (as defined below); and (ii) on an aggregate (not a line-by-line) basis. The authorization for the Wind-Down Use of Cash Collateral shall be subject to all the protections granted to the Prepetition Secured Lenders in the Final DIP Order, including, without limitation, as set forth in Paragraphs 10 and 11 thereof, as the same have been modified by the Interim Extension Order and this Stipulation; provided, however, that the Debtors (i) shall not be required to pay interest on any remaining MSR Debt; and (ii) shall only be required to pay the

fees and expenses payable to the Prepetition Agent and the Prepetition Secured Lenders under the Existing Agreements through confirmation of a plan of liquidation for the Debtors (the "Plan"); provided, further, that nothing herein shall affect the right reserved for the Debtors and the Committee in the Final DIP Order to seek to recharacterize any payments to the Prepetition Agent since the Petition Date as payments of principal.

3. For purposes of this Stipulation, the "Prepetition Payoff" shall mean (i) payment in full of the MSR Debt; or, if the MSR Debt is not paid in full, then payment of the MSR Debt to the extent of the value of the MSR Collateral (as defined below) plus payment in full of the Allowed Adequate Protection Claim (as defined below); and (ii) if and only if the MSR Debt is paid in full, and if and only if the Debtors, the Committee, and the Prepetition Agent agree upon or the Court recognizes both a deficiency under the Warehouse Facility (the "Warehouse Deficiency Claim") and an allowed claim under section 507(b) of the Bankruptcy Code in favor of the Prepetition Agent under the Final DIP Order resulting from any diminution in value of the collateral (the "MSR Collateral") under the Prepetition Credit Agreement (the "MSR Adequate Protection Claim"), the application of the amount of the MSR Adequate Protection Claim in excess of the MSR Debt to the Warehouse Deficiency Claim. The sum of the amounts required to bring about the Prepetition Payoff, as set forth in the foregoing sentence, shall hereinafter be referred to as the "Prepetition Payoff Amount."

4. Notwithstanding anything to the contrary in either the Final DIP Order or the Sale Order, (i) the Prepetition Agent is hereby authorized, immediately upon entry of the Order approving this Stipulation, to permanently and irrevocably apply to the Prepetition Payoff Amount all of the Non-Freddie Mac Sale Proceeds after deduction therefrom of the Retained

Funds (as defined below) and the transfer and related costs previously agreed to be paid from the Non-Freddie Mac Sale Proceeds; and (ii) upon the closing of the Freddie Mac Sale, the Debtors shall immediately disburse all proceeds of such sale to the Prepetition Agent, who shall immediately be authorized to permanently and irrevocably apply such proceeds to the Prepetition Payoff Amount after deduction therefrom of the transfer and related costs previously agreed to be paid from the Freddie Mac Sale Proceeds, subject only to the terms of the Stipulation of Settlement Between and Among JPMorgan Chase Bank, N.A., Federal Home Loan Mortgage Corporation and HomeBanc Mortgage Corporation Regarding the Sale of Servicing, dated September 14, 2007 [D.I. 306]. For purposes of this Stipulation, the "Retained Funds" shall mean cash in the amount of \$852,000, which Retained Funds (x) shall be deducted from the Non-Freddie Mac Sale Proceeds and maintained in a segregated, interest-bearing account in the name of the Debtors or any successor thereto at JPMorgan Chase Bank, N.A. and subject to the valid, enforceable and perfected liens of the Prepetition Agent; (y) may be utilized by the Debtors (1) in full, only if the Debtors or any successor thereto are ordered by a court of competent jurisdiction to make payments in said amount under that certain Premium Finance Agreement dated as of July 13, 2007 with Premium Assignment Corporation after rigorous litigation to avoid such payment; or (2) in an amount to be determined after consultation among the Debtors, the Committee (to the extent that the Committee still exists at such time) or any successor thereto and the Prepetition Agent, in order to reasonably settle any alleged claims thereunder; and (z), to the extent not utilized by the Debtors or any successor thereto, shall be paid to the Prepetition Agent for immediate and irrevocable application to the Prepetition Payoff Amount immediately after the full and final resolution of the litigation or the closing of the

settlement (each as referred to above), or, if no such litigation has been commenced on or before June 30, 2008, on June 30, 2008.

