THIS DISCLOSURE STATEMENT IS SUBJECT TO THE APPROVAL OF THE BANKRUPTCY COURT AND IS NOT A SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN. ACCEPTANCES OR REJECTIONS OF THE PLAN MAY NOT BE SOLICITED UNTIL THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	Chapter 11
	:	
Doral Financial Corporation, *et al.*,[1]	:	Case No. 15-10573 (SCC)
	:	
Debtors.	:	Jointly Administered

DISCLOSURE STATEMENT PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE FOR PLAN OF REORGANIZATION PROPOSED BY DORAL FINANCIAL CORPORATION AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF DORAL FINANCIAL CORPORATION

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Counsel to the Official Committee of Unsecured Creditors

Dated: April 28, 2016

[1] The last four digits of the taxpayer identification number of the Debtors are: Doral Financial Corporation (2162); Doral Properties, Inc. (2283).

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GENERAL BACKGROUND

This Disclosure Statement provides information regarding the Plan that Doral Financial Corporation (the "Debtor") and the Official Committee of Unsecured Creditors of Doral Financial Corporation (the "Committee") jointly seek to have confirmed by the Bankruptcy Court. The confirmation of the Plan is subject to, among other things, judicial approval of this Disclosure Statement and the Plan. If the Plan is confirmed by the Bankruptcy Court and the Effective Date occurs, all of Debtor's creditors will be bound by the Plan and the transactions contemplated thereby.

Among other things, the Plan provides for the Debtor to be reorganized to preserve certain potentially valuable tax attributes and to liquidate its other remaining assets. The Plan provides for each holder of an Allowed General Unsecured Claim to receive, in full satisfaction and discharge of its claim, a *pro rata* share of the Debtor's cash available for distribution and its *pro rata* share of interests in the Creditors' Trust, which represent a right to receive further distributions from the Creditors' Trust. On the Effective Date, all Equity Interests in the Debtor and all Intercompany Claims will be cancelled or extinguished, as further described herein.

Both the Debtor and the Committee believe that confirmation of the Plan is in the best interests of creditors and other parties in interest, and, therefore, that the Plan should be confirmed**. The Debtor and the Committee recommend that all eligible parties vote to accept the Plan.**

This Disclosure Statement and the Plan (and all exhibits, schedules, and appendices hereto and thereto) and the related materials delivered together herewith are being furnished to Holders of General Unsecured Claims in accordance with Bankruptcy Code section 1145.

The Voting Agent for the Plan is:

Overnight and hand delivery
GCG, Inc.
551 Blazer Parkway, Suite A
Dublin, OH 43017
Attn: Doral Balloting Center

Standard mail
GCG, Inc.
P.O. Box 9852
Dublin, OH 43017-5752
Attn: Doral Balloting Center

The Company's legal advisor is Ropes & Gray LLP. They can be contacted at:

Ropes & Gray LLP
1211 Avenue of the Americas
New York, NY 10036
Attn: Mark I. Bane

Email: mark.bane@ropesgray.com

Ropes & Gray LLP
Prudential Tower
800 Boylston Street
Boston, MA 02199
Attn: James A. Wright III
Email: james.wright@ropesgray.com

The Committee's legal advisor is Schulte Roth & Zabel LLP. They can be contacted at:

Schulte Roth & Zabel LLP
919 Third Avenue
New York, NY 10022
Attn: Brian D. Pfeiffer
Attn: Taejin Kim
Email: brian.pfeiffer@srz.com
Email: tae.kim@srz.com

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. ANY PARTY DESIRING ANY SUCH ADVICE SHOULD CONSULT WITH ITS OWN ADVISORS.

BEFORE CASTING A BALLOT, EACH HOLDER OF A GENERAL UNSECURED CLAIM (CLASS 2) SHOULD REVIEW THIS DISCLOSURE STATEMENT AND THE PLAN AND ALL EXHIBITS HERETO AND THERETO. THIS DISCLOSURE STATEMENT CONTAINS A SUMMARY OF CERTAIN PROVISIONS OF THE PLAN AND CERTAIN OTHER DOCUMENTS AND FINANCIAL INFORMATION. THE PLAN PROPONENTS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE AS OF THE DATE HEREOF AND PROVIDE ADEQUATE INFORMATION WITH RESPECT TO THE DOCUMENTS SUMMARIZED; HOWEVER, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF THOSE DOCUMENTS AND AS OTHERWISE PROVIDED HEREIN.

THIS DISCLOSURE STATEMENT CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS WHICH ARE BASED ON VARIOUS ESTIMATES AND ASSUMPTIONS. SUCH STATEMENTS ARE SUBJECT TO INHERENT UNCERTAINTIES AND A VARIETY OF RISKS, INCLUDING THOSE SUMMARIZED HEREIN.

NEITHER INDEPENDENT AUDITORS NOR ANY OTHER INDEPENDENT ACCOUNTANTS HAVE COMPILED, EXAMINED, OR PERFORMED ANY PROCEDURES WITH RESPECT TO THE LIQUIDATION ANALYSIS CONTAINED HEREIN, NOR HAS ANY SUCH PARTY EXPRESSED ANY OPINION OR ANY OTHER FORM OF ASSURANCE AS TO SUCH INFORMATION OR ITS ACHIEVABILITY, NOR DOES ANY SUCH PARTY ASSUME ANY RESPONSIBILITY

FOR OR CLAIM ANY ASSOCIATION WITH THE ENTERPRISE VALUATION OR THE LIQUIDATION ANALYSIS.

SEE THE SECTION ENTITLED "RISK FACTORS" OF THIS DISCLOSURE STATEMENT FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH THE PLAN.

All exhibits to this Disclosure Statement are incorporated into and are a part of this Disclosure Statement as if fully set forth herein.

No person has been authorized to provide any information or make any representation on our behalf not contained, or incorporated by reference, in this Disclosure Statement or the Plan and, if provided or made, such information or representation must not be relied upon as having been authorized.

The delivery of this Disclosure Statement will not, under any circumstances, create any implication that the information it contains (or incorporates by reference from other documents or reports) is correct as of any time subsequent to the date hereof (or the date of a document or report incorporated by reference), or that there has been no change in the information set forth herein (or in a document or report incorporated by reference) or in the Debtor's affairs since the date hereof (or thereof). All statements contained in this Disclosure Statement are made as of the date hereof unless otherwise specified.

COMPANY INFORMATION

The Debtor's bankruptcy case website is http://cases.gcginc.com/dor/info.php. Information on the Company's case administration website is not a part of this Disclosure Statement, except to the extent that any such information expressly is incorporated herein.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Disclosure Statement contains statements that are "forward-looking statements" as defined by the SEC in its rules, regulations and releases. Any statements set forth in this Disclosure Statement with regard to our expectations as to events in the future may constitute forward-looking statements. These statements relate to the Company's future plans, objectives, expectations and intentions and may be identified by words like "believe," "expect," "may," "will," "should," "seek," or "anticipate," and similar expressions. The Company cautions readers that any such forward-looking statements are based on assumptions that the Plan Proponents believe are reasonable, but are subject to a wide range of risks including, but not limited to, risks associated with, (i) future liquidations or other transactions related to the Company's remaining assets, including the Tax Attributes, (ii) the confirmation and consummation of the Plan, and (iii) the other risks identified in Article II. "RISK FACTORS." Due to these uncertainties, the Company cannot assure you that any forward-looking statements will prove to be correct. Neither the Debtor nor the Committee is under any obligation to (and both expressly disclaim any obligation to) update or alter any forward-looking statements whether as a result of new information, future events or otherwise; *provided*, *however*, that the Debtor and the Committee may be required to update or otherwise modify the information contained herein in order to comply with certain provisions of the Bankruptcy Code governing the solicitation of votes for acceptance of the Plan.

There may be events in the future that the Company is not able to predict accurately or over which the Company has no control. The risk factors listed in this Disclosure Statement under "Risk Factors," as well as any cautionary language contained in this Disclosure Statement, provide examples of risks, uncertainties and events that may cause actual results to differ materially from the expectations the Plan Proponents describe in our forward-looking statements. Creditors should be aware that the occurrence of the events described in these risk factors and elsewhere in this Disclosure Statement could have a material adverse effect on creditor recoveries under the Plan.

SUMMARY OF THE PLAN

This summary does not contain all of the information that is important to you and is qualified in its entirety by the more detailed information included elsewhere in this Disclosure Statement and in the accompanying Plan.

Background Information: The Bankruptcy Code requires acceptance by creditors in Class 2 that collectively hold at least two-thirds in dollar amount and a majority in number of allowed claims in their Class, in both instances as a percentage only of those claims that actually vote to accept or reject the Plan. See Article XI "CONFIRMATION."

Voting Record Date: The only Holders of Class 2 General Unsecured Claims that are entitled to vote on the Plan are beneficial owners (or their legal representatives or nominees) as of the Voting Record Date, which has been set as [--], 2016. The Plan Proponents reserve the right to establish a later Voting Record Date if we decide to extend the Voting Deadline. See Article I. "VOTING PROCEDURES AND REQUIREMENTS — Procedures for Casting Votes and Deadlines for Voting on the Plan."

Voting Deadline; Extension; Termination; Amendments: The Voting Deadline is [--], 2016. If the Plan Proponents extend the Voting Deadline, the term Voting Deadline will mean the latest time and date as to which the Solicitation is extended. Any extension of the Voting Deadline will be followed as promptly as practicable by notice of the extension. See Article I. "VOTING PROCEDURES AND REQUIREMENTS—Procedures for Casting Votes and Deadlines for Voting on the Plan."

Voting Procedures: Holders of Class 2 General Unsecured Claims whose claims are not related to the CT Notes or AFICA Bonds should deliver a properly completed Ballot to the Voting Agent on or before the Voting Deadline. If you are a beneficial owner (or the legal representative of a beneficial owner) of CT Notes or AFICA Bonds as of the Voting Record Date, you should deliver a properly completed Ballot to your Nominee. Your Nominee will be required to complete and submit a Master Ballot to the Voting Agent for the Ballots it receives on or before the Voting Deadline. See Article I. "VOTING PROCEDURES AND REQUIREMENTS."

Withdrawal of Ballots: Holders of Class 2 General Unsecured Claims and Nominees may withdraw their Ballots and Master Ballots, respectively, up until the Voting Deadline. Following the Voting Deadline, Ballots and Master Ballots may not be withdrawn. See Article I. "VOTING PROCEDURES AND REQUIREMENTS."

Voting Agent: GCG, Inc.

The Plan: As a general matter, for the Plan to become effective and for the Company to make any distributions thereunder, the Bankruptcy Court must confirm the Plan. For the Bankruptcy Court to confirm the Plan by

consent of an Impaired Class, the Company must receive votes to approve the Plan prior to the Voting Deadline from Holders of Impaired Claims that constitute (i) at least two-thirds in amount of the Claims of the Holders in such Impaired Class of Claims who actually cast votes in respect of the Plan and (ii) more than one-half in number of the Holders of such Impaired Class of Claims who actually cast votes with respect to the Plan. See Article XI.C. "CONFIRMATION—Class Acceptance of the Plan." The Bankruptcy Court may confirm the Plan so long as one Impaired Class of Claims votes to accept the Plan and the Plan satisfies the requirements of section 1129(b) of the Bankruptcy Code (as further described under Article XI.D. "CONFIRMATION—Cram Down"). The Classes of Claims Impaired under the Plan are Class 2 – General Unsecured Claims, Class 3 – Intercompany Claims, Class 4 – Subordinated Claims, and Class 5 – Equity Interests. Holders of Claims in Class 1 – Secured Claims are Unimpaired and therefore are deemed to have accepted the Plan and not entitled to vote on the Plan. Holders of Class 3 – Intercompany Claims, Class 4 – Subordinated Claims, and Class 5 – Equity Interests, which includes both common and preferred stock in the Company, are not entitled to receive any distributions under the Plan, and, as a result, are deemed to have rejected the Plan and are not entitled to vote to accept or reject the Plan. See Article I. "VOTING PROCEDURES AND REQUIREMENTS—Parties Entitled to Vote on the Plan." If the Plan is confirmed by the Bankruptcy Court, (a) each Holder of a Class 1 Claim will receive, in full satisfaction and discharge of its claim, either the full amount of its Allowed Class 1 Claim, in Cash, or the collateral securing its Allowed Secured Claim and (b) each Holder of an Allowed Class 2 Claim will receive its Pro Rata Share of the Initial Class 2 Cash Pool and Creditors' Trust Interests. Holders of Class 3, Class 4, and Class 5 Claims and Equity Interests will not receive any distributions and their respective Claims and Equity Interests will be extinguished. See Article VI.D.1. "THE PLAN—CLASSIFICATIONS, DISTRIBUTIONS, AND IMPLEMENTATION—Treatment of Claims and Interests—Treatment of Claims and Equity Interests."

Effectiveness of the Plan:

The Effective Date will not occur, and distributions will not be made under the Plan, unless the Company has received the requisite votes to accept the Plan under the Bankruptcy Code, the Bankruptcy Court has confirmed the Plan as satisfying the requirements set forth in section 1129 of the Bankruptcy Code, and the other conditions to effectiveness set forth in Article 10 of the Plan have been satisfied. The Plan Proponents cannot assure you that the Company will receive the requisite votes to accept the Plan, that the Bankruptcy Court will confirm the Plan, or that the other conditions to effectiveness of the Plan will be satisfied. See Article II. "RISK FACTORS."

If the Bankruptcy Court confirms the Plan and it becomes effective, the

terms of the Plan will bind every Holder of a Claim against, or Equity Interest in, the Debtor, whether or not such Holder voted to accept the Plan. See Article IX.E. "THE PLAN—OTHER PROVISIONS—Effect of Plan Confirmation."

Treatment of Claims and Equity Interests: The table below summarizes each Class of Claims and Equity Interests in the Plan, the projected aggregate amount of Claims or Equity Interests comprising each Class, the treatment of each Class and the projected recoveries of each Class. The projected recoveries (if the Plan is approved) are based upon certain assumptions contained in the valuation analysis as set forth in Article VII. See Article VI.D. "THE PLAN—CLASSIFICATIONS, DISTRIBUTIONS, AND IMPLEMENTATION—Treatment of Claims and Interests."

Class/Type of Claims or Equity Interests	**Projected Claims/ Equity Interests**	**Plan Treatment of Allowed Claims in Class**	**Status/ Voting Right**	**Projected Recovery Under Plan**
Unclassified - Administrative Claims	The Debtor is unable to estimate the amount of Administrative Claims at this time.[1]	Paid in full in Cash.	N/A	100%
Unclassified - Priority Tax Claims	The Debtor currently estimates the amount of Claims in this Class to be between $0 and $1.7 million.[2]	Paid in full in Cash, or treated in accordance with Bankruptcy Code section 1129(a)(9)(C).	N/A	100%
Unclassified – Other Priority Claims	The Debtor currently estimates the amount of Claims in this Class to be between $20,000 and $65,000.[3]	Paid in full in Cash.	N/A	100%

[1] The Debtor is not aware of any Administrative Expense Claims other than Professional Fee Claims and Claims related to the Debtor's ordinary course operations. As this juncture, the Debtor's operational expenses, other than for professional and consulting fees, are minimal. The Debtor's anticipate the amount of Administrative Expense Claims will depend on the timing of the Effective Date as compared to the ordinary course timing of payments.

[2] Several taxing entities have alleged priority tax claims against the Debtor. The Debtor disputes these claims in full.

[3] These claims primarily consist of alleged priority wage claims from former employees of the Debtor.

Class/Type of Claims or Equity Interests	**Projected Claims/ Equity Interests**	**Plan Treatment of Allowed Claims in Class**	**Status/ Voting Right**	**Projected Recovery Under Plan**
Unclassified – Professional Fee Claims	The Debtor is unable to estimate the amount of Professional Fee Claims at this time.	Paid in full in Cash, subject to allowance by the Bankruptcy Court.	N/A	100%
Class 1 - Secured Claims	The Debtor estimates the amount of Claims in this Class to be $1.1 million.[4]	Paid in full in Cash or will receive the collateral securing its Allowed Class 1 Claim.	Unimpaired/ Deemed to Accept.	100%
Class 2 – General Unsecured Claims	The Debtor estimates the amount of Claims in this Class to be between $225 million and $285 million.	Will receive, on the initial Distribution Date or 10 business days after such Claim is Allowed, its Pro Rata share of the Initial Class 2 Cash Pool and its Pro Rata share of the Creditors' Trust Interests.	Impaired/ Entitled to Vote	32-41%[5]
Class 3 – Intercompany Claims	The Debtor estimates there will be no Intercompany Claims.	No recovery.	Impaired/ Deemed to Reject/Not Entitled to Vote	0%
Class 4 – Subordinated Claims	The Debtor estimates there will be no Subordinated Claims.	No recovery, as set forth in ARTICLE VI.D.1. below.	Impaired/Deemed to Reject/Not Entitled to Vote	0%
Class 5 – Equity Interests	N/A	No recovery, as set forth in ARTICLE	Impaired/ Deemed to	0%

[4] A number of parties have asserted Secured Claims in larger amounts against the Debtor. The Debtor disputes these claims in full.

[5] The estimated recovery percentage for General Unsecured Claims relies on various assumptions, including assumptions regarding the value achieved for the Tax Attributes and Litigation Claims, after costs incurred. The Plan Proponents believe these estimates are conservative, but there is significant risk involved and no recovery from either the Tax Attributes or Litigation Claims may be achieved. The Tax Attributes and Litigation Claims are discussed in detail in ARTICLE V.

Class/Type of Claims or Equity Interests	Projected Claims/ Equity Interests	Plan Treatment of Allowed Claims in Class	Status/ Voting Right	Projected Recovery Under Plan
		VI.D.1. below.	Reject/Not Entitled to Vote.	

Distribution Date: Distributions to be made under the Plan generally will be made on the Distribution Dates. The initial Distribution Date will be five (5) Business Days after the Effective Date of the Plan. See Article IX.B.1. "THE PLAN—OTHER PROVISIONS—Provisions Governing Distributions—Date of Distributions."

Plan Supplement: The Debtor will file the Plan Supplement not later than seven days before the earlier of the (i) deadline for voting on the Plan and (ii) deadline for objections to Confirmation of the Plan (or such later date as may be approved by the Bankruptcy Court). It is anticipated that the Plan Supplement will include, among other things, (i) the form of Creditors' Trust Agreement, (ii) identity of the Creditors' Trustee and the compensation to be paid to the Creditors' Trustee under the Creditors' Trust Agreement, (iii) the formation documents for the Reorganized Debtor, and (iv) any Exhibits contemplated by the Plan that are not filed contemporaneously with the Plan.

Board of Directors: Section 6.05 of the Plan provides that the initial Reorganized Debtor's board of directors will be composed of one director appointed by the Committee, who will be identified in the Plan Supplement. See Article VI.E.4. "THE PLAN—CLASSIFICATIONS, DISTRIBUTIONS, AND IMPLEMENTATION—Means of Implementation of Plan—Officers and Directors."

Non-Reporting Status: The Plan contemplates that the Creditors' Trust Interests will not be registered pursuant to the Securities Act of 1933 or any state securities law and will be exempt from registration thereunder pursuant to section 1145 of the Bankruptcy Code.

Exculpation: In consideration for the contributions of certain parties to the Chapter 11 Case, the Plan provides for certain exculpations. See Article IX.E.3. "THE PLAN—OTHER PROVISIONS—Effect of Plan Confirmation—Exculpation."

Certain U.S. Federal Income Tax Consequences: For a summary of certain U.S. federal income tax consequences of the Plan to Holders, see Article X. "CERTAIN FEDERAL INCOME TAX CONSIDERATIONS."

Risk Factors: Prior to deciding whether and how to vote on the Plan, each Holder of Class 2 Claims should consider carefully all of the information in this Disclosure Statement, especially the "Risk Factors" described in Article I hereof. See Article I. "RISK FACTORS."

The foregoing is only a brief summary of certain provisions of the Plan. You should read the full text of the Plan and the more detailed information contained elsewhere in this Disclosure Statement.

I. VOTING PROCEDURES AND REQUIREMENTS

The following instructions for voting to accept or reject the Plan, together with the instructions contained in the Ballot and Master Ballot, constitute the Voting Instructions. To vote on the Plan, you must be the holder of a Class 2 General Unsecured Claim as of the Voting Record Date. To vote, you must fill out and sign a Ballot (if you are not a Nominee) or Master Ballot (if you are a Nominee). If you hold a Claim in Class 2 entitled to vote, a Ballot or Master Ballot was included in the distribution of this Disclosure Statement to you.

