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Chapter 11 Attorneys for Bay Area Financial Corporation,
Debtor and Debtor in Possession

FILED & ENTERED

JUL 11 2014

CLERK U.S. BANKRUPTCY COURT
Central District of California
BY penning DEPUTY CLERK

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
[LOS ANGELES DIVISION]

In re
BAY AREA FINANCIAL CORPORATION,

Debtor and Debtor-in-Possession.

CASE NO.: 2:13-bk-38974-TD

Chapter 11

**ORDER APPROVING EMERGENCY
STIPULATION TO (A) AMEND EXHIBIT
“1” TO THE DISCLOSURE STATEMENT;
(B) MODIFY ORDER APPROVING FIRST
AMENDED DISCLOSURE STATEMENT,
ENTERED ON JULY 8, 2014 [DOCKET NO.
196] BY AUTHORIZING THE DEBTOR TO
SUBSTITUTE AMENDED EXHIBIT 1;
AND (C) MODIFY SOLICITATION
PACKAGE ACCORDINGLY**

[No Hearing Requested]

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

The Court having reviewed the *Emergency Stipulation to (A) Amend Exhibit "1" to the Disclosure Statement; (B) Modify Order Approving First Amended Disclosure Statement, Entered on July 8, 2014 [Docket No. 196] by authorizing the Debtor to Substitute Amended Exhibit 1; and (C) Modify Solicitation Package accordingly* ("Stipulation"), entered into by and among the Debtor, the Official Committee of Unsecured Creditors ("Committee"), the Office of the United States Trustee ("US Trustee") and Kenneth J. Pingree Jr.

The Court having found, among other things, that (a) the Amended Exhibit 1 attached hereto is not a material modification to the original Exhibit 1 to the *First Amended Disclosure Statement Describing First Amended Plan of Reorganization/Liquidation Proposed by Debtor, Bay Area Financial Corporation* ("Disclosure Statement"), which is attached to the *Solicitation Package for First Amended Plan of Reorganization/Liquidation Proposed by Debtor* [collectively as Docket No. 195] ("Solicitation Package"); that the Disclosures Statement contains adequate information if Exhibit 1 consist of only the letter of Committee Counsel dated February 14, 2014 and not the attached email exchange; that the email exchange contains inflammatory and extraneous information which may be confusing to creditors; and, that notice of the Stipulation is proper and appropriate under the circumstances.

BASED UPON THE FOREGOING AND GOOD CAUSE APPEARING THEREFORE:

IT IS HEREBY ORDERED that:

1. The Stipulation is **APPROVED**;
2. The Debtor is hereby authorized to replace Exhibit 1 to the Disclosure Statement with *Amended Exhibit 1* attached hereto, and that *Amended Exhibit 1* is hereby **APPROVED**;
3. The *Order Authorizing and Approving: the Motion for Order Authorizing and Approving First Amended Disclosure Statement Describing First Amended Plan of Reorganization/Liquidation Proposed by Debtor, Bay Area Financial Corporation; (2) the Adequacy of The First Amended Disclosure Statement Describing First Amended Plan of Reorganization/Liquidation Proposed by Debtor; (3) the Form, Scope, and Nature of Solicitation,*

1 *Balloting, Tabulation, and Notice with Respect Thereto; and (4) Related Confirmation Dates,*
2 *Procedures, Deadlines and Notices* entered by the Court on July 8, 2014 [Docket No. 196]
3 (“Disclosure Statement Order”) is hereby deemed modified and amended consistent with this Order;

4 4. The Disclosure Statement with ***Amended Exhibit 1*** contains “adequate information”
5 within the meaning of, and as prescribed by, Bankruptcy Code§ 1125(a)(1), and that the Disclosure
6 Statement with ***Amended Exhibit 1*** is **APPROVED**;

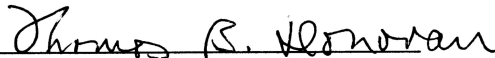
7 5. The Disclosure Statement Order shall remain in full force and effect, except expressly
8 amended by this Order;

9 6. Notice of the Stipulation is proper under the circumstances, and constitutes adequate
10 and appropriate notice under the circumstances and complies with the applicable provisions of the
11 Bankruptcy Code, Federal Rules of Bankruptcy Procedure and Local Bankruptcy Rules of the
12 United States Bankruptcy Court for the Central District of California, and no other or further notice
13 for approval of the Disclosure Statement need be given; and,

14 7. The Debtor is authorized to disseminate the Disclosure Statement with ***Amended***
15 ***Exhibit 1*** and solicit acceptances for its *First Amended Plan of Reorganization/Liquidation*
16 *Proposed by Debtor, Bay Area Financial Corporation.*

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18 # # #
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23 Date: July 11, 2014


Thomas B. Donovan
United States Bankruptcy Judge

1 **Presented by:**

2 Creim Macias Koenig & Frey LLP

3
4 By: /s/ Sanford L. Frey

5 Sanford L. Frey

6 Reorganization Attorneys for Bay Area Financial Corporation,
7 Debtor and Debtor in Possession

8 **Approved as to form and content:**

9 Shulman Hodges & Bastian LLP

10 By: 

11 James C. Bastian, Jr.

12 Melissa Davis Lowe

13 Attorneys for the Official Committee of Unsecured Creditors

14 Office of the United States Trustee

15 By: _____

16 Queenie K. Ng

17 Attorney for the Office of the United States Trustee

18 Levene, Neale, Bender, Yoo & Brill LLP

19 By: /s/ Ron Bender

20 Ron Bender

21 Attorneys for Kenneth J. Pingree Jr. and Patricia Pingree

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4 By: /s/ Sanford L. Frey
Sandford L. Frey

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6 Debtor and Debtor in Possession

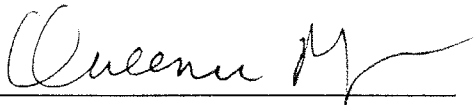
7 **Approved as to form and content:**

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9
10 By: _____
James C. Bastian, Jr.