5. The Debtors, the Committee, and the Prepetition Agent agree, and the Court hereby deems, (i) until the Prepetition Payoff, all cash in the possession of the Debtors or any successor thereto to be Cash Collateral; (ii) the assets enumerated on Exhibit B hereto (the "Assets"), any claims asserted by the Debtors against Bear Stearns & Co, Inc. and its affiliates or any other counterparties relating to the liquidation of loans or collateral under repurchase agreements (the "Repo Liquidation Claims"), any claims under chapter 5 of the Bankruptcy Code against former insiders (the "Insider Preference Claims"), any claims under chapter 5 of the Bankruptcy Code other than the Insider Preference Claims (the "Other Avoidance Claims"), and any claims to assets held in trust by Newport Group, Inc. and Reliance Trust Company pursuant to the Debtors' Deferred Compensation Plan (the "Deferred Compensation Claims," and together with the Repo Liquidation Claims, the Insider Preference Claim, and the Other Avoidance Claims, the "Claims") to be subject to the Adequate Protection Liens; and (iii) any loans reconveyed from time to time to the Debtors by Fannie Mae or Freddie Mac in respect of repurchase requests (the "Repurchased Loans") to be proceeds of the MSR Collateral and subject to the Primed Liens and Adequate Protection Liens. At the sole option of the Prepetition Agent, (i) the Repurchased Loans shall be assigned to the Prepetition Agent for sale or other disposition; or (ii) the income derived from holding, and the proceeds of the sale(s) of, the Repurchased Loans will be disbursed immediately by the Debtors upon realization to the Prepetition Agent, in each case for immediate and irrevocable application by the Prepetition Agent to the Prepetition Payoff Amount.

6. The Committee acknowledges that (i) the Committee Investigation Period terminated on December 17, 2007; (ii) no adversary proceeding or contested matter satisfying the requirements of Paragraph 15 of the Final DIP Order has been timely filed other than the adversary proceeding (Adv. No. 07-51797) filed by First Charter Bank ("First Charter") on December 10, 2007 (the "First Charter Litigation"); and (iii) as a result, (x) the Prepetition Debt and all related obligations of the Debtors (the "Prepetition Obligations") shall constitute allowed claims, whether or not a proof of claim has been filed respecting them, not subject to counterclaim, setoff, subordination, recharacterization, defense or avoidance, for all purposes in the Cases and any subsequent chapter 7 cases (except as to any claims asserted by First Charter in the First Charter Litigation, any defenses asserted by the Debtors' estates related to the proper calculation of previously unliquidated portions of the Prepetition Debt and the application of payments thereto, and the amount of the deficiency claim existing with respect to the Warehouse Debt); (y) the Prepetition Agent's and the Prepetition Secured Lenders' liens on the Prepetition Collateral shall be deemed to have been, as of the Petition Date, legal, valid, binding and perfected, not subject to recharacterization, subordination or avoidance, and (z) the Prepetition Obligations, the Prepetition Agent's and the Prepetition Secured Lenders' liens on the Prepetition Collateral, the Prepetition Agent and the Prepetition Secured Lenders shall not be subject to any other or further challenge by any party in interest, including, without limitation, those seeking to exercise the rights of the Debtors' estates, including, without limitation, the Debtors, any successor thereto (including, without limitation, any chapter 7 or 11 trustee appointed or elected for any of the Debtors), except as set forth above.