A. *Ballots*

1. *General Provisions*

After carefully reviewing this Disclosure Statement and its exhibits, including the Plan, please indicate your acceptance or rejection of the Plan by completing the enclosed Ballot. Holders of Class 2 General Unsecured Claims should return their Ballots directly to the Voting Agent as directed below; provided, that holders of CT Notes and AFICA Notes should return their Ballots to their Nominee(s) as directed below.

If you do not receive a Ballot for a Claim that you believe you hold and that is in Class 2 (General Unsecured Claims), or if a Ballot is damaged or lost or if you have any questions regarding the procedures for voting on the Plan, you should contact the Voting Agent, GCG, Inc., as follows:

Overnight and hand delivery
GCG, Inc.
551 Blazer Parkway, Suite A
Dublin, OH 43017
Attn: Doral Balloting Center

Standard mail
GCG, Inc.
P.O. Box 9852
Dublin, OH 43017-5752
Attn: Doral Balloting Center

Telephone: (855) 382-6443

2. *Special Instructions for Nominees*

A Nominee should transmit a Ballot with a copy of this Disclosure Statement and the Plan to each beneficial owner of CT Notes and AFICA Bonds held in the name of such Nominee as of the Voting Record Date. Each such beneficial owner should return its Ballot to its Nominee(s), and each Nominee should complete and submit a Master Ballot in accordance with the instructions in this Article I.A. and on the Master Ballot. All Ballots must be retained by the Nominee for inspection for at least one year after the Voting Deadline. If a Nominee requires additional copies of this Disclosure Statement or Ballots, it should contact:

Overnight and hand delivery
GCG, Inc.
551 Blazer Parkway, Suite A
Dublin, OH 43017
Attn: Doral Balloting Center

Standard mail
GCG, Inc.
P.O. Box 9852
Dublin, OH 43017-5752
Attn: Doral Balloting Center

Telephone: (855) 382-6443

B. *Procedures for Casting Votes and Deadlines for Voting on the Plan*

If you hold a Class 2 General Unsecured Claim that is not a CT Note or AFICA Bond, or if you are a Nominee completing a Master Ballot, please complete the information requested on the Ballot or Master Ballot, sign, date, and indicate your vote on the Ballot or Master Ballot, and return the Ballot or Master Ballot in the enclosed return envelope, by first class mail, courier, or hand delivery, to the Voting Agent as follows:

Overnight and hand delivery
GCG, Inc.
551 Blazer Parkway, Suite A
Dublin, OH 43017
Attn: Doral Balloting Center

Standard mail
GCG, Inc.
P.O. Box 9852
Dublin, OH 43017-5752
Attn: Doral Balloting Center

If you are the beneficial holder of CT Notes or AFICA Bonds, please complete the information requested on the Ballot and return the Ballot to your Nominee in sufficient time for your Nominee to then forward your vote to the Voting Agent so that it is actually received by the Voting Agent before the Voting Deadline. To ensure your Nominee has sufficient time to cast your vote on your behalf, it is important that your Ballot be mailed or delivered to your Nominee well in advance of the Voting Deadline. Any Master Ballot received after the Voting Deadline may not be included in any calculation to determine whether the parties entitled to vote on the Plan have voted to accept or reject the Plan.

When a Ballot or Master Ballot is returned indicating acceptance or rejection of the Plan, but is unsigned, illegible, or incomplete, the unsigned, illegible, or incomplete Ballot or Master Ballot may not be included in any calculation to determine whether the requisite parties entitled to vote on the Plan have voted to accept the Plan.

BALLOTS AND MASTER BALLOTS MAY NOT BE COUNTED IF THEY ARE RECEIVED BY THE VOTING AGENT AFTER THE VOTING DEADLINE OR ARE ILLEGIBLE, INCOMPLETE, OR UNSIGNED.

The Plan Proponents reserve the right to extend the Voting Deadline. Any such extension will be communicated by filing a notice on the docket of the Debtor's chapter 11 case and posting a notice on the Debtor's bankruptcy case website, www.gardencitygroup.com/cases/dor. If the Plan Proponents extend the Voting Deadline, the Plan Proponents reserve the right to establish a later Voting Record Date.

Holders of Claims in Class 2 (General Unsecured Claims) and Nominees may withdraw their Ballots and Master Ballots, respectively, up until the Voting Deadline. Any such withdrawal will not be effective unless and until such withdrawal is actually received in writing by the Voting Agent at the addresses set forth above. Following the Voting Deadline, Ballots and Master Ballots may not be withdrawn.

AT THIS TIME, THE DEBTOR IS NOT REQUESTING THE DELIVERY OF, AND NEITHER THE PLAN PROPONENTS NOR THE VOTING AGENT WILL ACCEPT, CERTIFICATES REPRESENTING ANY CT NOTES, AFICA BONDS, OR EQUITY INTERESTS.

II. RISK FACTORS

A. *General*

A protracted bankruptcy case could result in increased professional expenses for liquidating the Company's remaining assets and distributing them to creditors, resulting in decreased distributions to holders of Allowed Claims.

B. *Classification and Treatment of Claims and Equity Interests*

Section 1122 of the Bankruptcy Code requires that the Plan classify Claims against, and Equity Interests in, the Debtor. The Bankruptcy Code also provides that the Plan may place a Claim or Equity Interest in a particular Class only if such Claim or Equity Interest is substantially similar to the other Claims or Equity Interests of such Class. The Plan Proponents believe that all Claims and Equity Interests have been appropriately classified in the Plan.

The Bankruptcy Code also requires that the Plan provide the same treatment for each Claim or Equity Interest of a particular Class unless the Holder of a particular Claim or Equity Interest agrees to a less favorable treatment of its Claim or Equity Interest. The Plan Proponents believe that they have complied with the requirement of equal treatment. If the Bankruptcy Court finds that the Plan does not satisfy such requirement, the Bankruptcy Court could deny confirmation of the Plan.

Issues or disputes relating to classification and/or treatment could result in a delay in the confirmation and consummation of the Plan and could increase the risk that the Plan will not be confirmed or consummated.

C. *Certain Risks of Nonconfirmation or Delay of Confirmation*

Regardless of whether all Classes of Claims accept or are presumed to have accepted the Plan, the Bankruptcy Court may still refuse to confirm the Plan. The Bankruptcy Court sits as a court of equity and exercises substantial discretion. A non-accepting creditor might challenge the solicitation results or the terms of the Plan as failing to comply with the Bankruptcy Code. In such event, the Company may seek to re-solicit acceptances. Nonetheless, this could delay or possibly jeopardize confirmation of the Plan. Additionally, the Plan Proponents cannot assure you that the Plan will not require significant modifications for confirmation, or that such modifications would not require a re-solicitation of acceptances.

Even if the Bankruptcy Court determines that the voting results were accurate and appropriate, the Bankruptcy Court could nevertheless decline to confirm the Plan if the Bankruptcy Court finds that any statutory conditions to confirmation have not been met, including that the terms of the Plan are fair and equitable to non-accepting Classes. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation. Section 1129 requires, among other things, a finding by the Bankruptcy Court that the Plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting Classes, that the confirmation of the Plan is not likely to be followed by a liquidation or a need for further financial reorganization, and that the value of distributions to non-accepting Holders of Impaired Claims and Impaired Equity Interests will not be less than the value of distributions such Holders would receive if the Company were liquidated under chapter 7 of the Bankruptcy Code. See Article XI.E.1. "CONFIRMATION—Plan Meets Requirements for Confirmation—Best Interests of Creditors—Liquidation Analysis." Although the Plan Proponents believe that the Plan meets such tests, there can be no assurance that the Bankruptcy Court would reach the same conclusion. See Article XI.E. "CONFIRMATION—Plan Meets Requirements for Confirmation."

The confirmation and consummation of the Plan also are subject to certain other conditions. See Article IX.D. "THE PLAN—OTHER PROVISIONS—Conditions Precedent to Confirmation and Effective Date of the Plan." No assurance can be given that these conditions will be satisfied or, if not satisfied, that the Plan Proponents could or would waive such conditions, or that any required consent to such waiver would be obtained.

If the Plan is not confirmed, it is unclear whether the transactions contemplated thereby could be implemented and what Holders of Claims would ultimately receive in respect of their Claims. If an alternative plan of reorganization could not be agreed to, it is possible that the Company would have to liquidate its assets in bankruptcy, either through a liquidating chapter 11 plan on a different timetable or through a conversion to chapter 7, in which case Holders of Claims could receive less than they would have received pursuant to the Plan. See Article XI.F.3. "CONFIRMATION—Alternatives to Confirmation and Consummation of the Plan—Liquidation Under Chapter 7 or Chapter 11." Most notably, a liquidation could result in a loss of the Tax Attributes, increased expenses, and delays in distributions.

D. *Alternatives to Confirmation and Consummation of the Plan*

There can be no assurance that the Plan will be confirmed or consummated. If the Plan is not confirmed by the Bankruptcy Court and consummated, the alternatives include (i) confirmation of an alternative plan of reorganization or liquidation under chapter 11 of the Bankruptcy Code, (ii) dismissal of the Chapter 11 Case, and (iii) liquidation of the Debtor under chapter 7 of the Bankruptcy Code. The Plan Proponents believe the Plan is significantly more attractive than these alternatives because we believe, among other things, that it will reduce the expenses of a case under chapter 11 of the Bankruptcy Code, maximize the value of the Tax Attributes, and ultimately result in a larger distribution to creditors than would other types of reorganizations or liquidations under chapter 11 of the Bankruptcy Code or a liquidation under chapter 7 of the Bankruptcy Code.

E. *Risk of Nonoccurrence of the Effective Date*

Although the Plan Proponents believe that the Effective Date will occur soon after the Confirmation Date, there can be no assurance as to such timing. The effectiveness of the Plan is subject to a number of conditions precedent, as outlined in Article 10 of the Plan, and there can be no assurance that all such conditions will occur (or be waived in accordance with the terms of the Plan).

F. *Recovery Percentages May Differ From Estimates*

The estimated percentage recovery by Holders of Class 2 General Unsecured Claims, who will receive *pro rata* distributions of the Initial Class 2 Cash Pool and Creditors' Trust Interests, is based upon the Debtor's cash on hand, projections as to the liquidation value of the Debtor's remaining non-cash assets and the projected time, costs and expenses related to confirming and consummating the Plan and liquidating the remaining assets post-Effective Date. Given that many factors beyond the Plan Proponents' control are involved in the future liquidation values of the remaining assets and the costs involved in achieving that value, the actual results achieved necessarily will vary from those estimated herein. Such variations may be material and adverse. It is particularly difficult for the Plan Proponents to estimate the future value of the Tax Attributes and when that value might be achieved. See ARTICLE V.A. – V.C.

III. BACKGROUND AND EVENTS LEADING UP TO THE CHAPTER 11 CASE

A. *Receivership of Doral Bank*

Prior to February 27, 2015, the Debtor was the parent bank holding company of Doral Bank Puerto Rico ("Doral Bank"), a state non-member bank chartered by the Puerto Rico Office of the Commissioner of Financial Institutions ("OCIF") and subject to regulation and oversight by the OCIF and the Federal Deposit Insurance Corporation ("FDIC").

On February 27, 2015, OCIF appointed the FDIC as the receiver for Doral Bank (the "Receivership", and the FDIC acting in its capacity as receiver for Doral Bank, the "FDIC-R"). Prior to the Receivership, the Debtor's primary asset was equity in Doral Bank, and DFC conducted the bulk of its operations through Doral Bank, which served customers through bank branches located in New York, Florida, and Puerto Rico.

B. *Decline of Puerto Rico's Economy*

Despite efforts of the Debtor to diversify geographically, the majority of Doral Bank's assets were intrinsically tied to Puerto Rico and its economy. The global economic crisis in 2007-2008 exacerbated the recession in Puerto Rico. The general expectation was that the economy of Puerto Rico would recover consistently with a recovery in the continental United States. Instead, unlike the rest of the United States, Puerto Rico's economy failed to recover and remains in recession with substantial financial challenges.

The Debtor and its subsidiaries were, like all major Puerto Rican financial institutions, challenged by the ongoing recession in Puerto Rico. Puerto Rico's continuing recession has significantly impacted all elements of the island's economy. Residential housing prices, for example, have dropped dramatically. The drop in residential housing prices, combined with the economic hardships of borrowers, resulted in an increase in non-performing loans as well as loan defaults and foreclosures for all Puerto Rico lenders, including Doral Bank.

C. *The Tax Attributes*

During the early to mid 2000s, the Debtor and its subsidiaries (collectively, the "Doral Group") had significant banking operations and was one of the largest mortgage lenders in Puerto Rico. During that time, the Doral Group also engaged in numerous derivative transactions that resulted in illusory, non-cash earnings, which led to accounting errors and ultimately, misstated earnings and overpayment of taxes by the Doral Group to the Commonwealth of Puerto Rico's taxing authority (the "Hacienda").

To address these overpayments, the Debtor and the Hacienda engaged in lengthy negotiations, which eventually resulted in several closing agreements. The Debtor's rights and tax attributes under the tax law of the Commonwealth regarding the Debtor's prior overpayments of tax to the Hacienda, including the Debtor's rights under various closing agreements, are referred to in this Disclosure Statement collectively as the "Tax Attributes." These closing agreements included a closing agreement entered into on September 26, 2006 (as amended by subsequent closing agreements (excluding the 2012 Closing Agreement, as defined below), the "2006 Closing Agreement"), which recognized available tax deductions of $889,723,361 (as of that date). Subsequent closing agreements dated June 14, 2007 (the "2007 Closing Agreement") and September 7, 2009 (the "2009 Closing Agreement") followed.

On March 26, 2012, the Hacienda and the Debtor, Doral Bank, and several subsidiaries of the Debtor and Doral Bank, respectively, entered into a new closing agreement (the "2012 Closing Agreement"). The 2012 Closing Agreement replaced the 2006 Closing Agreement from January 1, 2011 forward. Under the 2012 Closing Agreement, the Hacienda and the Debtor agreed to replace the tax deductions remaining under the 2006 Closing Agreement with a determination that the Doral Group had a tax overpayment in the amount of $229,884,087. The 2012 Closing Agreement provided for such tax overpayment to be treated as a prepayment of income tax by the Doral Group that could be apportioned among and used by any member of the Doral Group to offset taxes due in future years. The 2012 Closing Agreement also provided that if there was no tax liability against which to offset the unutilized tax overpayments, an agreed upon portion of the overpayments could be claimed as partial or full refunds in future tax years.

The 2012 Closing Agreement led to a number of further disputes between the Debtor and the Hacienda. These disputes included whether the Hacienda had abided by the terms of the agreement and should be issuing refunds for the prepaid taxes, as well as whether the Debtor was entitled to the deferred tax asset on account of the previously reported illusory earnings (the "Tax Refund"). The dispute as to whether Doral Bank was entitled to include the Tax Refund on its balance sheet in part led to the OCIF and FDIC determining that Doral Bank was undercapitalized, and ultimately contributed to Doral Bank being taken into Receivership, resulting in the loss of the Debtor's largest asset.

In 2014, the Debtor sought to judicially enforce the 2012 Closing Agreement. The Debtor filed a complaint for declaratory judgment in the Court of First Instance of Puerto Rico. On October 10, 2014, the Court of First Instance ruled in the Debtor's favor, finding the 2012 Closing Agreement to be a valid and binding obligation enforceable against the Commonwealth. On December 31, 2014, the Commonwealth appealed the ruling to the Court of Appeals of Puerto Rico, and on February 25, 2015, the Court of Appeals overturned the ruling of the Court of First Instance.

The Debtor filed an appeal to the Supreme Court of Puerto Rico early in the morning on Friday, February 27, 2015. Later that same day – which was also the same day Doral Bank was placed into Receivership – the Supreme Court of Puerto Rico denied the Debtor's petition for Certiorari. As a result, the Court of Appeals decision became final and the 2012 Closing Agreement was deemed void.

The Debtor and the Committee subsequently filed a declaratory judgment action against the Hacienda regarding the Tax Attributes in the Bankruptcy Court in an adversary proceeding. This litigation is discussed in detail below at ARTICLE IV.F. "EVENTS DURING THE CHAPTER 11 CASE–Adversary Proceeding Regarding Closing Agreements."

D. *Capital Structure*

1. **DFC NOTES**

In 2001 and 2002, in two separate issuances, the Puerto Rico Conservation Trust Fund, a charitable trust organized under the laws of Puerto Rico, issued four sets of publicly-held secured notes totaling $200 million (the "CT Notes"). The CT Notes vary in interest rate from 6.10% to 6.5% and are payable solely from, and secured by a pledge of, $200 million in original principal amount of senior notes issued by DFC (the "DFC Notes") substantially simultaneously in 2001 and 2002. The DFC Notes were issued pursuant to the Senior Debt Securities Indenture, dated as of May 14, 1999, between DFC and Bankers Trust Company, as Trustee. The DFC Notes vary in interest rate from 7.10% to 7.65% and are unsecured obligations of DFC.

Approximately $170,000,000 in principal, plus accrued and unpaid interest and other charges, remains outstanding on the DFC Notes.

2. **AFICA BONDS**

In 1999 and 2002, Doral Properties, Inc. ("Doral Properties"), a wholly-owned non-debtor subsidiary of the Debtor, arranged financing through the issuance of tax-preferred bonds by the Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority ("AFICA"). In 1999, AFICA issued $44,765,000 million in bonds (the "1999 AFICA Bonds"). AFICA then lent the proceeds from the issuance of the 1999 AFICA Bonds to Doral Properties to finance the acquisition, development, and construction of an office building located at 1451 Franklin D. Roosevelt Avenue in San Juan, Puerto Rico ("1451 FDR Ave."), pursuant to a Loan and Guaranty agreement, dated as of November 3, 1999, among AFICA, Doral Properties, and the Debtor. Under the Loan and Guaranty Agreement, DFC guaranteed Doral Properties' obligations to AFICA.

The 1999 AFICA Bonds were secured by a lien on 1451 FDR Ave., pursuant to a Pledge and Security Agreement between AFICA and Doral Properties, dated as of November 3, 1999. DFC's guarantee is an unsecured obligation. Approximately $30.8 million in principal, plus unpaid interest and other charges, remained outstanding on the 1999 AFICA Bonds as of the Petition Date.

In 2002, AFICA issued an additional $7.6 million in bonds (the "2002 AFICA Bonds" and, together with the 1999 AFICA Bonds, the "AFICA Bonds"). AFICA then lent the proceeds of the 2002 AFICA Bonds to Doral Properties to finance improvements to 1451 FDR Ave. pursuant to the Loan and Guaranty Agreement, dated as of November 1, 2001, among AFICA, Doral Properties, and DFC. Under the Loan and Guaranty Agreement, DFC guaranteed Doral Properties' obligations to AFICA. The 2002 AFICA Bonds are unsecured obligations of Doral Properties, and DFC's guarantee is also an unsecured obligation. Approximately $6.5 million in principal, plus unpaid interest and other charges, remained outstanding on the 2002 AFICA Bonds as of the Petition Date.

E. *Employees*

As of March 2015, the Company had a total of 12 employees. During the course of this Chapter 11 Case, the Debtor wound down various businesses and liquidated assets, and the Debtor has reduced the employee headcount accordingly. As of the date of this Disclosure Statement, the Debtor has no employees. The Debtor does, however, retain the services of certain former employees as contractors on a part-time basis.

F. *Executive Officers*

The Company's executive officers are as follows:

Name	**Position(s) held**
Carol Flaton	Chief Restructuring Officer
Enrique R. Ubarri	General Counsel

IV. EVENTS DURING THE CHAPTER 11 CASE

A. *Early Relief*

On the first day of the Chapter 11 Case, the Company requested and later received relief that enabled the Debtor to enter bankruptcy with minimal impact on its day-to-day operations. With this relief, the Debtor transitioned into operating in bankruptcy.

Principally, with this relief, the Debtor received authorization to extend the deadline for filing the Debtor's schedules and statements (which were subsequently filed on May 22, 2015) and to pay prepetition wages and salaries to employees. After this initial relief, the Debtor also requested and received authority to establish case management procedures for the Chapter 11 Case, retain Garden City Group as the claims and noticing agent for the Debtor, reject certain executory contracts and unexpired leases and extend the time to assume other unexpired leases, employ and compensate certain professionals in the ordinary course of the Debtor's business, and establish procedures for the interim compensation of professionals.

The Debtor also received authorization early in the chapter 11 case to retain Zolfo Cooper as the Debtor's restructuring advisor and for Carol Flaton, a managing director at Zolfo Cooper, to serve as the Debtor's Chief Restructuring Officer.

