

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

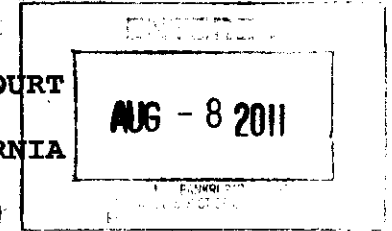
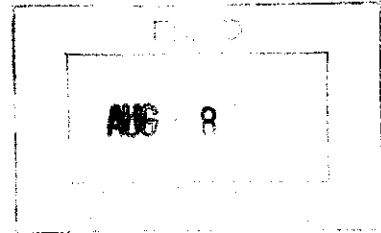
GRIFFITH & THORNBURGH, LLP
ATTORNEYS AND COUNSELORS
8 EAST FIGUEROA STREET, SUITE 300
POST OFFICE BOX 9
SANTA BARBARA, CA 93102-0009
TELEPHONE: 805-965-5131
TELECOPIER: 805-965-6751

(SPACE BELOW FOR FILING STAMP ONLY)

Joseph M. Sholder, Bar No. 126347

Attorneys for Los Osos Community Services District

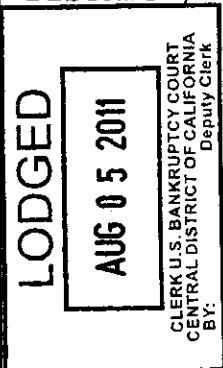
UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
NORTHERN DIVISION



In re
LOS OSOS COMMUNITY SERVICES
DISTRICT,

) BK No. ND 06-10548-RR
)
) Chapter 9
)
) ORDER CONFIRMING PLAN FOR
) ADJUSTMENT OF DEBTS FOR THE
) LOS OSOS COMMUNITY SERVICES
) DISTRICT DATED OCTOBER 22,
) 2010
)
) Date: July 28 and 29, 2011
) Time: 10:00 a.m.
) Place: Courtroom 201
) 1415 State St.
) Santa Barbara
)

DEBTOR



This matter came on for hearing at the above dates, time, and place, the Honorable Robin L. Riblet, United States Bankruptcy Judge, presiding.

Joseph M. Sholder of Griffith & Thornburgh, LLP, Jon Seitz of Shipsey and Seitz, and Harriet Steiner of Best, Best and Krieger, LLP, appeared on behalf of debtor Los Osos Community Services District. Barry S. Glaser of Steckbauer Weinhart Jaffe, LLP, appeared on behalf of interested party the County

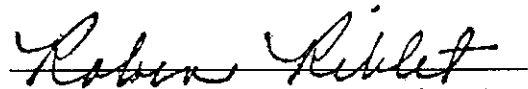
ORIGINAL

1 of San Luis Obispo. Adam Lewis of Morrison & Foerster, LLP,
2 appeared on behalf of creditor Monterey Mechanical, Inc.
3 Michael Good of the South Bay Law Firm appeared on behalf of
4 the Official Committee of Unsecured Creditors. Assistant
5 Attorney General Allan Ono appeared on behalf of creditor The
6 State Water Resources Control Board. Robert Christmas of Nixon
7 Peabody, LLP, appeared on behalf of creditor MBIA Insurance
8 Corp.

9 The court having considered the papers and pleadings on
10 file in this matter, and the oral testimony and documentary
11 evidence admitted during the hearing on this matter, and based
12 upon the findings of fact and conclusions of law announced by
13 the court on July 29, 2011, on the record of these proceedings,

14 HEREBY ORDERS THAT the Plan for the Adjustment of Debts of
15 the Los Osos Community Services District dated October 22, 2010
16 (the "Plan") attached as Exhibit A, is confirmed on the
17 condition that the Solid Waste Franchise Agreement, described
18 in the Los Osos Community Services District's Second Amended
19 Disclosure Statement, is transferred by the Los Osos Community
20 Services District to the County of San Luis Obispo in exchange
21 for the sum of \$2,800,000 as provided for in the Plan.