7. In light of (a) the scope and validity of the Primed Liens and Adequate Protection Liens and (b) the Cash Collateral contributed to the Wind-Down Budget by the Prepetition Agent, the Debtors and the Committee agree and the Court authorizes and directs the Debtors to (i) liquidate the Assets by sale and the Claims by litigation to judgment, settlement, estimation or other resolution (to the extent that funds remain in the Wind-Down Budget to accomplish such result); (ii) immediately deposit any proceeds generated by such liquidation efforts into a segregated, interest-bearing account (the "Wind-Down Budget Account") until the sum of (x) the balance in the Wind-Down Budget Account, (y) the Retained Funds, and (z) the cash on hand in the Debtors' estates on the date any proceeds are deposited (minus previously accrued but unpaid professional expenses in the amount of \$1,855,000, to the extent the same have not been paid as of the date of such deposit) (the "Deposit Date") equals (x) \$7,782,000 minus (y) the Total Operating Expenses (as defined in the Wind-Down Budget) budgeted and actually paid under the Wind-Down Budget between the Wind-Down Commencement Date and the Deposit Date (the "Wind-Down Budget Amount"); (iii) immediately deposit all other proceeds generated by such liquidation efforts (the "Liquidation Proceeds") into a segregated, interest-bearing account at JPMorgan Chase Bank, N.A. (the "Liquidation Proceeds Account"); provided, however, that the possession by the Prepetition Agent of the Liquidation Proceeds and the Liquidation Proceeds Account shall not give the Prepetition Agent any greater rights than those granted under the terms of this Stipulation; (iv) until the Prepetition Payoff, on such date as the balance in the Liquidation Proceeds Account, derived from any of the Assets or Claims, reaches \$852,000, immediately pay the entirety of said sum to the Prepetition Agent, for immediate and irrevocable application to the Prepetition Payoff Amount; (v) until the Prepetition

Payoff, on such date thereafter as the balance in the Liquidation Proceeds Account, derived from any of the Assets or Claims other than the Deferred Compensation Claims, reaches \$4,000,000, immediately pay the entirety of said sum to the Prepetition Agent, for immediate and irrevocable application to the Prepetition Payoff Amount; (vi) on any date thereafter that the balance in the Liquidation Proceeds Account exceeds \$1,000,000 (each, a "Distribution Date"), pay the entirety of said sum as follows: (A) as to the proceeds of the Assets and the Repo Liquidation Claims (x) until the Prepetition Payoff, seventy-five percent (75%) to the Prepetition Agent, for immediate and irrevocable application to the Prepetition Payoff Amount, and twenty-five percent (25%) to the Debtors or any successor thereto for distribution in accordance with the terms of the Plan; and (y) after the Prepetition Payoff, one hundred percent (100%) to the Debtors or any successor thereto for distribution in accordance with the terms of the Plan; (B) as to the proceeds of the Insider Preference Claims, (x) until the Prepetition Payoff, fifty percent (50%) to the Prepetition Agent, for immediate and irrevocable application to the Prepetition Payoff Amount, and fifty percent (50%) to the Debtors or any successor thereto for distribution in accordance with the terms of the Plan; and (y) after the Prepetition Payoff, one hundred percent (100%) to the Debtors or any successor thereto for distribution in accordance with the terms of the Plan; (C) as to the proceeds of the Other Avoidance Claims, one hundred percent (100%) to the Debtors or any successor thereto for distribution in accordance with the terms of the Plan; and (D) as to the proceeds of the Deferred Compensation Claims, one hundred percent (100%) to the Debtors or any successor thereto for distribution in accordance with the terms of the Plan; provided, however, that (i) no proceeds derived from the Deferred Compensation Claims and the Other Avoidance Claims (the "Deferred Compensation and Avoidance Proceeds") shall be distributed