B. *Schedules and Statement of Financial Affairs*

Early in the Chapter 11 Case, the Debtor sought and obtained an extension of time to file its Schedules and Statement of Financial Affairs. Compiling the Schedules and Statements required the Debtor to, in certain cases, access information in the hands of the FDIC-R and/or Banco Popular de Puerto Rico (as the primary purchaser of the assets and operation of Doral Bank). The Debtor filed its Schedules and Statement of Financial Affairs on May 22, 2015. The Debtor subsequently filed limited amendments to the Schedules on January 20, 2016 and February 19, 2016 to add additional creditors.

C. *Liquidation of Assets*

During the course of the Chapter 11 Case, the Plan Proponents have worked to liquidate the Debtor's more valuable assets for distribution to the Debtor's creditors. As a result of these efforts, as of March 31, 2016, the Debtor held approximately $48 million in cash on its balance sheet. A summary discussion of the Debtor's liquidation of certain assets during the Chapter 11 Case is provided below.

1. **DORAL INSURANCE AGENCY**

Prepetition, the Debtor's wholly-owned subsidiary, Doral Insurance Agency, LLC ("Doral Insurance"), acted as an insurance agent primarily for customers of Doral Bank. Before the February 2015 receivership of Doral Bank, Doral Insurance primarily serviced Doral Bank mortgage loan customers by connecting them with third party insurers for the purchase of insurance policies required under the borrowers' mortgage loans, such as property and title insurance. Doral Insurance's primary revenue source was the fees and commissions it received from its insurance policy portfolio.

The Debtor explored options to sell Doral Insurance prior to the receivership of Doral Bank in late 2014 and early 2015. Following the receivership of Doral Bank and the Debtor's chapter 11 filing,[6] the Debtor negotiated an agreement with a stalking horse bidder to purchase substantially all of the assets of Doral Insurance for approximately $10.75 million.

The Debtor sought and received approval from the Bankruptcy Court to conduct an auction for Doral Insurance's assets. After receiving a competing bid, the Debtor's conducted an auction for Doral Insurance's assets on May 12, 2015. At the auction, through competitive bidding, the purchase price increased to a winning bid of $17.25 million.

On May 22, 2015, the Bankruptcy Court approved the sale of substantially all the assets of Doral Insurance to the winning bidder, Popular Insurance, LLC. The Debtors consummated the sale of Doral Insurance shortly thereafter.

2. SALE OF LOAN AND REO PORTFOLIO

On the Petition Date, the Debtor owned approximately 125 mortgage loans and approximately 75 real estate owned "REO" properties. The mortgage loans were secured by real estate located in Puerto Rico and were primarily non-performing residential loans. The REO assets consisted of properties located in Puerto Rico that the Debtor acquired through foreclosure and were primarily residential.

For the first few months of the Debtor's Chapter 11 Case, the Debtor engaged in an extensive process to identify and, where missing, obtain and organize the credit and collateral documents for each of the Debtor's mortgage loans and REO assets. Mortgage loans and REO assets are more valuable when accompanied by documentation sufficient to provide the buyer with a complete loan file and demonstrate clean title, because the resale and collection on such mortgage loans and REO assets is substantially simpler. To maximize the value of the assets, in the instances where the Debtor was missing documentation, the Debtor made numerous inquiries to, and gathered documents from each of the Debtor's servicer, the FDIC as receiver for Doral Bank, and the sub-servicer, Banco Popular de Puerto Rico. The Debtor also worked with other third parties identified by the servicers as having been engaged to handle loan modifications and foreclosures to obtain missing documentation.

The Debtor's effort largely concluded in June 2015, and through this process the Debtor succeeded in substantially improving its files for many of the mortgage loans and REO assets. Some documentation deficiencies remained for certain of the mortgage loans and REO assets, but the Debtor determined that further efforts to improve the documentation would be more costly and time consuming than beneficial to the estate.

In September 2015, the Debtor sought and received approval to hold an auction for the mortgage loan and REO assets. RNPM, LLC ("RNPM") served as a stalking horse bidder for 78 of the mortgage loans and 38 of the REO assets. Ultimately, the Debtor received no other qualified bids and thus the Court approved the sale to RNPM. The sale closed in December 2015. Upon closing, the Debtor received $4,101,330.22, the majority of the purchase price. Another

[6] Although Doral Insurance's 100% parent, the Company, is in chapter 11, Doral Insurance is not in bankruptcy.

$238,315 will remain in escrow until May 4, 2016. The escrowed funds concern 22 mortgage loans included in the sale for which original notes could not be located by the Debtor. If a third party comes forward with the original note for one of the 22 subject mortgage loans during the 180 day escrow period, RNPM is entitled to a reimbursement for that loan from the escrowed funds. Otherwise, on May 4, 2016, at the conclusion of the escrow, the funds in escrow will go to the Debtor. To date, no third parties have come forward.

In February 2016, the Debtor entered into an agreement to sell the vast majority of the remaining mortgage loan and REO assets to Greengift Capital Corp. ("Greengift") for $601,550. $50,000 of the Greengift purchase price was placed into escrow until March 18, 2016 to address ownership interest in 32 of the REO assets. The Greengift sale was noticed to the Court and parties in interest pursuant to the *de minimis* sale procedures implemented earlier in the case on February 19, 2016. The Greengift sale closed in March 2016.

On March 31, 2016, the Debtor filed a *de minimis* asset sale and abandonment notice of the Debtor's intent to sell the remaining mortgage loans and REO assets to ScotiaBank de Puerto Rico and Greengift Capital Corp. for $46,000 in the aggregate. These sales were completed in April 2016.

By virtue of the sales described above, the Debtor has liquidated all of its REO assets and its mortgage loans.

3. DORAL PROPERTIES CHAPTER 11 CASE AND THE SALE OF DORAL PLAZA

The Debtor's wholly-owned subsidiary, Doral Properties, was primarily a holding company that owned a collection of related real estate interests in San Juan, Puerto Rico. This real estate included 1451 FDR Ave., an office building and covered parking lot in San Juan, as well as two related warehouse annexes. These locations previously served as the main headquarters for Doral Bank, prior to its receivership.

Following the receivership of Doral Bank and the Debtor's chapter 11 filing, the Debtor and Doral Properties began to explore options to sell or lease 1451 FDR Ave. and the warehouse annexes. In late July 2015, Doral Properties entered into several short-term leases of the property to Banco Popular de Puerto Rico. This resolved the issue of the FDIC-R and Banco Popular's continued presence at 1451 FDR Ave. following the establishment of the Receivership, clearing the way for a potential sale of the building.

On November 25, 2015, Doral Properties commenced a chapter 11 case in the Bankruptcy Court to facilitate a sale of 1451 FDR Ave. and related real estate pursuant to Bankruptcy Code section 363. In its bankruptcy case, Doral Properties shortly thereafter sought and received approval from the Bankruptcy Court to conduct an auction for the sale of both 1451 FDR Ave. and an adjacent open air parking lot owned by the Debtor. The auction was ultimately canceled due to the absence of competing bids, and Banco Popular de Puerto Rico, the stalking horse bidder, was declared the winner. On January 15, 2016, the Bankruptcy Court approved the sale of the assets to Banco Popular de Puerto Rico for an aggregate purchase price of $21.8 million. $20.3 million of the purchase price was allocated to the real estate sold by Doral

Properties, including 1451 FDR Ave. The remaining $1.5 million of the purchase price was allocated to the sale of the adjacent open air parking lot owned by the Debtor.

As discussed above in ARTICLE III.D.2., 1451 FDR Ave. had been owned by Doral Properties and served as collateral for an AFICA loan that is, in turn, collateral for the 1999 AFICA Bonds. Upon consummation of the sale, the bulk of the sale proceeds was paid to the Trustee for the 1999 AFICA Bonds, except that approximately $1,000,000 in cash was left in the Doral Properties' estate to facilitate a wind-down and confirmation of a chapter 11 plan of liquidation. It is anticipated that Doral Properties will move forward with a chapter 11 plan of liquidation substantially contemporaneously with the Debtor.

D. *Abbey and FirstBank Escrow Settlements*

Prior to the Petition Date, the Debtor sold mortgage loan assets to raise capital in two transactions with Abbey Finance Holdings PR, LLC and related parties ("Abbey") and FirstBank Puerto Rico ("FirstBank"). As part of these transactions, the parties escrowed funds pending the resolution of alleged tax and title defects regarding certain of the assets sold.

During the course of the chapter 11 case, the Debtor and the Committee negotiated separate settlements with Abbey and FirstBank regarding the funds in escrow, thereby resolving the subject parties' rights to these funds. With respect to Abbey, FDIC-R was also involved in the settlement discussions because Doral Bank was also a party to the two prepetition sale transactions with Abbey. After extensive negotiations, the Debtor, the Committee, FDIC-R, and Abbey entered into a settlement and release agreement that was submitted for approval to the Bankruptcy Court in the form of a stipulation and order. On December 28, 2015, the Bankruptcy Court approved the stipulation and the Debtor received $3.66 million from the escrowed funds.

Similarly, the Debtor, the Committee, and FirstBank negotiated a settlement agreement pursuant to which approximately $58,100 of the escrowed funds would be released to the Debtor and the Debtor and FirstBank would grant each other mutual general releases relating to the FirstBank transaction. On July 30, 2015, the Court entered an order approving the FirstBank settlement.

E. *Federal National Mortgage Association*

Prepetition, the Debtor sold certain loans to the Federal National Mortgage Association ("Fannie Mae") under a series of Master Agreements. Under certain conditions, the Debtor is obligated to repurchase or cover certain losses of Fannie Mae relating to certain of those loans.

The Company's obligations to Fannie Mae are secured by a pledge of $44 million in cash by the Company, held by a third party bank under a tri-party agreement, plus accrued interest.

During the course of the Chapter 11 Case, the Debtor and the Committee engaged in a process to resolve the Debtor's potential liability to Fannie Mae. Following extensive negotiations with Fannie Mae, the parties ultimately reached agreement on a settlement. The settlement provided that the Debtor will receive $31,050,905.84 of the pledged funds, with the balance going to Fannie Mae. In addition, under the settlement, the parties are exchanging mutual releases and Fannie Mae's proof of claim filed against the Debtor will be deemed

extinguished. On March 21, 2016, the Debtor and the Committee submitted the proposed settlement to the Bankruptcy Court for approval pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure. No objections were received, and on April 13, 2016, the Court entered an order approving the settlement.

F. *Adversary Proceeding Regarding Closing Agreements*

On December 17, 2015, the Debtor and the Committee initiated an adversary proceeding in the Bankruptcy Court against the Secretary of the Treasury of the Commonwealth, Juan C. Zaragoza Gómez (the "Secretary"). The Committee was subsequently granted standing to pursue this litigation on behalf of the Debtor's estate.

In the adversary proceeding, the Debtor and the Committee sought a declaratory judgment that the 2006, 2007, and 2009 Closing Agreements remained valid and enforceable in accordance with their terms. The Debtor and the Committee also sought a declaratory judgment that the Debtor may continue to use the Tax Attributes to produce tax deductions offsetting future taxable income.

The Secretary responded to the complaint with a motion to dismiss, in which the Secretary agreed that the 2006, 2007, and 2009 Closing Agreements remained in full force and effect and argued no controversy existed for litigation. The parties reached agreement and entered into a stipulation to dismiss the adversary proceeding in light of the Secretary's representations that (i) the 2006, 2007, and 2009 Closing Agreements remain in full force and effect and (ii) the Debtor may continue to amortize its Tax Attributes as provided therein. On March 1, 2016, the Court entered the stipulation.

In light of the clarification and confirmation that the 2006, 2007, and 2009 Closing Agreements remain in full force and effect, the Debtor can continue to derive benefits from the Tax Attributes existing under those agreements.

G. *Bar Date*

In May 2015, the Debtor sought approval of the establishment of deadlines to file proofs of claim (the "Bar Dates"). On June 1, 2015, the Bankruptcy Court approved the establishment of the Bar Dates, setting July 10, 2015 as the general claims Bar Date and September 7, 2015 as the government Bar Date. The Debtor's claims reconciliation process is ongoing.

V. UNLIQUIDATED NON-CASH ASSETS

A. *Tax Attributes*

The Tax Attributes represent potentially valuable assets to the Debtor if the Debtor is able to attract additional capital with which to earn income in the future. Any Puerto Rican tax liability on income realized by the Debtor could then be offset by the use of the Tax Attributes. In light of the outcome of the declaratory judgment action brought by the Debtor against the Hacienda (as discussed in detail at ARTICLE IV.F. "EVENTS DURING THE CHAPTER 11 CASE – Adversary Proceeding Regarding Closing Agreements"), the Hacienda has confirmed that the 2006, 2007, and 2009 Closing Agreements which gave rise to the Tax Attributes remain

in full force and effect and that the Debtor may continue to amortize the Tax Attributes as provided therein. The 2007 Closing Agreement provided that the Tax Attributes would remain valid following a change in control of the Debtor. In light of that, and in light of the Hacienda's reaffirmation of the Closing Agreements, the Debtor expects that, if the Debtor is able to raise new equity capital from investors, the Tax Attributes will remain available to the Debtor following the change in control of the Debtor which will take place on the Effective Date. There are no assurances that: (1) the Debtor will be able to attract new equity investment, (2) the Debtor will be able to generate income in amounts sufficient to utilize the Tax Attributes or, (3) even if the Debtor is successful in doing so, the Hacienda will not challenge the Debtor's ability to continue to utilize the Tax Attributes, despite the Hacienda's stipulation to the contrary in the declaratory judgment action. Accordingly, at this time any valuation of the Tax Attributes would be highly speculative and it is possible that the Debtor may not realize any benefit from the Tax Attributes which remain unused at the Effective Date.

B. *Claims Against Doral Bank*

The Company has asserted significant claims against Doral Bank, which are subject to the FDIC claims-resolution process due to the Receivership. These claims are largely unliquidated. As required by the FDIC-R, on June 4, 2015, the Company, along with its three wholly-owned subsidiaries, Doral Insurance, Doral Properties and Doral Recovery, Inc., timely submitted claims against Doral Bank to the FDIC-R.

In parallel, FDIC-R has a filed a proof of claim in the Debtor's Chapter 11 Case on behalf of Doral Bank. This proof of claim asserts a number of claims, including prepetition and postpetition claims for costs allegedly incurred by Doral Bank on the Company's behalf under certain servicing agreements.

The Company does not expect to receive an affirmative recovery on its, or its subsidiary's, claims against Doral Bank. The Doral Bank estate is subject to the claims-resolution process under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (as amended, "FIRREA"). Under FIRREA, unsecured non-depositor claims against a receivership estate, such as the Debtor's claims, are not entitled to a recovery until the FDIC (in its corporate capacity) has been repaid in full for its claims against the receivership estate. It is currently uncertain whether there will be assets for distribution to claims from Doral Bank's estate. Even if there are no funds for distribution, the Debtor may be able to use its claims against Doral Bank as a setoff against the claims of Doral Bank asserted by FDIC-R against the Debtor.

On February 25, 2016, the Debtor received notice that the claims filed on behalf of Doral Insurance, Doral Properties, and Doral Recovery, Inc. against the FDIC-R had been disallowed. Doral Insurance, Doral Properties, and Doral Recovery, Inc. had until April 25, 2016, to commence a lawsuit contesting the disallowance of those claims. On April 25, 2016, Doral Properties filed a complaint in the United States District Court for the District of Columbia with respect to these claims.

On March 3, 2016, the Debtor received notice that all but $285,440.59 of the Debtor's claims against FDIC-R had been disallowed. The Debtor has until May 2, 2016, to commence a lawsuit contesting those claims that were disallowed.

The Debtor is considering its options in this regard.

C. *Other Litigation Claims*

The Debtor has potential causes of action under chapter 5 of the Bankruptcy Code against various prepetition creditors and other third parties, as well as other potential causes of action on behalf of the Company. These potential actions include potential causes of action against former officers and directors, which may benefit from coverage under various existing insurance policies. The Plan provides for the Committee's standing to bring these causes of action against former officers and directors. The Company also has a few plaintiff-side causes of action it was pursuing as of the Petition Date, which remain potential assets of the Debtor's estate.

The Plan will vest the Creditors' Trust with these litigation assets, and the Creditors' Trustee will determine which litigations to pursue and how best to pursue them.

D. *I/O Strip*

The Debtor owns certain "I/O strips" related to certain pools of fixed rate mortgages. Prepetition, the Debtor sold pools of mortgage loans to Banco Popular de Puerto Rico, but retained the right to a portion of the interest collected on the pools as a separate asset for the Debtor. The Debtor collected approximately $3.2 million on the I/O Strips from March 2015 through February 2016.

During the Chapter 11 Case, the Debtor has explored the option of selling the I/O Strips, including to Banco Popular de Puerto Rico. To date, no agreement has been reached. The I/O Strips produce a monthly revenue stream, which has varied between $222,000 and $372,000 per month during the Chapter 11 Case. The Debtor and/or Reorganized Debtor intend to either sell the I/O Strip if an appropriate price can be achieved or hold the I/O Strip indefinitely as a revenue generating asset.

VI. THE PLAN – CLASSIFICATIONS, DISTRIBUTIONS, AND IMPLEMENTATION

A. *Overview of Chapter 11*

Chapter 11 is the business reorganization chapter of the Bankruptcy Code. Under chapter 11 of the Bankruptcy Code, a debtor is authorized to reorganize its financial affairs for the benefit of itself and its creditors and equity holders. The principal goals of chapter 11 are to permit the rehabilitation of the debtor and provide for equality of treatment of similarly situated creditors.

The goal of the Plan is to resolve outstanding Claims against and Equity Interests in the Debtor. Although the Debtor does not intend to re-commence commercial banking operations through a new subsidiary following the Effective Date, the proposed Plan will permit the Debtor's estate to continue winding down its operations and liquidating its assets in an organized way that will maximize the value of its assets for distribution to creditors. In particular, the Plan will permit the Debtor to make substantial distributions to creditors in the near term and best

preserve the Debtor's ability to monetize the Tax Attributes, which has the potential to meaningfully increase creditor recoveries.

The following summary is a brief overview of the Plan and is qualified in its entirety by reference to the full text of the Plan, itself, and the more detailed information contained elsewhere in this Disclosure Statement. Capitalized terms used in this Article VI but not otherwise defined in Annex I shall have the meanings assigned such terms in the Plan.

B. *Administrative Claims, Priority Tax Claims, and Other Unclassified Claims*

1. **ADMINISTRATIVE CLAIMS**

Pursuant to Section 2.01 of the Plan, each holder of an Allowed Administrative Claim shall receive, in full and final satisfaction, settlement, and release of, and in exchange for, such Allowed Administrative Claim, Cash equal to the unpaid portion of such allowed Administrative Claim, or payment as agreed between the holder of the Allowed Administrative Claim and the Debtor or Creditors' Trustee.

2. **PRIORITY TAX CLAIMS**

Pursuant to Section 2.04 of the Plan, each holder of an Allowed Priority Tax Claim will receive, in full and final satisfaction, settlement, and release of such Allowed Priority Tax Claim, (i) payment in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, or (ii) payment as agreed between the holder of the Allowed Priority Tax Claim and the Debtor or the Creditors' Trustee.

3. **PROFESSIONAL FEES**

Pursuant to Section 2.03 of the Plan, each Professional requesting compensation pursuant to the Bankruptcy Code will be paid by the Creditors' Trustee, in Cash, as soon as practicable after the final order approving such allowance of compensation or disbursement of expenses becomes a Final Order.

C. *Classification of Claims and Interests*

Section 1123(a)(1) of the Bankruptcy Code requires a chapter 11 plan to designate classes of claims and classes of interests. A plan must segregate the various claims against the debtor into various classes. The Bankruptcy Code also provides that, except for certain claims classified independently for administrative convenience, a plan may place a claim or equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests of such class. The Plan Proponents believe that all Claims and Equity Interests have been appropriately classified in the Plan. To the extent that the Bankruptcy Court determines that such classification is incorrect, the Bankruptcy Court could deny confirmation of the Plan.

If the Bankruptcy Court finds that a different classification is required for confirmation of the Plan, the Plan Proponents may seek to (i) modify the Plan to provide for whatever reasonable classification might be required for confirmation and (ii) use the acceptances received from any

Holder of Claims pursuant to this Disclosure Statement for the purpose of obtaining the approval of the Class or Classes of which such Holder ultimately is deemed to be a member. Any such reclassification of Claims, although subject to the notice and hearing requirements of the Bankruptcy Code, could adversely affect the Class in which the Holder of such Claim was initially a member, or any other Class under the Plan, by changing the composition of such Class and the vote required for approval of the Plan. There can be no assurance that the Bankruptcy Court, after finding that a classification was inappropriate and requiring a reclassification, would approve the Plan based upon such reclassification. Except to the extent that modification of classification in the Plan adversely affects the treatment of a Holder of Claims or Equity Interests in a manner that the Bankruptcy Court determines requires re-solicitation, the Plan Proponents likely will, in accordance with the Bankruptcy Code and the Bankruptcy Rules, seek a determination by the Bankruptcy Court that acceptance of the Plan by any Holder of Claims pursuant to this Disclosure Statement will constitute a consent to the Plan's treatment of such Holder regardless of the Class to which such Holder is ultimately deemed to be a member. See Article II. "RISK FACTORS."