22
23 Dated: August 8, 2011


ROBIN L. RIBLET, United
States Bankruptcy Judge

24
25
26
27
28

(SPACE BELOW FOR FILING STAMP ONLY)

GRIFFITH & THORNBURGH, LLP
ATTORNEYS AND COUNSELORS

8 EAST FIGUEROA STREET, SUITE 300
POST OFFICE BOX 9
SANTA BARBARA, CA 93102-0009
TELEPHONE: 805-965-5131
TELECOPIER: 805-965-6751

Joseph M. Sholder, Bar No. 126347

Attorneys for Los Osos Community Services District

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
NORTHERN DIVISION

12 In re	)	BK No. ND 06-10548-RR
)	
13 LOS OSOS COMMUNITY SERVICES	)	Chapter 9
14 DISTRICT,)	
	)	SECOND AMENDED PLAN FOR
15 DEBTOR.	)	ADJUSTMENT OF DEBTS FOR THE
	)	LOS OSOS COMMUNITY SERVICES
	)	DISTRICT DATED OCTOBER 22,
	)	2010
)	
	)	Hearing on Confirmation
)	
	)	Date: July 28, 2011
	)	Time: 9:00 a.m.
	)	Place: Courtroom 201
	)	1415 State Street
	)	Santa Barbara, CA.
)	

1 The Los Osos Community Services District, a California
2 Community Services District ("LOCSD" or the "Debtor"), chapter
3 9 Debtor, hereby proposes the following "Plan For The Adjustment
4 of Debts of the Los Osos Community Services District, Dated
5 October 22, 2010" (the "Plan") pursuant to section 941 of the
6 Bankruptcy Code.

7 Please refer to the accompanying "Second Amended
8 Disclosure Statement With Respect To Plan For Adjustment of
9 Debts for the Los Osos Community Services District Dated
10 October 22, 2010" ("Disclosure Statement") for a discussion of
11 LOCSD's history, operations, and financial condition, and for a
12 summary and analysis of this Plan and other important
13 information. LOCSD encourages you to read this Plan and the
14 Disclosure Statement in their entirety before voting to accept
15 or reject this Plan. No materials other than the Disclosure
16 Statement and the various Exhibits and Schedules attached to or
17 incorporated therein have been approved by the Bankruptcy Court
18 for use in soliciting acceptance or rejections of this Plan.

19 **ARTICLE 1**

20 **DEFINITIONS**

21 For purposes of this Plan, the following terms shall have
22 the meanings specified below. Any term used in this Plan that
23 is not otherwise defined in this Article I shall have the
24 meaning assigned to that term in the Bankruptcy Code and in the
25 Bankruptcy Rules.

26 **1.1 Administrative Claim** means any Claim for an
27 administrative expense of the kind described in sections 503(b)
28 or 507(a)(1) of the Bankruptcy Code.

1 **1.2 Allowed** means a Claim that:

2 (i) has been deemed filed within the meaning of
3 section 925 of the Bankruptcy Code, and as to which (a) no
4 proof of Claim has been filed in compliance 1 with section 501
5 of the Bankruptcy Code, and (b) no objection has been filed
6 within the deadline established pursuant to Section 9.7.1 of
7 the Plan;

8 (ii) is asserted in a proof of Claim filed in
9 compliance with section 501 of the Bankruptcy Code and any
10 applicable orders of the Bankruptcy Court and as to which (a)
11 no objection has been filed within the deadline established
12 pursuant to Section 9.7.1 of the Plan; (b) the Bankruptcy Court
13 has entered a Final Order allowing all or a portion of such
14 Claim (but only in the amount so allowed); or (c) the
15 Bankruptcy Court has entered a Final Order under section 502(c)
16 of the Bankruptcy Code estimating the 9 amount of the Claim for
17 purposes of allowance; or

18 (iii) Is an Administrative Claim as to which the
19 Bankruptcy Court has entered a Final Order allowing all or a
20 portion of such Claim (but only in the amount so allowed).

21 **1.3 Allowed General Unsecured Claim** means a General
22 Unsecured Claim that is an Allowed Claim.

23 **1.4 Allowed Secured Claim** means a Secured Claim that is
24 an Allowed Claim.

25 **1.5 Available Funds** means (1) the Remaining State
26 Revolving Fund Proceeds which total approximately \$1,700,000 as
27 of September 10, 2010; and (2) the County's contribution of
28 \$2,800,000 resulting from the return by LOCSD's to the County

1 of the Solid Waste Franchise Agreement previously transferred
2 by the County to LOCSD in 2001.

3 **1.6 Ballot** means the ballot, in the form approved by the
4 Bankruptcy Court in the Plan Solicitation Order, accompanying
5 the Disclosure Statement and that is provided to each holder of
6 a Claim entitled to vote to accept or reject this Plan, on
7 which such holders may vote to accept or reject this Plan.