to the Debtors or any successor thereto for distribution in accordance with the terms of the Plan until the earlier of the occurrence of the Prepetition Payoff and the Prepetition Agent being paid not less than \$4,852,000 (the "Cash Collateral Reimbursement Amount") from the Liquidation Proceeds Account during the Wind-Down Period; provided, however, that upon recovery of the Deferred Compensation Claims, \$1.5 million of such proceeds (the "DC Trust Proceeds") shall be deposited into a trust for the benefit of the holders of allowed general unsecured claims against the Debtors as set forth in Paragraph 8 below, with the concomitant agreement by the Debtors and the Committee to not object to the MSR Adequate Protection Claim of up to \$1.5 million (the "Allowed Adequate Protection Claim") to the extent that such transferred amount would have been required to pay the Cash Collateral Reimbursement Amount as of the Wind-Down Termination Date; and (ii) if the Prepetition Payoff has not occurred or the Prepetition Agent has not been paid the Cash Collateral Reimbursement Amount in full on or before the Wind-Down Termination Date, the difference between the amount actually received by the Prepetition Agent for application to the Prepetition Payoff Amount and the Cash Collateral Reimbursement Amount shall be paid to the Prepetition Agent from the Deferred Compensation and Avoidance Proceeds; provided, however, that if some or all of the Cash Collateral Reimbursement Amount is paid from the Deferred Compensation and Avoidance Proceeds, the Prepetition Agent shall assign to the Debtors for distribution in accordance with the terms of the Plan its right to receive an equal amount of proceeds from the other Assets and Claims liquidated after the Wind-Down Termination Date, as necessary to accomplish the sharing set forth above. For avoidance of doubt, (i) the sharing procedures and ratios set forth in this Paragraph shall remain in effect and operative on and after the Wind-Down Termination Date; (ii) subject to

Paragraph 18 hereof, in no event shall the payments required to be made to the Prepetition Agent under the terms of this Stipulation exceed the Prepetition Payoff Amount; and (iii) subject to Paragraph 18 hereof, the agreement herein to grant the Prepetition Agent a lien upon the Deferred Compensation Claims shall not in any way prejudice the rights of the Committee, any successor thereto, or any other general unsecured creditor to argue that the proceeds of such Claims actually remitted to the Debtors' estates under the terms of this Stipulation are available for distribution only to general unsecured creditors.

8. As set forth above, the Prepetition Secured Lenders agree to share the DC Trust Proceeds with the holders of allowed general unsecured claims against the Debtors, which proceeds, with interest, if any, shall be distributed pro rata to such holders as more fully set forth in the Plan or any liquidation trust agreement. The Debtors shall hold the DC Trust Proceeds in a segregated, interest-bearing account pending distribution in accordance with the terms hereof.

9. If on any Distribution Date or the Wind-Down Termination Date, (i) the aggregate amount of the actual Total Operating Expenses (as that term is defined in the Wind-Down Budget) incurred up to and including such date have exceeded those set forth in the Wind-Down Budget and (ii) the Prepetition Payoff has not yet occurred, the amount of such excess (or such amount as is necessary to effectuate the Prepetition Payoff) shall be deducted from the amounts (other than those derived from the Deferred Compensation Claims) payable to the Debtors or any successor thereto for distribution in accordance with the terms of the Plan and added to the amount payable to the Prepetition Agent under the immediately foregoing Paragraph. Until the occurrence of the Prepetition Payoff, the Debtors shall provide to the Prepetition Agent, on a monthly basis, a report setting forth with respect to the immediately

preceding month: (i) Total Operating Expenses; (ii) deposits, if any, into the Wind-Down Budget Account; and (iii) deposits, if any, into the Liquidation Proceeds Account.

10. To facilitate the compromises set forth herein, the Prepetition Agent (as agent and in its individual capacity) and the Prepetition Secured Lenders hereby (i) waive the provisions set forth in Article XII, XV, and XV, respectively, of the indentures applicable to HMB Capital Trust I, HMB Capital Trust IV, and HMB Capital Trust V, subordinating the right to payment of the holders thereunder to the payment in full of senior indebtedness and agree not to enforce such subordination rights; and (ii) agree, if requested by the Committee, to assign their Adequate Protection Liens, if any, with respect to the Deferred Compensation Claims, 50% of the Insider Preference Claims, and the Other Avoidance Claims, to a trust for the benefit of the holders of allowed general unsecured claims against the Debtors. For the avoidance of doubt, (i) the waiver contemplated by this Paragraph shall not affect the rights of the Prepetition Agent and the Prepetition Secured Lenders under section 507(b) of the Bankruptcy Code or (ii) result in the subordination of the rights, claims, and liens of the Prepetition Agent and Prepetition Secured Lenders to the rights, claims, or liens of any other party.