The Bankruptcy Code also requires that a chapter 11 plan provide for the same treatment for each Claim or Equity Interest within a particular Class unless the Holder of a particular Claim or Equity Interest agrees to a less favorable treatment of its Claim or Equity Interest. The Plan Proponents believe the Plan complies with the requirement of equal treatment for each Claim or Equity Interest of a particular Class.

Only Classes that are "impaired" (pursuant to section 1124 of the Bankruptcy Code) under a chapter 11 plan are entitled to vote to accept or reject the plan, unless the Class is deemed to have rejected the Plan. As a general matter, a class of claims or equity interests is considered to be "unimpaired" under a plan of reorganization if the plan does not alter the legal, equitable, and contractual rights of the holders of such claims or equity interests. Under the Bankruptcy Code, holders of unimpaired claims are conclusively presumed to have accepted a proposed plan of reorganization. Holders of Claims or Equity Interests that do not receive or retain anything under a proposed plan of reorganization are deemed to have rejected such plan.

The categories of Claims and Equity Interests outlined in the Plan, and listed below classify Claims and Equity Interests for all purposes, including for purposes of voting, confirmation and distribution pursuant to the Plan and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. Pursuant to Article 3 of the Plan, a Claim or Equity Interest will be deemed classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Equity Interest qualifies within the description of such other Classes. A Claim or Equity Interest is in a particular Class only to the extent that such Claim or Equity Interest has not been paid or otherwise settled prior to the Effective Date.

The classification of Claims and Equity Interests pursuant to the Plan is as follows:

Class 1—Secured Claims

Class 2—General Unsecured Claims

Class 3—Intercompany Claims

Class 4—Subordinated Claims

Class 5—Equity Interests

D. *Treatment of Claims and Interests*

Article 3 of the Plan provides for the following treatment of Claims and Equity Interests:

1. **TREATMENT OF CLAIMS AND EQUITY INTERESTS**

(a) Class 1—Secured Claims

(i) *Treatment*: In full settlement, release and discharge of all Class 1 Claims, each holder of an Allowed Class 1 Claim, if any, shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Class 1 Claim, either (i) Cash in the full amount of any such holder's Allowed Class 1 Claim; (ii) the collateral securing its Allowed Class 1 Claim, plus postpetition interest to the extent required under section 506(b) of the Bankruptcy Code, on, or as soon as reasonably practicable after, the later of (A) the initial Distribution Date and (B) ten (10) business days after such Claim becomes an Allowed Class 1 Claim; or (iii) such different treatment as to which such holder and the Plan Proponents shall have agreed upon in writing.

(ii) *Voting*: Class 1 Claims are Unimpaired. Each holder of a Class 1 Claim shall be conclusively deemed to have accepted the Plan and is, therefore, not entitled to vote.

(b) Class 2—General Unsecured Claims

(i) *Allowance*:

(1) The DFC Notes Claims are Allowed as Class 2 General Unsecured Claims in the following amounts, with respect to principal and interest on the DFC Notes:

DFC Note	**Allowed Claim Amount**
7.65% DFC Note due 2016	$100,965,250.00
7.10% DFC Note due 2017	$40,355,000.00
7.15% DFC Note due 2022	$30,268,125.00

(2) The 2002 Loan Agreement Claims are Allowed as Class 2 General Unsecured Claims in the amount of $6,545,133.89.

(3) The Allowed Claim amounts specified in Sections 4.02(b)(i) and (b)(ii) of the Plan shall be increased by amounts equal to the Trustee Fees and Expenses, which amounts are expected to be agreed upon among the Plan Proponents and the respective Indenture Trustees and disclosed in the Plan Supplement.

(ii) *Treatment*: In full settlement, release and discharge of all Class 2 Claims, each holder of an Allowed Class 2 Claim shall (i) (A) receive its Pro Rata share of the Initial Class 2 Cash Pool, and (B) be deemed to receive its Pro Rata share of the Creditors' Trust Interests representing a right to receive further distributions from the Creditors' Trust on or as soon as reasonably practicable after, the later of (1) the initial Distribution Date and (2) ten (10) business days after such Claim becomes an Allowed Class 2 Claim, or (ii) receive such different treatment as to which such holder and the Plan Proponents shall have agreed upon in writing.

(iii) *Voting*: Class 2 Claims are Impaired. Each holder of a Class 2 Claim other than the DFC Notes Claims and the Loan Agreement Claims shall be entitled to vote to accept or reject the Plan. Solely for purposes of voting on the Plan, (x) the holders of CT Notes shall be deemed to be holders of Class 2 Claims in lieu of the holders of the respective DFC Notes Claims and (y) the holders of AFICA Bonds shall be deemed to be holders of Class 2 Claims in lieu of the holders of the respective Loan Agreement Claims. Accordingly, the holders of CT Notes and AFICA Bonds shall be entitled to vote the principal amount of their CT Notes and AFICA Bonds as further set forth in the Solicitation Order, and (i) the votes of the holders of CT Notes shall be deemed to be the votes of the holders of the respective DFC Notes Claims and (ii) the votes of the holders of AFICA Bonds shall be deemed to be the votes of the holders of the respective Loan Agreement Claims.

(c) Class 3—Intercompany Claims

(i) *Treatment*: Class 3 Claims are Impaired. The holders of Class 3 Claims shall not receive any distribution pursuant to the Plan or retain any property or interest on account of such Class 3 Claims.

(ii) *Voting*: Each holder of a Class 3 Claim shall be conclusively deemed to have rejected the Plan and is, therefore, not entitled to vote.

(d) Class 4—Subordinated Claims

(i) *Treatment*: Class 4 Claims are Impaired. The holders of Class 4 Claims shall not receive any distribution pursuant to the Plan or retain any property or interest on account of such Class 4 Claims unless and until holders of all Allowed Class 1 and Class 2 Claims are paid in full, with accrued interest at the Applicable Rate (such an event, the "Class 4 Trigger Event"). Upon the Class 4 Trigger Event, the Creditors' Trustee shall establish procedures so that distributions can be made on account of Allowed Class 4 Claims under applicable bankruptcy and non-bankruptcy law. Notwithstanding the foregoing, and for the avoidance of doubt, on and after the Effective Date, the Creditors' Trust and the Creditors' Trustee shall have no obligations or liabilities to the holders of Class 4 Claims (as holders of Class 4 Claims) and such holders will have no rights against the Creditors' Trust or Creditors' Trustee for any amount due on or right created by such Class 4 Claims, until the Class 4 Trigger Event.

(ii) *Voting*: Each holder of a Class 4 Claim shall be conclusively deemed to have rejected the Plan and is, therefore, not entitled to vote.

(e) Class 5—Equity Interests

(i) *Treatment*: Class 5 Equity Interests are Impaired. Holders of Equity Interests shall not receive any distribution pursuant to the Plan or retain any property or interest on account of such Equity Interests unless and until holders of all Allowed Class 1 Claims, Allowed Class 2 Claims, and Allowed Class 4 Claims are paid in full, with accrued interest at the Applicable Rate (such an event, the "Class 5 Trigger Event"). Upon the Class 5 Trigger Event, the Creditors' Trustee shall establish procedures so that distributions can be made on account of Equity Interests in accordance with their relative priorities and under applicable bankruptcy and non-bankruptcy law. Notwithstanding the foregoing, and for the avoidance of doubt, on and after the Effective Date, the Creditors' Trust and the Creditors' Trustee shall have no obligations or liabilities to the holders of Equity Interests (as holders of Equity Interests) and such holders will have no rights against the Creditors' Trust or Creditors' Trustee for any amount due on or right created by such Equity Interests, until the Class 5 Trigger Event. On the Effective Date, Equity Interests shall be cancelled and extinguished, except for the limited purpose of preserving the rights, if any, of holders of Equity Interests upon the Class 5 Trigger Event.

(ii) *Voting*: Each holder of Equity Interests shall be conclusively deemed to have rejected the Plan and is, therefore, not entitled to vote.

2. **CONFIRMATION PURSUANT TO 1129(B) OF THE BANKRUPTCY CODE**

With respect to any Class of Claims or Equity Interests that is deemed to reject the Plan, the Plan Proponents will request that the Bankruptcy Court confirm the Plan pursuant to section 1129(b) of the Bankruptcy Code.

E. *Means of Implementation of Plan*

1. **APPROVAL OF SETTLEMENTS**

Pursuant to Section 6.01 of the Plan, in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan constitute a good faith compromise and settlement of all Claims and controversies resolved under the Plan, and the entry of the Confirmation Order will constitute the Bankruptcy Court's approval of such compromise and settlement under Bankruptcy Rule 9019.

2. **CORPORATE ACTION & REORGANIZED DEBTOR COMMON STOCK**

Pursuant to Section 6.02 of the Plan, confirmation of the Plan shall constitute authorization for the Creditors' Trustee, the Debtor, and the Reorganized Debtor, and any of the Debtor's or the Reorganized Debtor's officers and members of the boards of directors, to effectuate the Plan and to execute, issue, deliver, file, or record all contracts, instruments and other agreements or documents, and to take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan without further notice to or action, order or approval of the Bankruptcy Court or any other entity except for those expressly required pursuant to the Plan. All matters provided for in the Plan involving any corporate action to be taken by or required of the Debtor in connection with the Plan shall be deemed to have occurred, and be effective as provided herein, and shall be authorized, approved and, to the extent taken prior to the Effective Date, ratified in all respects, without any requirement of further action by the Debtor, its agents, representatives, stockholders, members, managers, officers, directors or Affiliates.

The Plan provides in Section 6.03 for the Reorganized Debtor to continue in existence after the Effective Date as a separate Puerto Rico corporation. On the Effective Date, pursuant to Section 6.06 of the Plan, the Reorganized Debtor shall issue one share of Reorganized Debtor Common Stock to the Creditors' Trust for the benefit of the Creditors' Trust Beneficiaries. The Creditors' Trust will own 100% of the equity of the Reorganized Debtors on the Effective Date. The rights of the Creditors' Trust, as holder of the only share of Reorganized Debtor Common Stock, will be provided for in the Reorganized Debtor Governing Documents. Forms of these documents will be set forth in the Plan Supplement.

3. VESTING OF ASSETS

Pursuant to Section 6.08 of the Plan, except for assets abandoned by the Debtor pursuant to section 554 of the Bankruptcy Code on the Effective Date (i) the Tax Attributes shall vest in the Reorganized Debtor free and clear of all liens, claims, charges, and other encumbrances and (ii) all other assets of the Debtor's bankruptcy estate shall vest in the Creditors' Trust free and clear of all liens, claims, charges, and other encumbrances, except that the Committee will have the rights and powers associated with the D&O Claims, as provided in Section 6.09 of the Plan.

4. OFFICERS AND DIRECTORS

Pursuant to Section 6.05 of the Plan, upon the Effective Date, and without the necessity of any further action or writing, any of the Debtor's remaining officers and members of its boards of directors shall be deemed to have resigned, if they have not already done so, and they shall be released from any responsibilities, duties and obligations that arise after the Effective Date to the Debtor or its creditors under the Plan or under applicable law. The initial board of directors of the Reorganized Debtor shall consist of the one person appointed by the Committee and identified in a disclosure to be filed as part of the Plan Supplement.

5. OPERATIONS OF REORGANIZED DEBTOR

Pursuant to Section 6.07 of the Plan, on and after the Effective Date, the Reorganized Debtor will continue to operate its businesses and will implement the terms of the Plan, to the extent not implemented by the Creditors' Trust. The Reorganized Debtor is expected to remain in existence until it or its assets have been wholly converted to Cash or abandoned. On the Effective Date, the operation of the Reorganized Debtor shall become the general responsibility of its board of directors, subject to, and in accordance with the Reorganized Debtor Governing Documents. After the Effective Date, the Reorganized Debtor may operate its business and may buy, use, acquire and dispose of its assets, free of any restrictions contained in the Bankruptcy Code.

6. CAUSES OF ACTIONS, INCLUDING D&O CLAIMS

Pursuant to Section 7.01(d) of the Plan, and except as provided in the Plan, and unless expressly waived, relinquished, exculpated, released, compromised or settled in the Plan, in the Confirmation Order, or in any contract, instrument, release or other agreement entered into or delivered in connection with the Plan, the Creditors' Trust shall be vested with, and may enforce, in accordance with sections 1123(a)(5)(A) and 1123(b)(3) of the Bankruptcy Code, the Litigation Claims. The Litigation Claims consist of all claims and causes of action of the Debtor, other than claims and causes of action of the Debtor against the Debtor's current or former directors, officers, and employees (such claims, the "D&O Claims"). 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 the Creditors' Trust or the Creditors' Trustee by virtue of or in connection with the confirmation, consummation or effectiveness of the Plan. A non-exclusive list of the preserved causes of action will be included in the Plan Supplement.

Pursuant to Section 6.09 of the Plan, and in accordance with Bankruptcy Code section 1123, on the Effective Date the Committee will be deemed the estate's representative with respect to the D&O Claims. The Committee will also be granted standing and have all rights and powers to pursue the D&O Claims. Expenses related to the D&O Claims will be satisfied by the Creditors' Trust or out of any proceeds from the D&O Claims. Any proceeds from the D&O Claims will be distributed to the Creditors' Trust Beneficiaries through the Creditors' Trust.

7. INSURANCE POLICIES

Pursuant to Section 6.10 of the Plan, and notwithstanding anything to the contrary in the Plan or the Confirmation Order, confirmation and consummation of the Plan shall not affect, impair, or prejudice the rights of any party, including without limitation, the Debtor, the Reorganized Debtor, the Committee, the Creditors' Trustee, the Debtor's officers and directors, any third-party beneficiary, or other covered party of any of the Debtor's insurance policies with respect to such policies, including the D&O Policies.

In addition, the Debtor will seek to have its current directors and officers liability policy, the Go-Forward Policy, reinstated and continued in accordance with its terms and deemed assumed by the Debtor pursuant to section 365 of the Bankruptcy Code and Section 11.03 of the Plan and assigned to the Creditors' Trust.

8. CONTINUATION OF STAYS

Pursuant to Section 6.11 of the Plan, unless otherwise provided in the Plan or the Confirmation Order, all injunctions or stays in effect on the Confirmation Date pursuant to sections 105 or 362 of the Bankruptcy Code or otherwise shall remain in full force and effect until the Effective Date.

9. EXPENSE RESERVE

Pursuant to Section 6.13 of the Plan, the Creditors' Trustee shall establish a segregated account maintained by the Creditors' Trustee to be funded with an initial amount to be disclosed in the Plan Supplement, and such amounts as reasonably estimated from time to time by the Creditors' Trustee as being necessary to assure payment when due of all expenses that the Creditors' Trustee anticipates will be incurred in connection with carrying out the provisions of the Plan and applicable law, which amounts are to be reserved from distributions to Creditors' Trust Beneficiaries.

10. SALES OF PROPERTY AS FURTHER SOURCE OF CAPITAL

Pursuant to Section 6.14 of the Plan, and in furtherance of the transactions contemplated by the Plan, the Reorganized Debtor and the Creditors' Trust are authorized to sell or enter into any other business transactions with respect to, as applicable, the Creditors' Trust Assets or the Reorganized Debtor's assets. The Reorganized Debtor and the Creditors' Trustee are authorized to incur obligations as necessary to provide funds for working capital or for other uses consistent with the Plan and as otherwise permitted by the Reorganized Debtor Governing Documents or the Creditors' Trust Agreement.

11. THE CREDITORS' TRUST

(a) Formation, Assets, and Powers of the Creditors' Trust

Section 7.01 of the Plan provides for the formation, assets, and powers of the Creditors' Trust.

Pursuant to Section 7.01(a) of the Plan, on the Effective Date, the Creditors' Trust shall be established pursuant to the Creditors' Trust Agreement for the purposes of, among other things, (i) administering the Creditors' Trust Assets, (ii) reviewing and reconciling, including where appropriate objecting to, any Claims, (iii) prosecuting, settling, adjusting, retaining, and enforcing any Litigation Claims, (iv) making any distributions as provided for under the Plan, and (v) liquidating the Creditors' Trust Assets (including the Reorganized Debtor Common Stock). The Creditors' Trust is intended to qualify as a liquidating trust pursuant to United States Treasury Regulation Article 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business, and shall take no action inconsistent with such qualification.

The Plan provides in Section 7.01(b) that, on the Effective Date, in accordance with section 1141 of the Bankruptcy Code, all of the Creditors' Trust Assets, as well as the rights and powers of the Debtor's estate applicable to the Creditors' Trust Assets, shall vest automatically in the Creditors' Trust, free and clear of all Claims and Equity Interests for the benefit of the Creditors' Trust Beneficiaries; *provided*, *however*, that the Committee shall have the rights and powers associated with the D&O Claims, as provided in Section 6.09 of the Plan. The Plan shall be considered a motion pursuant to sections 105, 363 and 365 of the Bankruptcy Code for such relief. In connection with the vesting and transfer of the Creditors' Trust Assets, any attorney-client privilege, work product privilege, or other privilege or immunity attaching to any documents or communications (whether written or oral and including but not limited to electronic information) relating to the Creditors' Trust Assets shall vest in the Creditors' Trust. Pursuant to Section 7.01(b) of the Plan, the Debtor, the Reorganized Debtor, the Committee, and the Creditors' Trustee are authorized to take all necessary actions to effectuate the transfer of such privileges, protections, and immunities.

Section 7.01(c) of the Plan provides that the transfer of the Creditors' Trust Assets to the Creditors' Trust shall be made for the benefit and on behalf of the Creditors' Trust Beneficiaries. The assets comprising the Creditors' Trust Assets will be treated for tax purposes as being transferred by the Debtor to the Creditors' Trust Beneficiaries pursuant to the Plan in exchange for their Allowed Claims and then by the Creditors' Trust Beneficiaries to the Creditors' Trust in exchange for the Creditors' Trust Interests in the Creditors' Trust. The Creditors' Trust Beneficiaries shall be treated as the grantors and owners of the Creditors' Trust. Upon the transfer of the Creditors' Trust Assets, the Creditors' Trust shall succeed to all of the Debtor's rights, title and interest in the Creditors' Trust Assets, and the Debtor will have no further interest in or with respect to the Creditors' Trust; *provided*, *however*, that the Committee shall have the rights and powers associated with the D&O Claims, as provided in Section 6.09 of the Plan.

Section 7.01(d) of the Plan provides that, except as provided in, and unless expressly waived, relinquished, exculpated, released, compromised or settled in the Plan, the Confirmation

Order, or in any contract, instrument, release or other agreement entered into or delivered in connection with the Plan, the Creditors' Trust shall be vested with, and may enforce, in accordance with sections 1123(a)(5)(A) and 1123(b)(3) of the Bankruptcy Code, the Litigation Claims. 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 the Creditors' Trust or the Creditors' Trustee by virtue of or in connection with the confirmation, consummation or effectiveness of the Plan. Without limiting the forgoing, Section 7.01(d) of the Plan provides that the Debtor and the Creditors' Trustee have expressly reserved and preserved certain causes of action to be listed in the Plan Supplement. For the avoidance of doubt, such a list will be provided for disclosure purposes only and shall be non-exclusive and non-limiting. The Plan provides for all Litigation Claims to be vested in the Creditors' Trust.

Section 7.01(e) of the Plan provides that, except as otherwise ordered by the Bankruptcy Court, the Creditors' Trust Expenses on or after the Effective Date shall be paid in accordance with the Creditors' Trust Agreement without further order of the Bankruptcy Court.

Section 7.01(f) of the Plan provides that the Creditors' Trust shall file annual reports regarding the liquidation or other administration of property comprising the Creditors' Trust Assets, the distributions made by it and other matters required to be included in such report in accordance with the Creditors' Trust Agreement. In addition, the Creditors' Trust will file tax returns as a grantor trust pursuant to United States Treasury Regulation Article 1.671-4(a)

(b) The Creditors' Trustee

Pursuant to Section 7.02(a) of the Plan, the identity of the Creditors' Trustee shall be disclosed prior to the Confirmation Hearing as part of the Plan Supplement in accordance with section 1129(a)(5) of the Bankruptcy Code.