11 Melissa Davis Lowe
Attorneys for the Official Committee of Unsecured Creditors

12
13 Office of the United States Trustee

14 By: 
15 Queenie K. Ng

16 Attorney for the Office of the United States Trustee

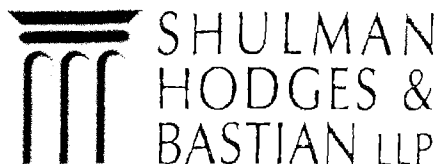
17 Levene, Neale, Bender, Yoo & Brill LLP

18
19 By: _____
Ron Bender

20 Attorneys for Kenneth J. Pingree Jr. and Patricia Pingree

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LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

EXHIBIT “1”



Please respond to:
Irvine

James C. Bastian, Jr.
Brian L. Bloom
Mark Bradshaw
Lynda T. Bui
Franklin J. Contreras, Jr.
Melissa Davis Lowe
Heather B. Dillion
Kiara W. Gebhart
Ronald S. Hodges
Robert E. Huttenhoff
J. Ronald Ignatuk
John Mark Jennings
Rika M. Kido
Paul S. Ocampo
Ryan O'Dea
Gary A. Pemberton
Michael J. Petersen
Samuel J. Romero
Leonard M. Shulman

Of Counsel to the Firm
A. Lavar Taylor
Donald R. Kurtz
Gregory J. Anderson

February 14, 2014

Sandy Frey, Esq.
Creim Macias Koenig & Frey
633 West Fifth Street, 51st Floor
Los Angeles, CA 90071

Via E-Mail and First Class Mail
sfrey@cmkllp.com

Re: In re Bay Area Financial Corporation
Case No. 2:13-bk-38974-TD

Insurance Certificate Number: MBB1278584A12

Dear Sandy:

This letter represents notice by the Official Committee of Unsecured Creditors ("Committee") for the bankruptcy estate ("Estate") of Bay Area Financial Corporation ("Debtor") that it has claims against the Debtor and/or its officers and directors which is covered by the Debtor's insurance policy. Reference is made to my email of January 30, 2014 wherein I detailed several deficiencies and errors or omissions of the Debtor and its management. A copy of that email is attached hereto for easy reference.

While our investigation is still continuing and additional claims may be discovered, the Committee, on behalf of the Debtor's estate and unsecured creditors, believes that there are claims against the Debtor and its officers and directors, including Kenneth Pingree and Patricia Pingree, for negligent acts and omissions in servicing and/or originating the Debtor's loans and errors and omissions in the discharge of their professional services. These errors and omissions are detailed in the January 30, 2014 email. For example, the estate and/or creditors have a claim against the Debtor for allowing the collateral for Alexis Wong's note, namely the deed of trust on the property on Post Street, to be reconveyed without the Debtor receiving reasonably equivalent value. The Debtor also extended loans to borrowers who did not have sufficient equity to qualify for the loan and did not obtain sufficient information on proposed collateral to make a proper determination of whether to extend credit in certain instances. The acts and omissions of the Debtor and its officers and directors have caused damage to the Debtor's creditors in an amount that exceeds \$2,000,000.00. Thus, the Committee hereby demands that the Debtor and its officers and directors pay to the estate the amount of at least \$2,000,000.00.

Sandy Frey, Esq.
February 14, 2014
Page 2

As you know, the Debtor has insurance coverage through Lloyd's of London ("Lloyd's") which we believe allows claims to be reported up to sixty (60) days after termination of the policy, or February 17, 2014.

It is critical that you immediately provide notice of these potential claims to Lloyd's in order to preserve the all rights under the policy. Failure to provide notice of this claim to Lloyd's within the time required by the policy can result in no insurance coverage for this claim.

According to the policy, notice of a claim must be sent as follows:

Thompson Heath & Bond Limited
7th Floor, 107 Leadenhall Street
London, EC3A 4AF
profinclaims@thbgroup.com

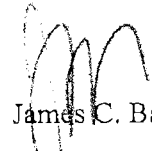
To ensure timely delivery, we suggest that you send notice of the claim via overnight mail and via e-mail at the following email address:

profinclaims@thbgroup.com

If you have any questions, feel free to contact me.

Very truly yours,

SHULMAN HODGES & BASTIAN LLP



James C. Bastian, Jr.

JCB/pab
Enclosure

Presented by:

Creim Macias Koenig & Frey LLP

By: /s/ Sanford L. Frey

Sanford L. Frey

Reorganization Attorneys for Bay Area Financial Corporation,
Debtor and Debtor in Possession

Approved as to form and content:

Shulman Hodges & Bastian LLP

By: _____

James C. Bastian, Jr.

Melissa Davis Lowe

Attorneys for the Official Committee of Unsecured Creditors

Office of the United States Trustee

By: _____

Queenie K. Ng

Attorney for the Office of the United States Trustee

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By: _____

Ron Bender

Attorneys for Kenneth J. Pingree Jr. and Patricia Pingree