11. The Debtors, the Committee, and the Prepetition Agent agree that if on the Wind-Down Termination Date, the Prepetition Payoff has not occurred, the Assets have not all been sold, and the Claims have not all been adjudicated or settled, they shall confer in good faith among themselves about the role to be played by each, the logistics, and the funding of continued efforts to liquidate the remaining Assets and Claims; provided, however, that none of the Debtors, the Committee or the Prepetition Agent (or any successors to any of them) shall be obligated to participate in or fund such liquidation efforts.

12. The Prepetition Agent, the Prepetition Secured Lenders, the Agent and the DIP Lenders, and each of their respective participants, agents, officers, directors, affiliates, employees, attorneys, professionals, trustees, representatives, successors, and assigns (each in their capacity as such) (collectively, the "Released Parties"), are forever released and discharged from any claims, rights, demands, damages, actions, causes of action, costs, expenses, whether known or unknown, of or by any person or entity and each of its participants, agents, officers, directors, affiliates, employees, attorneys, professionals, trustees, representatives (including any committee), successors and assigns, arising or accruing prior to the date hereof and arising from or relating to the Existing Agreements, the Aggregation Facility, the DIP Credit Agreement, the application of the Collateral to the DIP Obligations or the Prepetition Debt or the application of the Prepetition Collateral to the Prepetition Debt (but, for avoidance of doubt, not including any defenses that the Debtors may raise with respect to the amounts of any Warehouse Deficiency Claim or MSR Adequate Protection Claim), or any claim or assertion of a right arising out of any other transactions between or among the Debtors and the Released Parties that have accrued as of the date hereof, except for claims already asserted against the Released Parties (or any of them) by the filing of a pleading in a court of competent jurisdiction prior to the date of this Stipulation; provided, however, that the foregoing release shall apply only to JPMorgan Chase Bank, N.A. and Chase Home Finance as to matters relating to the Subservicing Agreement approved by the Court on September 13, 2007 [D.I. 267] (the "Subservicing Agreement") upon resolution of all outstanding reconciliations and disputes with respect to the Subservicing Agreement. Nothing in this Stipulation or in any other order or stipulation entered in the Cases or any other documents related to this transaction shall in any way be construed or interpreted to

impose or allow the imposition upon any Released Party of any liability for any claims arising prior to the date hereof from the prepetition or postpetition activities of the Debtors, Debtors in Possession and their affiliates (as defined in the Bankruptcy Code), or the Released Parties in the operation of the Debtors' businesses, or in connection with their restructuring or liquidation efforts.

13. This Stipulation shall be binding upon and inure to the benefit of the parties hereto, and their respective legal representatives, successors and assigns, including any chapter 11 trustee (or chapter 7 trustee in the event any of the Cases is converted to a case under chapter 7 of the Bankruptcy Code) that may be appointed or elected.

14. Notwithstanding anything herein to the contrary or the occurrence of the Termination Date, all of the rights, remedies, privileges, benefits and protections provided to the DIP Agent, Prepetition Agent, DIP Lenders or Prepetition Secured Lenders under this Stipulation, the Final DIP Order (as modified herein), the DIP Credit Agreement (as modified herein) and applicable law shall survive the Termination Date.

15. The entry of this Stipulation, the grant to the Debtors of the authorizations herein, and the grant to the Prepetition Secured Lenders of the protections pursuant to Final DIP Order, as amended by this Stipulation, are in the best interests of the Debtors and their respective creditors and other parties in interest in these Cases.