Section 7.02(b) of the Plan sets forth certain powers and responsibilities of the Creditors' Trustee. These powers and responsibilities will include, but will not be limited to, those responsibilities vested in the Creditors' Trustee pursuant to the Creditors' Trust Agreement, the Confirmation Order, or as may be necessary and proper to carry out the provisions of the Plan relating to the Creditors' Trust. The Creditors' Trustee shall maintain good and sufficient books and records of account relating to the Creditors' Trust Assets, the management thereof, all transactions undertaken by the Creditors' Trustee, all expenses incurred by or on behalf of the Creditors' Trustee, and all distributions to Creditors' Trust Beneficiaries contemplated or effectuated under the Plan. In connection with the administration of the Creditors' Trust, Section 7.02(b) of the Plan authorizes the Creditors' Trustee to perform any and all acts necessary and desirable to accomplish the purposes of the provisions of the Plan relating to the Creditors' Trust, within the bounds of the Plan, the Creditors' Trust Agreement, and applicable law.

Section 7.02(c) of the Plan authorizes the Creditors' Trustee to, without further order of the Bankruptcy Court, but subject to the terms of the Creditors' Trust Agreement, employ various professionals, including, but not limited to, counsel, consultants, and financial advisors, as needed to assist the Creditors' Trustee in fulfilling its obligations under the Plan, on whatever fee arrangement the Creditors' Trustee deems appropriate, including, without limitation,

contingency fee arrangements. Professionals engaged by the Creditors' Trustee shall not be required to file applications in order to receive compensation for services rendered and reimbursement of actual out-of-pocket expenses incurred.

Section 7.02(d) of the Plan provides that, except as otherwise provided in the Plan, including Section 6.09 of the Plan, on the Effective Date, the Creditors' Trustee, and not the Reorganized Debtor, shall be deemed the estate's representative in accordance with section 1123 of the Bankruptcy Code and shall be granted standing to, and have all the rights and powers set forth in the Creditors' Trust Agreement.

Section 7.02(e) of the Plan provides that, as soon as practicable after the Effective Date, (i) the Creditors' Trustee shall determine the fair market value of the Creditors' Trust Assets as of the Effective Date, based on his good faith determination, and (ii) the Creditors' Trustee shall establish appropriate means to apprise the Creditors' Trust Beneficiaries of such valuation. The valuation shall be used consistently by all parties (including, without limitation, the Debtor, the Creditors' Trust, and the Creditors' Trust Beneficiaries) for all federal income tax purposes.

(c) Compensation of the Creditors' Trustee. Pursuant to Section 7.03 of the Plan, in addition to reimbursement for the Creditors' Trust Expenses, the Creditors' Trustee shall be entitled to receive reasonable compensation for services rendered on behalf of the Creditors' Trust on terms to be set forth in the Creditors' Trust Agreement. All such compensation and reimbursement shall be paid from the Creditors' Trust with Creditors' Trust Assets. The reasonable costs and expenses incurred by the Creditors' Trustee in performing the duties set forth in the Plan shall be paid by the Creditors' Trust and as disclosed in the Plan Supplement. All costs, expenses, and obligations incurred by the Creditors' Trustee or Reorganized Debtor in administering the Plan, or in any manner connected, incidental, or related thereto, including those of attorneys, accountants, and other persons employed to assist in the administration and distribution of the Creditors' Trust Assets, shall be a charge against such assets.

(d) Creditors' Trust Interests.

Section 7.04(a) of the Plan provides that each Creditors' Trust Interest will entitle its holder to distributions from the Creditors' Trust in accordance with the terms of the Creditors' Trust Agreement. The Creditors' Trust Interests will be uncertificated; thus, distributions of Creditors' Trust Interests will be accomplished solely by the entry of the names of the holders and their respective Creditors' Trust Interests in the books and records of the Creditors' Trust. Each holder of a Creditors' Trust Interest shall take and hold its uncertificated beneficial interest subject to all of the terms and provisions of the Creditors' Trust Agreement, the Confirmation Order, and the Plan.

Section 7.04(b) of the Plan provides that the Creditors' Trust Interests shall not be registered pursuant to the Securities Act of 1933, as amended, or any state securities law and shall be exempt from registration thereunder pursuant to section 1145 of the Bankruptcy Code. The Creditors' Trust Interests shall not be capable of being transferred, assigned, pledged or hypothecated, in whole or in part with the prior written consent of the Creditors' Trustee.

(e) Distributions by Creditors' Trustee. The Creditors' Trustee shall make distributions on account of Creditors' Trust Interests in accordance with the terms of the Creditors' Trust Agreement. Notwithstanding the foregoing and the terms of the Creditors' Trust Agreement, upon a motion by the Creditors' Trustee asserting reasonable grounds therefore, the Bankruptcy Court shall have the authority to enter an order directing that distributions to be made on account of Creditors' Trust Interests issued to an Indenture Trustee for the Debt Instruments instead be made to the beneficial and/or record holders of the applicable CT Notes and/or AFICA Bonds. Reasonable grounds shall include, without limitation, an insolvency proceeding relating to any such Indenture Trustee, or any other circumstance in which the distributions being made on account of Creditors' Trust Interests would not or cannot promptly be made to the beneficial holders of the CT Notes and AFICA Bonds

12. ESTABLISHMENT OF ADMINISTRATIVE BAR DATE

Pursuant to Section 2.06 of the Plan, except as otherwise provided in the Plan, any requests for payment of Administrative Claims (other than Professional Fee Claims) must be filed and served on the Creditors' Trustee in accordance with the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order no later than the Administrative Claims Bar Date. The Administrative Claims Bar Date is the date that is thirty (30) days after entry of the Confirmation Order. Holders of Administrative Claims that are required to, but fail to, file and serve a request for payment of such Administrative Claims by the Administrative Claims Bar Date shall be forever barred, estopped and enjoined from asserting such Administrative Claims against the Debtor or its property and such Administrative Claims shall be deemed discharged as of the Effective Date. Objections to such requests, if any, must be filed and served on the Creditors' Trustee and the requesting party no later than [--], 2016, the Administrative Claims Objection Deadline.

All requests for payment of Professional Fee Claims must be filed and served on the Creditors' Trustee pursuant to the procedures specified in the Confirmation Order no later than forty-five (45) days after the Effective Date, unless otherwise ordered by the Bankruptcy Court. Objections to such requests, if any, must be filed and served on the Creditors' Trustee and the requesting party no later than twenty (20) days (or such longer period as may be allowed by order of the Bankruptcy Court) after the date on which the applicable request for payment was served.

VII. REORGANIZED VALUE ANALYSIS

A. *Value of Reorganized Debtor*

As one of the conditions of confirmation of a chapter 11 plan, the Bankruptcy Code requires that the holder of any claim that is junior to an impaired class of claims not receive or retain any property under the plan on account of such junior claim or interest. This requirement is known as the absolute priority rule. Similarly, under the absolute priority rule, a senior class of creditors may not receive or retain property of a value worth more than 100% of the amount of its claims.

Under the Plan, other than in limited circumstances discussed below, the Classes of holders receiving no distribution in accordance with the absolute priority rule are Class 3 (Intercompany Claims), Class 4 (Subordinated Claims), and Class 5, the Debtor's prepetition Equity Interests (which includes both preferred and common stock in the Debtor). As discussed below, the Plan Proponents submit that the Intercompany Claims, Subordinated Claims and Equity Interests are not entitled to a recovery under the Plan.

The Debtor's remaining assets fall into four categories: cash, the Tax Attributes, Litigation Claims, and other unliquidated non-cash assets (such as the I/O Strips). According to the most recently filed monthly operating report, which provides information as of March 31, 2016, the Debtor held approximately $48 million in cash. As noted above, the Debtor expects to receive approximately $31 million due to the settlement with Fannie Mae. In the liquidation analysis, see ARTICLE VIII below, the Plan Proponents estimate that the liquidation value of the remaining non-cash assets, excluding the Tax Attributes, Litigation Claims, and amounts expected to be received under the Fannie Mae settlement (the "Other Assets"), is approximately $5 million. Those assets have not yet been liquidated, and so a greater or lesser value may be achieved. Combining the $5 million estimate for Other Assets, the $31 million expected due to the Fannie Mae settlement, and the $48 million in cash on hand, the Debtor projects its value available for distribution (excluding the Tax Attributes and Litigation Claims) is $84 million.

The general unsecured claims asserted against the Debtor far exceed $84 million. As discussed above in ARTICLE III.D, the Debtor owes $170 million in principal on the DFC Notes and at least another $22.5 million on the AFICA Bonds. Further, substantial trade and litigation claims have been asserted against the Debtor, bringing the total claims asserted, including disputed claims, to more than $300 million. In addition, if the Debtor had sufficient funds to pay all its General Unsecured Claims in full, those claims would be entitled to postpetition interest that would have accrued during the pendency of the Chapter 11 Case.

As discussed above in ARTICLE V.A. and V.C., the values of the Tax Attributes and the Litigation Claims are highly speculative. Achieving value for the Tax Attributes will depend on, among other factors, the Puerto Rico economy, future negotiations with the Commonwealth, and identifying prospective transactions and transaction partners that will permit the Reorganized Debtor to realize value from the Tax Attributes. The Litigation Claims value is contingent on the successful prosecution or settlement of those actions. Given these variables and the other risks identified in ARTICLE V.A. and V.C., the Plan Proponent's project that it is extremely unlikely that the Tax Attributes and the Litigation Claims, particularly after taking into account the time, risks, expenses, and difficulties involved in monetizing and pursuing them, will produce sufficient value to pay all General Unsecured Claims in full plus accrued interest. Accordingly, the Plan Proponents believe that there is no value available for Subordinated Claims or Equity Interests, both of which Classes are junior to all other unsecured claims, and therefore Classes 4 and 5 have no entitlement to any recovery.

The Plan does provide, however, that if the Creditors' Trust should succeed in repaying the General Unsecured Claims in full, including postpetition interest at the Applicable Rate, the Creditors Trust will use the excess proceeds remaining (if any) first to pay Subordinated Claims (if any) and then to make a distribution on Equity Interests. The Plan Proponents believe this possibility is extremely remote, since it would require a much better than expected recovery on

the Tax Attributes or the Litigation Claims, and the Plan accordingly deems the Classes of Subordinated Claims and Equity Interests to reject the Plan on account of receiving no recovery.

B. *Feasibility of Chapter 11 Plan*

The Bankruptcy Code requires as one of the conditions to confirmation of a plan of reorganization that the Bankruptcy Court determine that confirmation is not likely to be followed by the liquidation or the need for further financial reorganization of the debtor. 11 U.S.C. § 1129(a)(11). This standard is commonly referred to as "feasibility."

The Plan Proponents submit that the Plan satisfies the feasibility standard. The Plan provides for the Creditors' Trust and the Reorganized Debtor to continue doing essentially what the Debtor has been doing to date: liquidating the assets of the Debtor's estate in an orderly manner so as to maximize value for creditors. As discussed above, on the Effective Date the Debtor's existing preferred and common stock will be cancelled and replaced with one new share of stock in the Reorganized Debtor issued to the Creditors' Trust for the benefit of the Creditors' Trust Beneficiaries. A new board of directors will be appointed for the Reorganized Debtor to continue the Debtor's limited operations and the orderly liquidation of the few assets not transferred to the Creditors' Trust (principally the Tax Attributes). This is basically the same model the Debtor has employed with success during the Chapter 11 Case.

VIII. LIQUIDATION ANALYSIS

Section 1129(a)(7) of the Bankruptcy Code requires that each holder of an Impaired Claim or Impaired Equity Interest that has not voted to accept the Plan must receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such Holder would receive or retain if the debtor was liquidated under chapter 7 of the Bankruptcy Code (sometimes called the "Best Interests Test," which is described in greater detail in ARTICLE XI.E.1. hereof). If all members of an impaired class of claims or interests have accepted the Plan, the "best interests test" does not apply with respect to that class.

A determination of the value that Holders will receive or retain if the Debtor were to be liquidated in a hypothetical case under chapter 7 of the Bankruptcy Code begins with an estimation of the gross proceeds that would be generated from the hypothetical liquidation of the Debtor's assets and properties in the context of a chapter 7 liquidation case, including the cash and cash equivalents the Debtor would hold at the time of the commencement of the hypothetical chapter 7 case. The gross liquidation proceeds then are reduced by the costs and expenses of the liquidation, including such additional administrative expenses and priority claims that may result from the use of chapter 7 for the purposes of a hypothetical liquidation, to determine the net liquidation proceeds available for distribution to creditors. Such net liquidation proceeds (*i.e.*, cash available for distribution) are then applied on a hypothetical basis to creditors and stockholders in strict priority in accordance with section 726 of the Bankruptcy Code.

In performing a liquidation analysis of the Debtor, Zolfo Cooper considered the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors, including:

- the cost and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee;

- the reduction in value of assets in a chapter 7 case in the context of the liquidation required under chapter 7 and the "forced sale" atmosphere that would prevail; and

- the lack of any recovery for the Tax Attributes.

A copy of Zolfo Cooper's liquidation analysis is attached as Exhibit B to this Disclosure Statement. Zolfo Cooper prepared the liquidation analysis at the Debtor's request and with the assistance of the Debtor and its other advisors. Zolfo Cooper's liquidation analysis estimates the values that may be obtained by the holders of Claims upon a disposition of assets pursuant to a liquidation in a bankruptcy case under chapter 7 of the Bankruptcy Code, as an alternative to the Plan. The analysis is based on a number of assumptions. **Because of the numerous risks, uncertainties, and contingencies beyond the Plan Proponent's control, there can be no assurances whatsoever that the recoveries set forth in the liquidation analysis could be realized in an actual liquidation.** Moreover, because the liquidation analysis was prepared for purposes of evaluating the Plan in respect of section 1129(a)(7) of the Bankruptcy Code, the amounts disclosed may not be indicative of actual returns that may eventually be realized under the Plan.

Underlying the liquidation analysis are various estimates and assumptions that are inherently subject to significant uncertainties and contingencies beyond the control of the Debtor or a chapter 7 trustee. Additionally, various liquidation decisions upon which certain assumptions are based are subject to change. Some of the key estimates and assumptions are highlighted in Zolfo Cooper's liquidation analysis in Exhibit B. The actual amount of claims could vary significantly from those estimated, depending on the claims asserted during the chapter 7 case. Accordingly, the actual liquidation value of the Debtor could vary materially from the estimates provided in the liquidation analysis.

The liquidation analysis concludes that holders of Allowed Class 2 Claims (General Unsecured Claims) would receive a distribution of between 27% and 34% on their Allowed Claims, and that no assets would be available for distributions to Subordinated Claims or Equity Interests.

IX. THE PLAN – OTHER PROVISIONS

Capitalized terms used in this Article IX but not otherwise defined in Annex I shall have the meanings assigned such terms in the Plan.

A. *Treatment of Executory Contracts and Unexpired Leases*

1. ASSUMPTION AND CURE OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Section 365 of the Bankruptcy Code permits debtors to assume or reject executory contracts and unexpired leases with the authorization of the Bankruptcy Court. Section 365 of the Bankruptcy Code further provides that an executory contract or unexpired lease can be

assumed only if (i) certain defaults with respect to such contract or lease are cured (or adequate assurance of a prompt cure is provided), (ii) compensation for any pecuniary losses arising from such default are provided, and (iii) ”adequate assurance” of future performance is provided. Section 1123(b)(2) of the Bankruptcy Code allows for the assumption of unrejected contracts and leases pursuant to the terms of a plan of reorganization. Pursuant to Sections 11.01, 11.03, and 11.04 of the Plan:

(a) Any executory contract or unexpired lease that (i) has not expired by its own terms on or prior to the Confirmation Date, (ii) has not been assumed, assumed and assigned, or rejected with the approval of the Bankruptcy Court on or prior to the Confirmation Date, (iii) is not the subject of a motion to assume or reject which is pending at the time of the Confirmation Date, or (iv) is not listed in Exhibit C to the Plan as being an executory contract or unexpired lease to be assumed at the time of Confirmation of the Plan, shall be deemed rejected on the Effective Date. The entry of the Confirmation Order by the Bankruptcy Court shall constitute the approval of the rejection of executory contracts and unexpired leases pursuant to Section 8.01 of the Plan and sections 365(a) and 1123(b)(2) of the Bankruptcy Code.

(b) Except as otherwise provided in the Plan or in any contract, instrument, instrument or other agreement or document entered into in connection with the Plan, on the Effective Date, pursuant to section 365 of the Bankruptcy Code, the Debtor shall assume each of the respective executory contracts and unexpired leases, if any, listed on Exhibit C to the Plan and assign such agreements to the Creditors’ Trust; *provided, however*, that the Plan Proponents reserve the right, at any time prior to the Effective Date, to amend Exhibit C to the Plan: (i) delete any executory contract or unexpired lease listed therein, thus providing for its rejection pursuant to the Plan; or (ii) add any executory contract or unexpired lease, thus providing for its assumption pursuant to Section 11.03. The Debtor shall provide written notice to each counterparty to an Assumed Contract (together with a statement of the date by which any Cure Claims must be filed) and written notice of any amendments to the parties to the executory contracts or unexpired leases affected thereby and to the parties on the then-applicable service list in the Bankruptcy Case.

(c) Any Cure Claims associated with any executory contract or unexpired lease to be assumed pursuant to the Plan shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code: (i) by payment of the Cure Claim in Cash on or after the Effective Date; or (ii) on such other terms as are agreed to by the parties to such executory contract or unexpired lease. Pursuant to section 365(b)(2)(D) of the Bankruptcy Code, no Cure Claim shall be allowed for a penalty rate or other form of default rate of interest. If there is an unresolved dispute regarding: (i) the amount of any Cure Claim; (ii) the ability of the Reorganized Debtor or Creditors’ Trust

(as applicable) to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed; or (iii) any other matter pertaining to assumption of such contract or lease, the payment of any Cure Claim required by section 365(b)(1) of the Bankruptcy Code shall be made following the resolution of such dispute by the parties or the entry of a Final Order resolving the dispute and approving the assumption.

2. **CLAIMS BASED ON REJECTION OF EXECUTORY CONTRACTS OR UNEXPIRED LEASES**

Section 11.02 of the Plan provides that Claims created by the rejection of executory contracts and unexpired leases pursuant to Section 11.01 of the Plan, or the expiration or termination of any executory contract or unexpired lease prior to the Effective Date, must be filed with the Bankruptcy Court and served on the Creditors' Trustee no later than thirty (30) days after the Effective Date. Any Claims arising from the rejection of an executory contract or unexpired lease pursuant to Section 11.01 for which proofs of Claim are not timely filed within that time period will be forever barred from assertion against the Debtor, its estate, the Creditors' Trust, the Creditors' Trustee, their successors and assigns, and their assets and properties, unless otherwise ordered by the Bankruptcy Court or as otherwise provided herein. All such Claims shall, as of the Effective Date, be subject to the discharge and permanent injunction set forth in Article 12. Unless otherwise ordered by the Bankruptcy Court, all such Claims that are timely filed as provided herein shall be treated as a General Unsecured Claim and shall be subject to the provisions of Article 4 of the Plan.

3. **COMPENSATION AND BENEFIT PROGRAMS**

Section 11.09 of the Plan provides that, notwithstanding anything to the contrary in the Plan, all contracts, agreements, policies, programs and plans in existence on the Petition Date that provided for the issuance of Equity Interests or other interests in the Debtor to current or former employees or directors of the Debtor are, to the extent not previously terminated or rejected by the Debtor, rejected or otherwise terminated as of the Effective Date without any further action of the Debtor, Reorganized Debtor, or the Creditors' Trustee or any order of the Court, with rejection damages of $0.00, and any unvested Equity Interests or other interests granted under any such agreements, policies, programs and plans in addition to any Equity Interests or other interests granted under such agreements previously terminated or rejected by the Debtor to the extent not previously cancelled shall be cancelled pursuant to Section 6.12 of the Plan. Objections to the treatment of these plans or the Claims for rejection or termination damages arising from the rejection or termination of any such plans, if any, must be submitted and resolved in accordance with the procedures and subject to the conditions for objections to confirmation. If any such objection is not timely filed and served before the deadline set for objections to the Plan, each participant in or counterparty to any agreement described in Section 11.09 of the Plan shall be forever barred from (i) objecting to the rejection or termination provided hereunder, and shall be precluded from being heard at the Confirmation Hearing with respect to such objection; (ii) asserting against the Reorganized Debtor or its property, or the Creditors' Trustee or the Creditors' Trust Assets, any default existing as of the Effective Date or any counterclaim, defense, setoff or any other interest asserted or assertable against the Debtor;

and (iii) imposing or charging against the Reorganized Debtor or the Creditors' Trust any accelerations, assignment fees, increases or any other fees as a result of any rejection pursuant to Section 11.09 of the Plan.