16. This Stipulation has been consented to by the respective counsel to the Debtors, the Committee, the DIP Agent, and the Prepetition Agent prior to its submission to this Court. This Stipulation shall become effective upon entry of an Order (the date of entry of such Order, the "Effective Date") by this Court approving its terms and provisions, and this

Stipulation shall thereupon be in immediate force and effect. The Final DIP Order, as amended by this Stipulation and the Interim Extension Order, remains in full force and effect in accordance with its terms and provisions. This Stipulation amends the Final DIP Order only as expressly provided herein and without in any way causing any interruption in the continuity of the DIP Agent's, the Prepetition Agent's and the Prepetition Secured Lenders' rights, remedies, benefits, protections and privileges granted pursuant to the Final DIP Order. For avoidance of doubt, the liens and claims (including any enhanced priority thereof) of the Prepetition Agent and Prepetition Secured Lenders, including the liens and priority granted them under the Final DIP Order, shall, as of the Effective Date, not be subject to the Carve Out.

17. The terms and conditions of this Stipulation have been negotiated in good faith and at arms' length among the Prepetition Secured Lenders, the DIP Agent, the Prepetition Agent, the Committee and the Debtors. Having been found to be acting in good faith, the Prepetition Secured Lenders, the DIP Agent and the Prepetition Agent shall be entitled to the full protection of section 363(m) of the Bankruptcy Code, and the claims, liens, security interests and priorities irrevocably granted pursuant to Final DIP Order, as amended hereby, are so granted pursuant to section 363(c) of the Bankruptcy Code and are entitled to the benefits and protections of section 363(m) of the Bankruptcy Code.

18. The terms of this Stipulation shall be incorporated into any structured dismissal order or plan of reorganization or liquidation filed by or for any of the Debtors. None of the Debtors, the Committee, the Prepetition Secured Lenders and the Prepetition Agent shall file a plan of reorganization that modifies the terms of this Stipulation without the consent in writing of the other parties hereto. Subject to Paragraph 10, hereof, nothing herein shall

prejudice the rights of the Prepetition Secured Lenders to recover as unsecured creditors on any deficiency as to the Prepetition Debt, or as secured or priority creditors on unrelated claims, under any plan of reorganization or liquidation.

19. This Stipulation may be executed in counterparts, any of which may be transmitted by facsimile, each of which should be deemed an original, and all of which together shall constitute one and the same instrument.

20. No amendment, modification or waiver of any provision of this Stipulation shall be effective unless the same shall be in writing and signed by the parties hereto and then such amendment, modification or waiver shall be effective only in the specific instance and for the specific purpose for which given.

21. Each of the undersigned represents that he/she has the authorization to execute this Stipulation on behalf of his/her respective client.

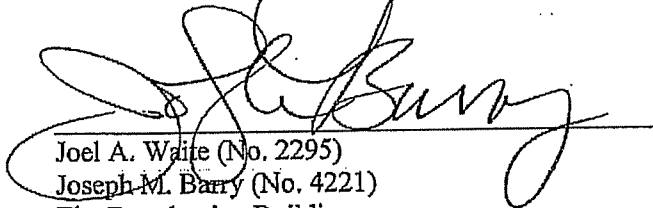
22. Nothing in this Stipulation shall create a negative implication, waiver, release, estoppel, admission against interest, or law of the case, and all rights of the parties are fully reserved.

23. This Stipulation shall be construed and interpreted in accordance with the laws of the State of New York without regard to its conflict of laws provisions.

24. The Court shall retain exclusive jurisdiction to interpret, implement and enforce the provisions of this Stipulation, and the Debtor, the Prepetition Agent, and the Committee hereby consent to exclusive jurisdiction of the Court with respect thereto.

Dated: January 3, 2008

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Attorneys for the Official Committee of Unsecured
Creditors of HomeBanc Mortgage Corporation, et al.

Exhibit A

HomeBanc Mortgage Corp
 Wind Down Budget
 For the Period Dec 19, 2007 - Dec 2008
 (\$'000's)

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total
Operating Expenses														
Professionals	363	890	630	485	310	535	150	80	40	70	20	20	85	3,688
Insurance	-	142	142	269	142	142	142	10	10	10	10	10	10	1,029
Contract Personnel	20	20	20	20	50	50	50	50	50	50	50	50	50	530
Data Facility	-	25	25	25	-	-	-	-	-	-	-	-	-	75
Compensation and Benefits	528	283	60	35	-	-	-	-	-	-	-	-	-	906
Financial Systems	30	30	30	30	30	30	30	30	30	30	30	30	30	390
Record Storage	25	25	25	25	25	25	25	25	25	25	25	25	25	325
Medical Insurance Run-Off Payments	50	90	50	50	25	10	-	-	-	-	-	-	-	275
US Trustee Fees	-	10	10	10	10	10	10	10	10	10	10	10	10	120
Office Rental	-	15	10	10	5	5	5	5	5	5	5	5	5	80
Other Misc Operating Expenses	25	28	28	28	28	28	28	28	28	28	28	28	28	364
Total Operating Expenses	1,044	1,568	1,030	987	625	635	440	236	198	228	178	178	243	7,782

Assumptions

- (1) Dec 07 only include the period 12/19 - 12/31
- (2) Compensation and Benefits include final approved retention and performance bonus payments of \$457 (Dec) and \$180 (Jan)
- (3) Insurance premium finance payment continues based on contract terms. Efforts are in process to eliminate this expense. March payment includes the general liability package payment.
- (4) Exit data storage facility and reject lease by 4/1/08
- (5) Financial systems includes accounting system access
- (6) Relocate to reduced office space 1/1/08
- (7) Ordinary course professionals continue at current run rates
- (8) Medical run-off rate to allow claims after plan ends on 12/31/07 per Dept of Labor requirements
- (9) Interest on pre-petition MSR debt discontinues after December '07 payment prior to this budget

HomeBanc Mortgage Corp
 Wind Down Budget
 For the Period Dec 19, 2007 - Dec 2008
 (\$000's)

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total
Bank Counsel	178	300	200	100	50	50							50	928
Debtor Counsel	75	300	300	300	225	150	115	75	35	35	15	15	15	1,655
Creditor Counsel	-	85	85	60	30	30	-	-	-	-	-	-	-	290
Mesrow	-	30	30	30	-	-	-	-	-	-	-	-	-	90
FTI	-	50					30			30			15	125
Claims Administration - KCC	-	125	15	5	5	5	5	5	5	5	5	5	5	190
Accounting and Tax Services														
Ernst & Young						100								100
401(k) Audit	110					200								310
Tax Returns	363	890	630	495	310	535	150	80	40	70	20	20	85	3,688
Total Ordinary Course Professionals														

HomeBanc Mortgage Corp
 Wind Down Budget
 For the Period Dec 19, 2007 - Dec 2008
 (\$'000's)

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total
<u>Other Operating Expenditures</u>														
Travel	10	10	10	10	10	10	10	10	10	10	10	10	10	130
Banking Fees	5	5	5	5	5	5	5	5	5	5	5	5	5	65
Other Miscellaneous Expenses	5	5	5	5	5	5	5	5	5	5	5	5	5	65
ADP Payroll and AP Processing	3	3	3	3	3	3	3	3	3	3	3	3	3	39
Communications (phone/data)	3	3	3	3	3	3	3	3	3	3	3	3	3	39
Mail Services	1	1	1	1	1	1	1	1	1	1	1	1	1	13
Office Supplies	1	1	1	1	1	1	1	1	1	1	1	1	1	13
Total Other Operating Expenses	28	28	28	28	28	28	28	28	28	28	28	28	28	364

Exhibit B

Schedule of Material HomeBanc Assets

<u>Description</u>
Other Real Estate ("REO") Property
Mortgage Backed Securities
Mortgage Loans Cash Funded by HBMC
Mortgage Insurance Captives
Construction to Permanent ("CP") Loans