B. *Provisions Governing Distributions*

1. **DATE OF DISTRIBUTIONS**

Pursuant to Section 8.03 of the Plan, and except as otherwise provided in the Plan, any payment or distribution to be made under the Plan shall be deemed to be timely made if made within twenty (20) days after the date specified in the Plan, or as soon thereafter as is reasonably practicable.

2. **DELIVERY OF DISTRIBUTIONS AND UNDELIVERABLE OR UNCLAIMED DISTRIBUTIONS**

(a) *General*. Pursuant to Section 8.05 of the Plan, distributions and deliveries to each holder of an Allowed Claim will be made (i) at the address set forth for such holder in the Debtor's Schedules if no proof of claim has been filed on behalf of such holder, (ii) at the address reflected in the proof of claim filed by the holder of an Allowed Claim, or (iii) at the address set forth in any written notices of address change delivered after the date of any related proof of claim. If any distribution is returned as undeliverable, no further distributions to the applicable holder will be made unless and until the Creditors' Trustee is notified of the holder's then current address, at which time all missed distributions will be made to the holder without interest. Notwithstanding anything in the Plan to the contrary, all distributions on account of (a) the respective DFC Notes Claims shall be made to the DFC Notes Trustee, who will in turn make distributions to the CT Notes Trustee (for the benefit of the holders of the respective CT Notes, subject to any right of the CT Notes Trustee to assert a Charging Lien against any such distribution) in accordance with the DFC Notes Indenture, subject to any right of the DFC Notes Trustee to assert a Charging Lien against the distributions on account of the DFC Notes Claims and make provision for the payment of such Indenture Trustee's unpaid Trustee Fees and Expenses, and (b) the 1999 Loan Agreement Claims and the 2002 Loan Agreement Claims shall be made to the 1999 AFICA Trustee (for the benefit of the holders of the 1999 AFICA Bonds) and the 2002 AFICA Trustee (for the benefit of the holders of the 2002 AFICA Bonds), as appropriate, subject to any right of the subject Indenture Trustee to assert a Charging Lien against the respective distributions on account of the 1999 Loan Agreement Claims and the 2002 Loan Agreement Claims and make provision for the payment of unpaid fees and expenses of the subject Indenture Trustee which are due under the applicable trust agreement.

(b) *Uncashed Checks*. Pursuant to Section 8.07 of the Plan, checks issued by the Creditors' Trustee on account of Allowed Claims shall be null and void if not negotiated within ninety (90) days from and after the date of issuance thereof. Requests for reissuance of any check shall be made in writing directly to the Creditors' Trustee by the holder of the Allowed Claim with respect to which such check originally was issued. Any claim in respect of such a voided check shall be made on or before the later of (i) the first anniversary of the Effective Date or (ii) one hundred eighty (180) days after the date of issuance of such check. After such date, all

claims in respect of voided checks shall be discharged and forever barred and the Creditors' Trustee shall retain all monies related thereto.

3. SETOFF AND RECOUPMENT

Pursuant to Section 8.08 of the Plan, except to the extent a Claim has been previously Allowed or is Allowed by the Plan, the Reorganized Debtor and/or Creditors' Trustee may, but shall not be required to, set off or recoup against any Claim and the payments or other distributions to be made pursuant to the Plan in respect of such Claim, claims of any nature whatsoever which the Creditors' Trustee or Reorganized Debtor may have against the holder of such Claim to the extent such claims may be set off or recouped under applicable law, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Creditors' Trustee or Reorganized Debtor, of any such claim or counterclaim that they each may have against such holder.

4. CANCELLATION AND SURRENDER OF INSTRUMENTS, SECURITIES, AND EXISTING AGREEMENTS

Pursuant to Section 6.12 of the Plan, except as otherwise provided in the Plan or as provided in any contract, instrument or other agreement or document entered into or delivered in connection with the Plan and except for the limited purpose of determining distribution rights, if any, to holders of Class 4 Claims and Class 5 Equity Interests, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan, all notes, instruments, certificates, and other documents evidencing Claims or Equity Interests shall be deemed cancelled and of no further force and effect against the Debtor, without any further action on the part of the Debtor. From and after the making of the applicable distributions pursuant to the Plan, the holders of such notes, instruments, certificates and other documents shall have no rights against the Debtor, Reorganized Debtor, or the Creditors' Trust arising from or relating to such instruments and other documents or the cancellation thereof, except the rights provided pursuant to the Plan.

Notwithstanding anything to the contrary in the Plan, the DFC Notes Indenture, the AFICA Trust Agreements, the CT Trust Agreements, and the Loan Agreements (to the extent applicable) shall be cancelled and discharged except with respect to the rights of the respective Indenture Trustee (i) to make distributions to the holders of Debt Instruments as contemplated by the Plan and each relevant indenture, trust agreement, or Loan Agreement and (ii) to enforce such Indenture Trustee's rights and remedies under its relevant indenture or trust agreement as Indenture Trustee against the holders of the respective Debt Instruments including, without limitation, all rights to compensation and related lien rights, including lien rights with respect to Plan distributions. After the Effective Date, other than with respect to Plan distributions under the terms of the indentures, trust agreements, or Loan Agreements, the Indenture Trustees shall have no continuing duties to the holders of the respective Debt Instruments, including, without limitation, no duty to oversee the Creditors' Trustee, the Committee or the Reorganized Debtor or to file or object to any motion or proceeding in bankruptcy cases or to object to the allowance of claims including administrative expense claims. In connection with distributions under the Plan, the Indenture Trustees under each relevant indenture and/or trust agreement shall have the

right to establish one or more payment dates and may require the surrender of Debt Instruments in order to receive distributions in accordance with the indentures or trust agreements.

5. MANNER OF PAYMENTS UNDER PLAN OF REORGANIZATION

Pursuant to Section 8.04 of the Plan, unless the person or entity receiving a payment agrees otherwise, any payment of Cash to be made by the Creditors' Trustee shall be made, at the election of the Creditors' Trustee, by check drawn on a domestic bank or by electronic or wire transfer from a domestic bank; *provided*, *however*, that no Cash payments shall be required to be made to a holder of an Allowed Claim unless the amount payable thereto is equal to or greater than twenty dollars ($20.00). The Claim of any holder whose distribution is in an amount less than $20.00 shall be discharged, and such holder shall be forever barred from asserting such Claim against the Creditors' Trust, the Creditors' Trustee, the Reorganized Debtor or each of their respective assets.

6. COMPLIANCE WITH TAX REQUIREMENTS

Pursuant to Section 8.09 of the Plan, in connection with the Plan, the Reorganized Debtor and/or Creditors' Trustee will comply with all tax withholding and reporting requirements imposed by any governmental unit, and all distributions pursuant to the Plan will be subject to such withholding and reporting requirements. Notwithstanding any other provision of the Plan, each entity receiving a distribution pursuant to the Plan will have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed on it by any governmental unit on account of such distribution, including income, withholding, and other tax obligations.

C. *Procedures for Resolving Disputed Claims*

1. OBJECTIONS TO AND ESTIMATION OF CLAIMS

Pursuant to Section 9.01 of the Plan, following the Effective Date, the Creditors' Trustee shall object to the allowance of Claims with respect to which the Creditors' Trustee disputes liability, in whole or in part. All objections shall be litigated to a Final Order; *provided*, *however*, that the Creditors' Trustee may compromise and settle, withdraw or resolve by any other method approved by the Bankruptcy Court, any objections to Claims or Equity Interests. In addition, the Creditors' Trustee may, at any time, request that the Bankruptcy Court estimate any contingent Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Debtor has previously objected to such Claim. Except as otherwise provided by order of the Bankruptcy Court, the Creditors' Trustee may file an objection to any Claim until the later of: (i) thirty days after the date that such Claim becomes due and payable in accordance with its terms, or (ii) 180 days after the Effective Date.

2. PAYMENTS AND DISTRIBUTIONS ON DISPUTED CLAIMS

Pursuant to Section 9.06 of the Plan, no partial payments and no partial distributions shall be made with respect to a Disputed Claim until the resolution of such disputes by settlement or Final Order. As soon as practicable after a Disputed Claim becomes an Allowed Claim, the

holder of such Allowed Claim shall receive all payments and distributions to which such holder is then entitled under the Plan.

D. *Conditions Precedent to Confirmation and Effective Date of the Plan*

1. **CONDITIONS TO CONFIRMATION**

Section 10.01 of the Plan provides that the confirmation of the Plan by the Bankruptcy Court shall be subject to, and conditioned upon, (i) entry by the Bankruptcy Court of the Disclosure Statement Order in form and substance reasonably acceptable to the Plan Proponents, and (ii) the Plan and Confirmation Order, including any schedules, documents, supplements, and exhibits thereto being in form and substance reasonably acceptable to the Plan Proponents.

2. **CONDITIONS TO EFFECTIVENESS**

Section 10.02 of the Plan provides that the effectiveness of the Plan shall be subject to, and conditioned upon, (i) the Confirmation Order, in form and substance reasonably acceptable to the Plan Proponents, becoming a Final Order, (ii) no request for revocation of the Confirmation Order under section 1144 of the Bankruptcy Code having been made or, if made, remaining pending, (iii) on the Effective Date, the Debtor having sufficient cash to fund the Creditors' Trust such that the Creditors' Trust may fund all distributions required on the initial Distribution Date, (iv) all other actions and documents necessary to implement the Plan shall have been effected or executed, and (v) the Effective Date occurring on or prior to July 29, 2016 or such other date as agreed to by each of the Plan Proponents.

3. **WAIVER OF CONDITIONS TO CONFIRMATION OR THE EFFECTIVE DATE**

Pursuant to Section 10.03 of the Plan, the conditions to confirmation and the conditions to the Effective Date may be waived in whole or part at any time by the Plan Proponents without an order of the Bankruptcy Court.

4. **REVOCATION OF THE PLAN**

Pursuant to Section 10.04 of the Plan, the Plan Proponents reserve the right to seek to vacate the Plan at any time prior to the Effective Date. If the Confirmation Order is vacated, then (i) the Plan will be null and void in all respects and (ii) nothing contained in the Plan will (a) constitute a waiver or release of any claims by or against, or any interest in, the Debtor or (b) prejudice in any manner the rights of the Debtor, the Committee, or any other party in interest.

E. *Effect of Plan Confirmation*

1. **BINDING EFFECT**

Pursuant to Section 15.08 of the Plan, the Plan shall be binding upon, and shall inure to the benefit of, the Debtor, holders of all Claims and Equity Interests, and their respective successors and assigns.

2. **DISCHARGE OF CLAIMS**

Pursuant to Article 12 of the Plan, unless otherwise provided in the Plan, confirmation of the Plan shall discharge the Debtor from any debt that arose before the Petition Date, and any debt of a kind specified in section 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (i) a proof of claim based upon such debt is filed or deemed filed under section 501 of the Bankruptcy Code; (ii) a Claim based upon such debt is allowed under section 502 of the Bankruptcy Code; or (iii) the holder of a Claim based upon such debt has accepted the Plan.

3. **EXCULPATION**

Pursuant to Section 15.07, to the fullest extent permitted by applicable law and approved in the Confirmation Order, none of the Debtor, the Committee (and each of its individual members, in their capacities as members of the Committee), the DFC Notes Trustee, nor any of their respective former or current directors, officers, employees, advisors, affiliates, attorneys, financial advisors, representatives or agents shall have or incur any liability to any holder of a Claim or Equity Interest for any act or omission in connection with or arising out of, (i) any act, omission, transaction or other occurrence taking place on or after the Petition Date and in any way relating to the Debtor or the Bankruptcy Case, (ii) the formulation, negotiation, confirmation or consummation of the Plan, (iii) the solicitation of acceptances of the Plan, (iv) the administration of the Plan or property to be distributed under the Plan, or (v) the enforcement of the terms of the Plan and the contracts, instruments, releases, agreements and documents delivered thereunder, except for acts or omissions that constitute or are the result of fraud, criminal conduct, gross negligence, or willful misconduct. Exculpated parties shall, in all respects, be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

4. **INJUNCTION**

Pursuant to Article 14 of the Plan:

(a) *Injunction Against Asserting Claims of Debtor.* On and after the Confirmation Date, subject to the Effective Date, all Persons will be permanently enjoined from commencing or continuing in any manner any action or proceeding (whether directly, indirectly, derivatively or otherwise) on account of or respecting any claim, debt, right or cause of action of the Debtor for which the Debtor, Reorganized Debtor, the Committee, the Creditors' Trustee, or the Creditors' Trust, as the case may be, retains sole and exclusive authority to pursue in accordance with the Plan or otherwise.

(b) *Injunction Against Interference With Plan*. Upon the entry of the Confirmation Order, all holders of Claims and Equity Interests and other parties in interest, along with their respective present or former employees, agents, officers, directors or principals, will be enjoined from taking any actions to interfere with the implementation or consummation of the Plan.

5. **TERM OF BANKRUPTCY INJUNCTION OR STAYS**

Pursuant to Section 6.11 of the Plan, unless otherwise provided in the Plan or the Confirmation Order, all injunctions or stays in effect pursuant to sections 105 or 362 of the

Bankruptcy Code or otherwise and in effect on the Confirmation Date shall remain in full force and effect until the Effective Date.

F. *Retention of Jurisdiction*

Article 13 of the Plan provides that, the Bankruptcy Court shall retain exclusive jurisdiction of these proceedings for the following purposes:

(a) to hear and determine any and all applications, motions, adversary proceedings and contested or litigated matters arising out of, under, or related to, the Bankruptcy Case, the Tax Attributes, the Creditors' Trust Assets (including the Litigation Claims), or the D&O Claims;

(b) to hear and determine any and all objections to the allowance of Claims and Equity Interests;

(c) to hear and determine any and all applications for allowance of compensation and reimbursement of expenses;

(d) to enter such orders as may be necessary or appropriate to execute, implement, or consummate the provisions of the Plan and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan, the Disclosure Statement, or the Confirmation Order;

(e) with respect to a motion by the Creditors' Trustee, if any, pursuant to Section 7.05(a) of the Plan;

(f) to effectuate payments under and performance of the provisions of the Plan;

(g) to enter such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, reversed, revoked, modified or vacated;

(h) to determine the Plan Proponents' motion, if any, to modify the Plan in accordance with section 1127 of the Bankruptcy Code;

(i) to issue such orders in aid of execution of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code;

(j) to consider any modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the order confirming the Plan;

(k) to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan and any related documents, including but not limited to the Plan Supplement, the Disclosure Statement, the Confirmation Order, the Creditors' Trust

Agreement, or any contract, instrument, release or other agreement or document created in connection with the Plan, the Plan Supplement, the Disclosure Statement, the Confirmation Order, or the Creditors' Trust Agreement, *provided, however*, that any disputes arising under or in connection with the Reorganized Debtor Governing Documents shall be adjudicated in accordance with the provisions of the applicable document;

(l) to hear and determine any issue for which the Plan or any related document requires a Final Order of the Bankruptcy Court;

(m) to enforce all orders, judgments, injunctions, releases, exculpations, indemnifications, and rulings entered in connection with the Bankruptcy Case;

(n) to hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

(o) to hear and determine all disputes involving the existence, nature, or scope of the Debtor's discharge;

(p) to hear and determine all matters arising under the Creditors' Trust Agreement or relating to the Creditors' Trustee;

(q) to enter a final decree closing the Bankruptcy Case; and

(r) to hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under, or not inconsistent with, provisions of the Bankruptcy Code.

G. *Miscellaneous Provisions*

1. **GOVERNING LAW**

Section 1.07 of the Plan provides that, except to the extent that the Bankruptcy Code or Bankruptcy Rules are applicable, and subject to the provisions of a contract, instrument, release, or other agreement or document entered into in connection with the Plan, the rights and obligations arising under the Plan shall be governed by, and constructed and enforced in accordance with, the laws of the State of New York, without giving effect to the principles of conflicts of law thereof.

2. **SEVERABILITY**

Section 15.02 of the Plan provides that if, prior to confirmation, any term or provision of the Plan or Plan Documents, is held to be invalid, void, prohibited, or unenforceable the Plan Proponents may amend or modify the Plan to correct the defect, by amending or deleting the offending provision or otherwise, without re-solicitation of any acceptance or rejection of the Plan unless otherwise ordered by the Court, or may withdraw the Plan. Notwithstanding any such

holding or alteration, the remainder of the terms and provisions of the Plan and the Plan Documents shall remain in full force and effect and shall in no way be affected, impaired, or invalidated by such holding or alteration. If any term or provision in the Plan or Plan Documents is held to be invalid, void, prohibited, or unenforceable following the Effective Date, such determination shall in no way affect, impair, or invalidate the enforceability and operative effect of any and all other provisions of the Plan or Plan Documents.

H. *Notices*

Pursuant to Section 15.10 of the Plan, Any notice required or permitted to be provided under the Plan shall be in writing and served by: (i) certified mail, return receipt requested, postage prepaid; (ii) hand delivery; or (iii) reputable overnight carrier service, freight prepaid, to be addressed as follows:

If to the Debtor, to:

Ropes & Gray LLP
1211 Avenue of the Americas
New York, NY 10036-8704
Attn: Mark I. Bane
Facsimile: (212) 596-9090
mark.bane@ropesgray.com

Ropes & Gray LLP
Prudential Tower
800 Boylston Street
Boston, MA 02446
Attn: James A. Wright III
Facsimile: (617) 235-9542
james.wright@ropesgray.com

-and -

If to the Committee, to:

Schulte Roth & Zabel LLP
919 Third Avenue
New York, New York 10022
Attn: Brian D. Pfeiffer
Attn: Taejin Kim
Facsimile: (212) 593-5955
brian.pfeiffer@srz.com
tae.kim@srz.com

3. EXEMPTION FROM TRANSFER TAXES

Pursuant to Section 15.06 of the Plan and section 1146(c) of the Bankruptcy Code, none of (i) the issuance, transfer or exchange of any security under, in furtherance of, or in connection with, the Plan, (ii) the assignment or surrender of any lease or sublease, or the delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including any deeds, bills of sale or assignments executed in connection with any disposition of assets contemplated by the Plan (including real and personal property), (iii) transfers from the Debtor to the Creditors' Trust, or (iv) the disposition and/or encumbrance of assets in connection with any transactions contemplated hereunder (including any subsequent sale of property

pursuant to the Plan), shall be subject to any stamp, real estate transfer, mortgage recording sales, use or other similar tax.

4. **DISSOLUTION OF STATUTORY COMMITTEES**.

Pursuant to Section 15.11 of the Plan, except as otherwise provided in any order of the Bankruptcy Court, on the Effective Date, the members of the Committee will thereupon be released and discharged of and from all further authority, duties, responsibilities and obligations related to and arising from and in connection with the Bankruptcy Case, *provided*, *however*, that following the Effective Date, the Committee shall continue in existence and have standing and a right to be heard for the following limited purposes: (i) Claims and/or applications for compensation by Professionals and requests for allowance of Administrative Claims for substantial contribution pursuant to section 503(b)(3)(D) of the Bankruptcy Code; (ii) any adversary proceedings or contested matters as of the Effective Date to which the Committee is a party; (iii) any settlement, dispute, litigation, or resolution with respect to the D&O Claims; and (iv) responding to creditor inquiries for sixty (60) days following the Effective Date. Following the completion of the Committee's remaining duties set forth above, the Committee shall be dissolved, and the retention or employment of the Committee's respective attorneys, accountants and other agents shall terminate.

X. CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES (FOREIGN, FEDERAL, STATE AND LOCAL) OF THE PLAN TO THEM. THE PLAN PROPONENTS ARE NOT MAKING ANY REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE CONFIRMATION AND CONSUMMATION OF THE PLAN AS TO ANY SPECIFIC HOLDER OF A CLAIM AGAINST THE DEBTORS, NOR ARE THE PLAN PROPONENTS RENDERING ANY FORM OF LEGAL OPINION AS TO SUCH TAX CONSEQUENCES.

The following discussion summarizes certain material U.S. federal income tax consequences of (i) the implementation of the Plan to Holders of Allowed General Unsecured Claims and (ii) the ownership and sale, exchange or other disposition of the consideration to be received pursuant to the Plan by the Holders in exchange for their Allowed General Unsecured Claims. This summary does not address the U.S. federal income tax consequences to Holders of any Claims other than General Unsecured Claims.

This discussion is based on existing provisions of the Internal Revenue Code of 1986, as amended (the "IRC"), existing and proposed Treasury Regulations promulgated thereunder, and current administrative rulings and court decisions. Legislative, judicial, or administrative changes or interpretations enacted or promulgated after the date hereof could alter or modify the analyses set forth below with respect to the U.S. federal income tax consequences of the Plan. Any such changes or interpretations may be retroactive and could significantly affect the U.S. federal income tax consequences of the Plan.

The U.S. federal income tax consequences of the Plan are complex and are subject to significant uncertainties. No ruling has been (or will be) requested or obtained from the Internal

Revenue Service (the "IRS") or any other taxing authority with respect to any tax aspects of the Plan, and no opinion of counsel has been (or will be) sought or obtained with respect thereto. This discussion assumes that the Plan will be consummated in accordance with its terms. Events occurring after the date of the Disclosure Statement, including amendments or modifications to the Plan and changes in law and/or administrative positions, could affect the U.S. federal income tax consequences of the Plan. No representations are being made regarding the particular U.S. federal income tax consequences of the confirmation and consummation of the Plan to the Debtor or any Holders. This discussion is not binding on the IRS, and no assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein.

This summary does not address any estate, gift, Puerto Rico, state, local, or foreign law tax consequences of the Plan to the Debtor or to any Holder. Furthermore, this discussion does not address all tax considerations that might be relevant to particular Holders in light of their personal circumstances. In addition, this summary does not address the tax treatment of special classes of Holders, such as financial institutions, regulated investment companies, real estate investment trusts, tax-exempt entities, insurance companies, persons holding debt as part of a hedging, integrated or conversion transaction, constructive sale or "straddle," U.S. expatriates, persons subject to the alternative minimum tax, and dealers or traders in securities or currencies.

For purposes of this discussion, a "U.S. Holder" is a Holder that is: (1) an individual citizen or resident of the United States for U.S. federal income tax purposes; (2) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of the source of such income; or (4) a trust (A) if a court within the United States is able to exercise primary jurisdiction over the trust's administration and one or more United States persons have authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable Treasury Regulations to be treated as a United States person. For purposes of this discussion, a "Non-U.S. Holder" is any Holder that is not a U.S. Holder other than any partnership (or other entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes).

If a partnership (or other entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes) is a Holder, the tax treatment of a partner (or other owner) generally will depend upon the status of the partner (or other owner) and the activities of the entity. Partners (or other owners) of partnerships (or other pass-through entities) that are Holders should consult their respective tax advisors regarding the U.S. federal income tax consequences of the Plan.

A. *U.S. Federal Income Tax Consequences of the Plan to Holders of Allowed General Unsecured Claims*

1. *In General*

As mentioned above, the U.S. federal income tax consequences of the Plan to Holders of Allowed General Unsecured Claims are complex and subject to significant uncertainties. Such

consequences may depend, among other things, on (1) the manner in which a Holder acquired a Claim; (2) the length of time the Claim has been held; (3) whether the Claim was acquired at a discount; (4) whether the Holder has taken a bad debt deduction with respect to the Claim (or any portion thereof); (5) whether the Holder has previously included in income accrued but unpaid interest with respect to the Claim; and (6) the Holder's method of tax accounting.

EACH HOLDER OF AN ALLOWED GENERAL UNSECURED CLAIM IS STRONGLY URGED TO CONSULT SUCH HOLDER'S OWN TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES TO SUCH HOLDER OF THE TRANSACTIONS DESCRIBED HEREIN AND IN THE PLAN.

2. *U.S. Federal Income Tax Consequences of the Plan to U.S. Holders*

a. *In General*

Pursuant to the Plan, the Holders of Allowed General Unsecured Claims will exchange directly with the Debtor their Allowed Claims for the consideration specified in the Plan (the "Exchanges").

The Exchanges should be treated as fully taxable transactions, subject to the discussion below regarding the treatment of accrued but unpaid interest in section X.A.2.b, *"—Accrued but Unpaid Interest"*, and the "market discount" rules described below in section X.A.2.c, "*—Market Discount.*" A U.S. Holder of Allowed General Unsecured Claims will recognize gain or loss for U.S. federal income tax purposes on an Exchange equal to the difference between (i) the sum of (A) any cash received in the Exchange and (B) the fair market value of any interests in the Creditors' Trust received in the Exchange, and (ii) such U.S. Holder's adjusted tax basis in the Allowed General Unsecured Claims surrendered, determined immediately prior to the Effective Date. Such gain or loss should be capital gain or loss if the Allowed General Unsecured Claims surrendered were capital assets to such U.S. Holder and, if so, should be long-term capital gain or loss, if the Allowed General Unsecured Claims were held for more than one year by the U.S. Holder on the Effective Date. Currently, long-term capital gains of an individual taxpayer generally are taxed at preferential rates, but the deductibility of capital losses is limited.

Additionally, if the Exchange is treated as a fully taxable transaction, a U.S. Holder's initial tax basis in any interests in the Creditors' Trust received in the Exchange will equal the fair market value of such interests in the Creditors' Trust on the Effective Date.

As mentioned above, this discussion is not binding on the IRS, and no assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein including as to the characterization of an Exchange for U.S. federal income tax purposes. U.S. Holders of Allowed General Unsecured Claims should consult their respective tax advisors regarding the appropriate treatment of an Exchange for U.S. federal income tax purposes, including whether Holders may recognize any gain or loss realized upon the Exchange.

b. *Accrued but Unpaid Interest*

A portion of the consideration received by U.S. Holders of Allowed General Unsecured Claims may be attributable to accrued but unpaid interest with respect to such Allowed General Unsecured Claims. Such amount should be taxable to a U.S. Holder as ordinary interest income if the accrued interest has not been previously included in the Holder's gross income for U.S. federal income tax purposes. Conversely, a U.S. Holder may recognize a loss to the extent that any accrued interest was previously included in income and is not paid in full. Pursuant to Section 8.09 of the Plan, the Debtor will allocate all distributions in respect of any Allowed General Unsecured Claim first to the principal amount of such Claim, and thereafter to accrued but unpaid interest. However, no assurance can be given that the IRS will respect such allocation. If a distribution with respect to an Allowed General Unsecured Claim is allocated entirely to the principal amount of such Claim, a U.S. Holder may be entitled to claim a loss to the extent of any accrued but unpaid interest on such Claim that was previously included in the U.S. Holder's gross income. U.S. Holders of Allowed General Unsecured Claims should consult their respective tax advisors regarding the proper allocation of the consideration received pursuant to the Plan and the character of any loss claimed with respect to accrued but unpaid interest previously included in gross income.

c. *Market Discount*

The market discount provisions of the IRC may apply to U.S. Holders of Allowed General Unsecured Claims. In general, a debt obligation acquired by a U.S. Holder in the secondary market is a "market discount bond" as to that U.S. Holder if the debt obligation's stated redemption price at maturity (or, in the case of a debt obligation having original issue discount, its adjusted issue price) exceeds, by more than a statutory *de minimis* amount, the debt obligation's tax basis in the U.S. Holder's hands immediately after its acquisition. A U.S. Holder that realizes gain upon the Exchange may be required to treat such gain as ordinary income to the extent of any accrued market discount with respect to such U.S. Holder's Allowed General Unsecured Claims.

3. *U.S. Federal Income Tax Consequences of Sale, Exchange or Other Taxable Disposition of Interests in Creditors' Trust to U.S. Holders*

As a preliminary matter, Section 7.04(b) of the Plan provides that interests in the Creditors' Trust will not be transferable absent prior written consent of the Creditors' Trustee.

Assuming such consent is granted to a transfer of interests in the Creditors' Trust, and unless a nonrecognition provision applies, upon the sale, exchange or other disposition of interests in the Creditors' Trust, a U.S. Holder generally will recognize gain or loss in an amount equal to the difference between (i) the amount of cash and the fair market value of any property received and (ii) such U.S. Holder's adjusted tax basis in the interests in the Creditors' Trust, as the case may be. A U.S. Holder's adjusted tax basis in interests in the Creditors' Trust will, in general, be such U.S. Holder's initial tax basis in such interests, reduced by any distributions paid to such U.S. Holder from the Creditors' Trust. Any gain or loss recognized on the sale, exchange or other disposition of interests in the Creditors' Trust should be capital gain or loss. Such gain or loss will be long-term capital gain or loss if the applicable U.S. Holder has a

holding period in the interests in the Creditors' Trust, as the case may be, of more than one year at the time of the sale, exchange or retirement. Currently, long-term capital gains of individual taxpayers generally are taxed at preferential rates, but the deductibility of capital losses is limited.

4. *U.S. Federal Income Tax Consequences of the Plan to Non-U.S. Holders*

The rules governing the U.S. federal income tax consequences to Non-U.S. Holders are complex. Each Non-U.S. Holder should consult its own tax advisor regarding the U.S. federal, state and local and the foreign tax consequences to such Non-U.S. Holder of the restructuring and transactions proposed in the Plan.

Subject to the discussion below in section X.A.6, *"—Information Reporting and Backup Withholding,"* a Non-U.S. Holder should not be subject to U.S. federal income tax on gain realized in connection with the Plan, unless: (i) the gain is effectively connected with such Non-U.S. Holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment), in which case the gain or loss will be treated in the manner described in section X.A.5.c, *"—Effectively Connected Income and Loss,"* below (such gain or loss "ECI" and such U.S. federal income tax treatment, "ECI Treatment"), (ii) the Non-U.S. Holder is an individual who is a "non-resident" and who is present in the United States for 183 days or more during the taxable year of the Restructuring, and certain other conditions are met (the "183-Day Test"), in which case the gain (as may be reduced by any U.S.-source capital losses) will be subject to 30% tax (or such lower rate as may be provided by an applicable income tax treaty) (the "Exempt Individual Treatment"), or (iii) a portion of the consideration received by such Non-U.S. Holder is attributable to accrued but unpaid interest, in which case such amounts will be subject to the rules governing interest discussed in section X.A.2.b, *"—Accrued but Unpaid Interest,"* above.

5. *U.S. Federal Income Tax Consequences to Non-U.S. Holders of Sale, Exchange or Other Taxable Disposition of interests in the Creditors' Trust*

a. *U.S. Federal Income Tax Consequences of Sale, Exchange or Other Taxable Disposition of Interests in the Creditors' Trust*

As a preliminary matter, Section 7.04(b) of the Plan provides that interests in the Creditors' Trust will not be transferable absent prior written consent of the Creditors' Trustee.

Assuming such consent is granted to a transfer of interests in the Creditors' Trust, and subject to the discussion below under section X.A.5.c, *"—FATCA"* and under section X.A.6,*"—Information Reporting and Backup Withholding,"* in general, a Non-U.S. Holder will not be subject to U.S. federal income tax or withholding tax on gain realized upon such Non-U.S. Holder's sale, exchange or other taxable disposition of interests in the Creditors' Trust, unless (i) such gain is ECI, in which case the ECI Treatment will apply; or (ii) such Non-U.S. Holder is an individual who meets the 183-Day Test, in which case the Exempt Individual Treatment will apply.

b. *Effectively Connected Income and Loss*

If a Non-U.S. Holder is engaged in a trade or business in the United States, and if gain or loss realized on the disposition of interests in the Creditors' Trust is ECI, any such gain or loss recognized by a Non-U.S. Holder will be subject to taxation in the same manner as if such Non-U.S. Holder were a U.S. Holder. In addition, if the Non-U.S. Holder is a foreign corporation, such Non-U.S. Holder may be subject to a 30% "branch profits tax" on earnings and profits effectively connected with such U.S. trade or business (subject to certain adjustments). Notwithstanding the foregoing, taxation on income that is ECI may be reduced or eliminated by an applicable income tax treaty. Non-U.S. Holders should consult their respective tax advisors regarding the applicability of the ECI rules.

c. *FATCA*

Under the Foreign Account Tax Compliance Act ("FATCA"), which was enacted in 2010, foreign financial institutions and certain other foreign entities must report certain information with respect to their U.S. account holders and investors or be subject to withholding on the receipt of "withholdable payments". For this purpose, "withholdable payments" are generally U.S.-source payments of fixed or determinable, annual or periodical income, and also include gross proceeds from the sale of any equity or debt instruments of U.S. issuers. FATCA withholding will apply even if the applicable payment would not otherwise be subject to U.S. federal nonresident withholding tax.

Each Non-U.S. Holder should consult its own tax advisor regarding the possible impact of these rules on such Non-U.S. Holder's ownership of interests in the Creditors' Trust.

6. *Information Reporting and Backup Withholding*

Unless certain exceptions apply, an issuer must report annually to the IRS and to each applicable Holder any interest or dividends paid during the taxable year, and copies of these information returns may be made available pursuant to a treaty or other agreement to the tax authorities of the country in which an applicable Non-U.S. Holder resides.

In addition, U.S. federal backup withholding may apply to such payments unless, in the case of a U.S. Holder, such U.S. Holder provides a properly executed IRS Form W-9 and, in the case of Non-U.S. Holder, such Non-U.S. Holder provides a properly executed applicable IRS Form W-8 (or otherwise establishes such Non-U.S. Holder's eligibility for an exemption). In general, corporations are exempt from these requirements, provided that their exemptions are properly established. The current backup withholding rate is 28%. Backup withholding is not an additional tax. Any amounts withheld from a payment to a Holder under the backup withholding rules will be allowed as a credit against such Holder's U.S. federal income tax liability and may entitle the Holder to a refund, provided that such Holder timely furnishes the required information to the IRS.

Each Holder should consult its own tax advisor regarding the application of information reporting and backup withholding in such Holder's particular situation, the availability of an

exemption from backup withholding and the procedures for obtaining any such exemption or for obtaining a refund of any such backup withholding that may be imposed.

B. *Importance of Obtaining Professional Tax Assistance*

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE RESTRUCTURING AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES OF THE RESTRUCTURING ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, HOLDERS ARE URGED TO CONSULT THEIR RESPECTIVE TAX ADVISORS ABOUT THE U.S. FEDERAL, PUERTO RICO, STATE AND LOCAL AND APPLICABLE FOREIGN AND OTHER TAX CONSEQUENCES OF THE TRANSACTIONS DESCRIBED HEREIN AND IN THE PLAN.

XI. CONFIRMATION

Capitalized terms used in this Article XI but not otherwise defined in Annex I shall have the meanings assigned such terms in the Plan.

A. *Confirmation Hearing*

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing to consider confirmation of the Plan. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a chapter 11 plan.

The Bankruptcy Court has scheduled a Confirmation Hearing on [--], 2016 to consider whether the Plan satisfies the various requirements of the Bankruptcy Code. At that time, the Debtor will submit a report to the Bankruptcy Court concerning the vote for acceptance or rejection of the Plan by the parties entitled to vote thereon. Confirmation Hearing Notices are being provided to all Holders of Claims and Equity Interests as required by the Bankruptcy Rules. Objections to confirmation must be filed with the Bankruptcy Court by [--], 2016 and are governed by Bankruptcy Rules 3020(b) and 9014 and the local rules of the Bankruptcy Court. ANY OBJECTION TO CONFIRMATION OF THE PLAN NOT TIMELY SERVED AND FILED IN ACCORDANCE WITH THE CONFIRMATION HEARING NOTICE MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

B. *Requirements for Confirmation*

At the Confirmation Hearing, the Bankruptcy Court will determine whether the provisions of section 1129 of the Bankruptcy Code have been satisfied by the Plan. If all of the provisions of section 1129 of the Bankruptcy Code are found to have been met, the Bankruptcy Court may enter an order confirming the Plan. The Plan Proponents believe that all of the requirements of section 1129 of the Bankruptcy Code will be found to have been satisfied.

C. *Class Acceptance of the Plan*

As a condition to confirmation, the Bankruptcy Code requires that each impaired class of claims or interests accept a plan, subject to the exceptions described in the section entitled "cram down" below. At least one impaired class of claims must accept a plan in order for the plan to be confirmed.

For a class of claims to accept a chapter 11 plan, section 1126 of the Bankruptcy Code requires acceptance by creditors that hold at least two-thirds in dollar amount and a majority in number of the allowed claims of such class, in both cases counting only those claims actually voting to accept or reject the plan. The holders of claims who fail to vote are not counted as either accepting or rejecting a chapter 11 plan.

For a class of interests to accept a chapter 11 plan, section 1126 of the Bankruptcy Code requires acceptance by interest holders that hold at least two-thirds in amount of the allowed interests of such class, counting only those interests actually voting to accept or reject the plan. The holders of interests who fail to vote are not counted as either accepting or rejecting a chapter 11 plan.

If the Plan is confirmed, the Plan will be binding on all Holders of Claims and Equity Interests of each Class, including Classes and members of such Classes that did not vote or that voted to reject the Plan.

The Plan Proponents believe that the Plan satisfies all of the statutory requirements of chapter 11 of the Bankruptcy Code, that the Plan Proponents have complied or will have complied with all of the requirements of chapter 11 and that the Plan has been proposed and made in good faith.

D. *Cram Down*

A court may confirm a chapter 11 plan not accepted by all impaired classes, if the plan has been accepted by at least one impaired class of claims and the plan meets the "cram down" requirements set forth in section 1129(b) of the Bankruptcy Code. Section 1129(b) of the Bankruptcy Code requires the court to find that the plan is "fair and equitable" and does not "discriminate unfairly" against any nonaccepting impaired class of claims or interests. With respect to a dissenting class of claims, the "fair and equitable" standard requires, among other things, that, pursuant to the plan, either (i) each holder of a claim in such dissenting class will receive or retain property having a value, as of the effective date of the plan, equal to the allowed amount of its claim, or (ii) no holder of allowed claims or interests in any junior class will receive or retain any property on account of such claims or interests. With respect to a dissenting class of interests, the "fair and equitable" standard requires that pursuant to the Plan, either (i) each holder of an interest in the dissenting class will receive or retain property having a value, as of the effective date, equal to the greater of the allowed amount of any fixed liquidation preference to which such holder is entitled, or the value of such interests or (ii) no holder of an interest in any junior class will receive or retain any property on account of such interests. The strict requirement of the allocation of full value to dissenting classes before junior classes can receive a distribution is known as the "absolute priority rule."

The Plan has Impaired Classes that will be deemed to have rejected the Plan. The Plan Proponents will be requesting that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code. See Article II. "RISK FACTORS." The Plan Proponents believe that the Plan satisfies the requirements of section 1129(b) of the Bankruptcy Code with respect to each Impaired Class.

E. *Plan Meets Requirements for Confirmation*

1. **BEST INTERESTS OF CREDITORS—LIQUIDATION ANALYSIS**

To confirm a chapter 11 plan, the Bankruptcy Court must determine that the plan meets the requirements of section 1129(a)(7) of the Bankruptcy Code, that is, that the plan is in the best interests of each holder of a claim or equity interest in an impaired class that has not voted to accept the plan. To satisfy this "best interests" test, the Bankruptcy Court must find that the plan provides each non-consenting holder in such impaired class with a recovery, on account of such holder's claim or equity interest, that has a value at least equal to the value of the distribution that each such holder would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code.

The Plan Proponents believe that confirmation of the Plan is in the best interests of the Holders of Claims and Equity Interests because the Plan provides distributions to such Holders having a present value, as of the Effective Date, of not less than the value such Holders likely would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. See Article VII. "REORGANIZED VALUE ANALYSIS" and Article VIII. "LIQUIDATION ANALYSIS."

To estimate what members of each Impaired Class of Claims or Equity Interests would receive if the Debtor were liquidated pursuant to chapter 7 of the Bankruptcy Code, the Plan Proponents must first determine the aggregate dollar amount that would be available to such members for distribution if the Chapter 11 Case were converted to cases under chapter 7 of the Bankruptcy Code and the Debtor's assets were liquidated by a chapter 7 trustee. The resulting Liquidation Value of the Debtor would consist of the net proceeds from the disposition of assets of the Debtor, augmented by any cash held by the Debtor.

The Plan Proponents believe that chapter 7 liquidation would result in a diminution in the value to be realized by Holders of Claims and Equity Interests due primarily to the loss of the Tax Attributes, increased expenses, and delays in distributions. Consequently, the Plan Proponents believe that the Plan will provide a greater ultimate return to Holders of Claims than would a chapter 7 liquidation.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Holders of Claims in Impaired Classes will receive distributions under the Plan that are at least as great as the distributions that such Holders would receive upon a liquidation of the Debtor pursuant to chapter 7 of the Bankruptcy Code.

2. FEASIBILITY OF THE PLAN

The Plan Proponents believe that confirmation of the Plan is not likely to be followed by a liquidation of the Reorganized Debtor or a need for a further financial reorganization of the Reorganized Debtor. Following the Effective Date, the Reorganized Debtor's assets will be limited principally to the Tax Attributes and the Reorganized Debtor will be 100% owned by the Creditors' Trust. The Plan Proponents believe that the Creditors' Trust will have more than sufficient cash and other assets to administer the remaining assets in the Creditors' Trust, administer the claims resolution process, and preserve the Reorganized Debtor for the benefit of the Creditors' Trust Beneficiaries. Accordingly, the Plan Proponents believe the Plan as proposed is feasible and that no further reorganization of the Reorganized Debtor will be necessary following confirmation of the Plan.

F. *Alternatives to Confirmation and Consummation of the Plan*

If the Plan is not confirmed by the Bankruptcy Court and then consummated, the alternatives available to the Debtor would include (i) confirmation of an alternative plan under chapter 11 of the Bankruptcy Code or (ii) liquidation under chapter 7 of the Bankruptcy Code. If the Plan is not confirmed, the Plan Proponents will decide which alternative to pursue by weighing each of the available options and choosing the alternative or alternatives that are in the best interests of the Debtor, its stakeholders, and other parties in interest.

1. ALTERNATIVE PLANS OF REORGANIZATION

If the Plan is not confirmed, the Debtor or another party in interest could attempt to formulate a different plan of reorganization. Such a plan might involve either a reorganization or continuation of the Company's operations or an orderly liquidation of the Debtor's assets.

The Plan Proponents believe that the Plan is a significantly more attractive alternative than those alternatives, because the Plan will result in a larger distribution to creditors than would other types of reorganizations under chapter 11 of the Bankruptcy Code or a liquidation under chapter 7 or chapter 11 of the Bankruptcy Code and will avoid the disruptions and increased costs that would result from a protracted and contested bankruptcy case.

2. DISMISSAL OF THE DEBTOR'S CHAPTER 11 CASE

Dismissal of the Debtor's Chapter 11 Case would have the effect of restoring (or attempting to restore) all parties to the *status quo* as of the commencement of the Chapter 11 Case on March 11, 2015. Upon dismissal of the Debtor's Chapter 11 Case, the Debtor would lose the protections afforded by the Bankruptcy Code, thereby requiring, at the very least, an extensive and time-consuming process of negotiation with the Company's creditors to fairly distribute assets and possibly resulting in costly and protracted litigation in various jurisdictions. Therefore, the Plan Proponents believe that dismissal of the Chapter 11 Case is not a viable alternative to the Plan.

3. LIQUIDATION UNDER CHAPTER 7 OR CHAPTER 11

If no plan of reorganization is confirmed (and in certain other circumstances), the Chapter 11 Case may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the assets of the Debtor for distribution to creditors in accordance with the priorities established by the Bankruptcy Code. A discussion of the potential effects that a chapter 7 liquidation would have on the recovery of Holders of Claims and Equity Interests is set forth under Article VIII. "LIQUIDATION ANALYSIS." The Plan Proponents believe that liquidation under chapter 7 would result in smaller distributions to Holders of Claims in certain Classes as compared to those provided for in the Plan primarily due to the loss of the Tax Attributes and increased expenses in a chapter 7 liquidation. A chapter 7 liquidation might also result in substantial litigation and delays in ultimate distributions to creditors. See Article VIII. "LIQUIDATION ANALYSIS.

RECOMMENDATION AND CONCLUSION

The Plan Proponents believe that confirmation of the Plan is in the best interests of creditors and that the Plan should be confirmed. The Plan Proponents recommend that all Holders of Claims that are entitled to vote on the Plan vote to accept the Plan.

Dated: April 28, 2016

Respectfully Submitted,

DORAL FINANCIAL CORPORATION

By: /s/ Carol Flaton
Carol Flaton
Chief Restructuring Officer

OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF DORAL FINANCIAL CORPORATION

By: /s/ Mark Erickson
Name: Mark Erickson
Title: Eton Park Master Fund, Ltd.,
Co-Chair of the Official Committee of Unsecured Creditors

ANNEX I

Terms

"183-Day Test" shall have the meaning given in ARTICLE X.A.4.

"1451 FDR Ave." is defined in ARTICLE III.D.2.

"1999 AFICA Bonds" is defined in ARTICLE III.D.2.

"1999 Loan Agreement Claims" shall have the meaning ascribed in the Plan.

"2002 AFICA Bonds" is defined in ARTICLE III.D.2.

"2002 Loan Agreement Claims" shall have the meaning ascribed in the Plan.

"2006 Closing Agreement" is defined in ARTICLE III.C.

"2007 Closing Agreement" is defined in ARTICLE III.C.

"2009 Closing Agreement" is defined in ARTICLE III.C.

"2012 Closing Agreement" is defined in ARTICLE III.C.

"Abbey" is defined in ARTICLE IV.D.

"Administrative Claim" shall have the meaning ascribed in the Plan.

"AFICA" is defined in ARTICLE III.D.2.

"AFICA Bonds" is defined in ARTICLE III.D.2.

"Allowed" shall have the meaning ascribed in the Plan.

"Bankruptcy Code" shall have the meaning ascribed in the Plan.

"Bankruptcy Court" shall have the meaning ascribed in the Plan.

"Bankruptcy Rules" shall have the meaning ascribed in the Plan.

"Bar Date" is defined in ARTICLE IV.E.

"Best Interests Test" shall have the meaning given in ARTICLE VIII.

"Business Day" shall have the meaning ascribed in the Plan.

"Cash" shall have the meaning ascribed in the Plan.

"Charging Lien" shall have the meaning ascribed in the Plan.

"Claim" shall have the meaning ascribed in the Plan.

"Class" shall have the meaning ascribed in the Plan.

"Class 4 Trigger Event" shall have the meaning given in ARTICLE VI.D.1.

"Class 5 Trigger Event" shall have the meaning given in ARTICLE VI.D.1.

"Committee" shall have the meaning ascribed in the Plan.

"Commonwealth" means the Commonwealth of Puerto Rico.

"Common Stock" shall have the meaning ascribed in the Plan.

"Confirmation Date" shall have the meaning ascribed in the Plan.

"Confirmation Hearing" means the hearing regarding confirmation of the Plan pursuant to Bankruptcy Code section 1129.

"Confirmation Hearing Notice" means a notice of the Confirmation Hearing.

"Confirmation Order" shall have the meaning ascribed in the Plan.

"CT Notes" is defined in ARTICLE III.D.1.

"Cure Claims" shall have the meaning ascribed in the Plan.

"D&O Claims" is defined in ARTICLE VI.E.6.

"Debtor" shall have the meaning ascribed in the Plan.

"DFC Notes" is defined in ARTICLE III.D.

"DFC Notes Indenture" shall have the meaning ascribed in the Plan.

"Disclosure Statement" means this Disclosure Statement.

"Disputed" shall have the meaning ascribed in the Plan.

"Doral Bank" is defined in ARTICLE III.A.

"Doral Group" is defined in ARTICLE III.C.

"Doral Insurance" is defined in ARTICLE IV.C.1.

"Doral Properties" is defined in ARTICLE IV.C.3.

"ECI" shall have the meaning given in ARTICLE X.A.4.

"ECI Treatment" shall have the meaning given in ARTICLE X.A.4.

"Effective Date" shall have the meaning ascribed in the Plan.

"Equity Interests" shall have the meaning ascribed in the Plan.

"Exchanges" shall have the meaning given in ARTICLE X.A.2.a.

"Exempt Individual Treatment" shall have the meaning given in ARTICLE X.A.4.

"Fannie Mae" is defined in ARTICLE IV.E.

"FATCA" means the Foreign Account Tax Compliance Act.

"FDIC" is defined in ARTICLE III.A.

"FDIC-R" is defined in ARTICLE III.A.

"Final Order" shall have the meaning ascribed in the Plan.

"FIRREA" means the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

"FirstBank" is defined in ARTICLE IV.F.

"General Unsecured Claims" shall have the meaning ascribed in the Plan.

"Greengift" is defined in ARTICLE IV.C.2.

"Hacienda" is defined in ARTICLE III.C.

"Holder" means the beneficial holder of any Claim, Equity Interest, or Debt Instrument.

"Impaired" shall have the meaning ascribed in the Plan.

"Indenture Trustees" shall have the meaning ascribed in the Plan.

"Intercompany Claims" shall have the meaning ascribed in the Plan.

"IRC" means the Internal Revenue Code of 1986, as amended.

"IRS" means the Internal Revenue Service.

"Liquidation Value" means the aggregate dollar amount that would be available for distribution if the Chapter 11 Case were converted to cases under chapter 7 of the Bankruptcy Code and the Debtor's assets were liquidated by a chapter 7 trustee.

"Litigation Claims" shall have the meaning ascribed in the Plan.

"Nominee" means a holder in street name of CT Notes and AFICA Notes, including brokers, banks, dealers, or other agents or nominees.

"Non-U.S. Holder" shall have the meaning given in ARTICLE X.

"OCIF" is defined in ARTICLE III.A.

"Other Assets" is defined in ARTICLE VII.A.

"Petition Date" shall have the meaning ascribed in the Plan.

"Plan" shall have the meaning ascribed in the Plan. A copy of the Plan, as of the date hereof, is attached as Exhibit A.

"Plan Documents" shall have the meaning ascribed in the Plan.

"Plan Proponents" means the Debtor and the Committee.

"Plan Supplement" shall have the meaning ascribed in the Plan.

"Priority Tax Claims" shall have the meaning ascribed in the Plan.

"Professional Fee Claim" shall have the meaning ascribed in the Plan.

"Pro Rata" shall have the meaning ascribed in the Plan.

"Receivership" is defined in ARTICLE III.A.

"REO" is defined in ARTICLE IV.C.2.

"Reorganized Debtor" shall have the meaning ascribed in the Plan.

"Reorganized Debtor Common Stock" means "Common Stock" as defined in the Plan.

"RNPM" is defined in ARTICLE IV.C.2.

"Secretary" is defined in ARTICLE IV.F.

"Secured Claims" shall have the meaning ascribed in the Plan.

"Solicitation" means the solicitation of votes to accept or reject the Plan pursuant to this Disclosure Statement.

"Tax Attributes" is defined in ARTICLE III.B.

"Tax Refund" is defined in ARTICLE III.B.

"U.S. Holder" shall have the meaning given in ARTICLE X.

"Voting Agent" means Garden City Group, LLC, in its capacity as the voting and tabulation agent for the Solicitation.

"Voting Deadline" means [--], 2016 unless extended.

"Voting Instructions" means the voting instructions described in Article I hereof, together with the instructions contained in the Ballot and Master Ballot.

"Voting Record Date" means the close of business on [--], 2016 unless extended.

"Zolfo Cooper" means Zolfo Cooper LLC and Zolfo Cooper Management, LLC.

Exhibit A

Chapter 11 Plan of Reorganization

Exhibit B

Liquidation Analysis

Doral Financial Corporation
Liquidation Analysis
Projected Balance Sheet as of June 1, 2016 (the Liquidation Date) - Assumed Conversion to Chapter 7

($ in thousands)

		Projected Book Value @ 6/1/16	Estimated Recovery % Low	Estimated Recovery % High	Total Estimated Recovery Low	Total Estimated Recovery High
	ASSETS					
(1)	Cash and cash equivalents	$ 81,072	*100.00%*	*100.00%*	$ 81,072	$ 81,072
(2)	Restricted cash	-	*0.00%*	*0.00%*	-	-
(3)	Accounts receivable	-	*0.00%*	*0.00%*	-	-
(4)	Intercompany receivable	-	*0.00%*	*0.00%*	-	-
(5)	Securities - I/O Strip	-	*0.00%*	*0.00%*	-	-
(6)	Mortgage loans	-	*0.00%*	*0.00%*	-	-
(7)	Other real estate, net	-	*0.00%*	*0.00%*	-	-
(8)	Premises and equipment, net	-	*0.00%*	*0.00%*	-	-
(9)	Investment in subsidiaries	-	*0.00%*	*0.00%*	-	-
(10)	Deferred tax asset	-	*0.00%*	*0.00%*	-	-
(11)	Other assets	-	*0.00%*	*0.00%*	-	-
(1-11)	**Total Assets**	**$ 81,072**	***100.00%***	***0.00%***	**$ 81,072**	**$ 81,072**
	Chapter 7 Liquidation Expenses					
(12)	Winddown costs				1,340	670
(13)	Chapter 7 Trustee fees				2,432	2,432
	Total Liquidation Expense				**3,772**	**3,102**
	Net Proceeds Available for Distribution				**77,301**	**77,970**

	DISTRIBUTIONS	Total Estimated Claims Low	Total Estimated Claims High	Total Distribution % Low	Total Distribution % High	Total Estimated Recovery Low	Total Estimated Recovery High
(14)	**Less: Secured Claims**	-	-	*100.00%*	*100.00%*	-	-
	Remaining Distributable Value					**77,301**	**77,970**
(15)	**Less: Chapter 11 Admin & Priority Claims**	21	1,355	*100.00%*	*100.00%*	**1,355**	**21**
	Remaining Distributable Value					**75,945**	**77,950**
	Less: General Unsecured Claims						
(16)	Senior unsecured notes	171,503	171,503	*26.82%*	*34.39%*	45,998	58,988
(17)	1999 AFICA notes	16,000	16,000	*26.82%*	*34.39%*	4,291	5,503
(18)	Other general unsececured claims (3rd Party)	39,130	95,657	*26.82%*	*34.39%*	25,656	13,459
	Total Unsecured Non-Priority Claims	**226,633**	**283,160**	***26.82%***	***34.39%***	**75,945**	**77,950**
	Distributable Value Available for Equity					-	-
	Total Estimated Claims/Distribution	**$ 226,654**	**$ 284,515**			**$ 77,301**	**$ 77,970**

ASSUMPTIONS AND NOTES TO LIQUIDATION ANALYSIS

Zolfo Cooper, with the assistance of the Debtor and its professional advisors, has prepared this hypothetical liquidation analysis (the "Liquidation Analysis") in connection with the Disclosure Statement. The Liquidation Analysis indicates the estimated values that may be obtained by Classes of Claims upon disposition of assets, pursuant to a chapter 7 liquidation, as an alternative to the proposed chapter 11 plan (the "Plan"). Accordingly, asset values and costs discussed herein may be different than amounts referred to in the Plan. The Liquidation Analysis is based upon the assumptions discussed herein and in the Disclosure Statement. All capitalized terms not defined in this Liquidation Analysis have the meanings ascribed to them in the Disclosure Statement.

The Liquidation Analysis has been prepared assuming that the Debtor's current Chapter 11 Case converts to a chapter 7 case on or about June 1, 2016 (the "Liquidation Date"), the Debtor's operations are wound down in an orderly manner, and its assets are liquidated. The Liquidation Analysis is based on the projected book values as of June 1, 2016, unless otherwise stated. These book values are assumed to be representative of the Debtor's assets and liabilities as of the Liquidation Date. The Liquidation Analysis represents an estimate of recovery values and percentages based upon a hypothetical liquidation of the Debtor if a chapter 7 trustee (the "Trustee") was appointed by the Bankruptcy Court to convert assets into cash.

The determination of the hypothetical proceeds from the liquidation of assets is an uncertain process involving the extensive use of estimates and assumptions that, although considered reasonable by the Debtor and its advisors, are inherently subject to significant uncertainties and contingencies beyond the Debtor's control. ACCORDINGLY, NEITHER THE DEBTOR NOR THEIR ADVISORS MAKE ANY REPRESENTATION OR WARRANTY THAT THE ACTUAL RESULTS OF A LIQUIDATION OF THE DEBTOR WOULD OR WOULD NOT APPROXIMATE THE ASSUMPTIONS REPRESENTED HEREIN. ACTUAL RESULTS COULD VARY MATERIALLY.

In preparing the Liquidation Analysis, Zolfo Cooper has worked with the Debtor to estimate an amount of allowed claims for each class of claimants based upon a review of the Debtor's Schedules and the filed claims register. The estimate of all allowed claims in the Liquidation Analysis is based on the book value or the Debtor's estimates of those claims. No order or finding has been entered or made by the Bankruptcy Court estimating or otherwise fixing the amount of Claims at the projected amounts of allowed claims set forth in the Liquidation Analysis. The estimate of the amount of allowed claims set forth in the Liquidation Analysis should not be relied upon for any other purpose, including, without limitation, any determination of the value of any distribution to be made on account of allowed claims under the Plan. The actual amount of allowed claims could be materially different from the amount of claims estimated in the Liquidation Analysis. The Liquidation Analysis envisions the wind-down and liquidation of substantially all of the Debtor's remaining assets over a three month to six month period (the "Wind-Down Period").

The Liquidation Analysis does not include estimates for the tax consequences that may be triggered upon the liquidation and sale events of assets in the manner described above. Such tax consequences may be material. In addition, the Liquidation Analysis does not include recoveries resulting from any potential preference, fraudulent transfer or other litigation or avoidance actions.

The following notes describe the significant assumptions that were made with respect to assets and wind-down expenses.

ASSET RECOVERY

1. **Cash and Cash Equivalents**
   Represents forecasted cash held in corporate accounts as of the Liquidation Date. This balance was obtained using the Debtor's latest financial projections. Projected cash balances are valued at 100% for purposes of the Liquidation Analysis.

2. **Restricted Cash**
   The Debtor does not anticipate having any interest in restricted cash and therefore a 0% recovery is assumed. However, while not technically restricted, the Debtor's books reflect the proceeds from the sale of the open air parking lot to Banco Popular as restricted cash due to the FDIC-Receiver's assertion that it has an ownership interest in the asset. For purposes of this Liquidation Analysis, it is assumed that the Debtor retains 100% of the sale proceeds.

3. **Accounts Receivable**
   It is anticipated that all accounts receivable will have been fully converted to cash and therefore the balance on the Liquidation Date is assumed to be $0.

4. **Intercompany Receivable**
   The Debtor assumes that any remaining intercompany receivable balances will be settled in cash prior to the Liquidation Date and therefore the balance is assumed to be $0.

5. **Securities – I/O Strip**
   It is anticipated that all securities will have been fully converted to cash and therefore the balance on the Liquidation Date is assumed to be $0.

6. **Mortgage Loans**
   It is anticipated that all mortgage loans will have been fully converted to cash and therefore the balance on the Liquidation Date is assumed to be $0.

7. **Other Real Estate**
   It is assumed that all other real estate will have been fully converted to cash prior to the Liquidation Date.

8. Premises and Equipment, Net

It is anticipated that all FF&E will have been fully converted to cash and therefore the balance on the Liquidation Date is assumed to be $0.

9. Investment in Subsidiaries

Any subsidiaries having value will have been sold or otherwise converted to cash and therefore the balance on the Liquidation Date is assumed to be $0.

10. Deferred Tax Asset

It is assumed that in a chapter 7 liquidation the Debtor will be unable to monetize any of their deferred tax assets or net operating losses ("NOLs").

11. Other Assets

It is assumed that all other assets will have been fully converted to cash prior to the Liquidation Date.

POSTPETITION EXPENSES

It is assumed that costs incurred up to the Liquidation Date are the same as those included in the Plan. It is also assumed that all postpetition expenses incurred prior to the Liquidation Date have been paid by the Debtor. The administrative expenses expected to be paid prior to the Liquidation Date are estimated at approximately $2.7 million. The cash balance on the Liquidation Date reflects a reduction by this amount.

CHAPTER 7 LIQUIDATION EXPENSES

12. Winddown Costs

The Liquidation Analysis assumes an orderly wind-down of the Debtor's operations during a three to six month period. The proceeds from a chapter 7 liquidation would be reduced by administrative costs incurred during the wind-down of operations. These costs include financial and legal professional fees, contract employee compensation, and certain office related costs. If the wind-down of operations and reconciliation of claims takes longer than the assumed liquidation period, actual administrative costs may exceed the estimate included in this Liquidation Analysis.

13. Chapter 7 Trustee Fees

The Debtor assumes it would pay commissions equal to 3% of gross proceeds for a chapter 7 liquidating trustee.

CLAIMS

14. Secured Claims

It is assumed that the Debtor will resolve the secured claim related to Fannie Mae prior to the Liquidation Date. The Debtor is unaware of any other valid secured claims.

15. Chapter 11 Administrative and Priority Claims

This line shows the Debtor's estimated liability for postpetition and other priority taxes and other administrative expenses. Potential new administrative and priority claims may arise as a result of a conversion to a chapter 7 liquidation.

16. Senior Unsecured Notes

The claim amount is based on the cumulative principal and interest balance of the three tranches of notes as of the commencement date of the Chapter 11 Case.

17. 1999 AFICA Notes

The liquidation analysis assumes a settlement at $16,000,000 regarding the allowed amount of claims related to the 1999 AFICA Bonds.

18. General Unsecured Claims (3rd Party)

This balance includes a range of estimates for all third-party unsecured non-priority claims arising prior to the commencement of the Chapter 11 Case which includes the Debtor's estimates of prepetition trade accounts payable, accrued liabilities, guarantee claims, lease rejection claims, litigation claims, employee claims and other executory rejection claims. Potential new general unsecured claims may arise as a result of a conversion to a chapter 7 liquidation.