8 **1.7 Bankruptcy Code** means Title 11 of the United States
9 Code, as amended from time to time, as applicable to the
10 Chapter 9 Case.

11 **1.8 Bankruptcy Court** means the United States Bankruptcy
12 Court for the Central District of California, Northern
13 Division, before which the Chapter 9 Case is pending, or in the
14 event such Bankruptcy Court ceases to exercise jurisdiction
15 over the Chapter 9 Case, such Bankruptcy Court or adjunct unit
16 thereof that exercises jurisdiction over the Chapter 9 Case in
17 lieu of the United States Bankruptcy Court for the Central
18 District of California.

19 **1.9 Bankruptcy Rules** mean the Federal Rules of Bankruptcy
20 Procedure, as amended from time to time, as applicable to the
21 Chapter 9 Case, together with the local rules of the Bankruptcy
22 Court applicable to the Chapter 9 Case. Unless otherwise
23 indicated, references in this Plan to "Bankruptcy Rule" are to
24 the specifically identified rule of the Federal Rules of
25 Bankruptcy Procedure.

26 **1.10 Bar Date** means May 15, 2007, the last day for filing
27 proofs of claim against the Debtor as fixed by order of the
28 Bankruptcy Court other than for: (i) claims arising from

1 rejection of executory contracts or unexpired leases; (ii)
2 claims of Governmental Units; and (iii) claims arising as the
3 result of transfer avoidance pursuant to Chapter 5 of the
4 Bankruptcy Code. Except for claims arising from rejection of
5 executory contracts and leases under Section 10.5 of the Plan,
6 for claims otherwise arising from the rejection of executory
7 contracts or unexpired leases pursuant to 11 U.S.C. §365,
8 pursuant to an order of the Bankruptcy Court, the last day to
9 file a proof of claim is: (i) 30 days after the date of entry
10 of the order authorizing the rejection; or (b) May 15, 2007,
11 whichever is later. For claims of Governmental Units, pursuant
12 to an order of the Bankruptcy Court, the last day for filing
13 proofs of claim is: (i) 180 days after the date of the Order
14 for Relief; or (ii) by May 17, 2007, whichever is later. By
15 order of the Bankruptcy Court, the last day to file proofs of
16 claim for claims arising from the avoidance of a transfer under
17 chapter 5 of the Bankruptcy Code is: (i) 30 days after the
18 entry of judgment avoiding the transfer; or (ii) May 17, 2007,
19 whichever is later.

20 **1.11** Bonds means bonds issued by the Debtor in the total
21 amount of \$17,990,000 and entitled the "Los Osos Community
22 Services District Wastewater Assessment District No. 1 Limited
23 Obligation Improvement Bonds."

24 **1.11A** Bond Documents means the Official Statement for the
25 Bonds, Los Osos Community Services District Wastewater
26 Assessment District No. 1 Resolutions Nos. 2002-33, 2002-34 and
27 2006-29, and all related documents.

28

1 **1.12 Business Day** means any day, other than a Saturday,
2 Sunday or "legal holiday" (as defined in Bankruptcy Rule
3 9006(a)).

4 **1.13 Calendar Quarter** means a three-month period ending
5 on March 31, June 30, September 30 and December 31 of each
6 calendar year.

7 **1.14 Cash** means cash and cash equivalents, including bank
8 deposits, wire transfers, checks, and other similar items.

9 **1.15 Chapter 9 Case** means the case under chapter 9 of the
10 Bankruptcy Code commenced by the Debtor, styled as In re Los
11 Osos Community Services District, BK Case No. ND 06-10548-RR,
12 which is currently pending in the Bankruptcy Court.

13 **1.16 Claim** means a claim against the Debtor or the
14 property of the Debtor within the meaning of section 101(5) of
15 the Bankruptcy Code.

16 **1.17 Claimant** means the holder of a Claim against the
17 Debtor.

18 **1.18 Class** means one of the classes of Claims established
19 under Article V of the Plan pursuant to section 1122 of the
20 Bankruptcy Code.

21 **1.19 Collateral** means any property or interest in
22 property of LOCSD subject to a Lien to secure the payment or
23 performance of a Claim, which Lien is not subject to avoidance
24 or otherwise invalid under the Bankruptcy Code or applicable
25 state law.

26 **1.20 County** means the County of San Luis Obispo.
27
28

1 **1.21 Confirmation** means the entry of an order by the
2 Bankruptcy Court confirming the Plan at or after hearing
3 pursuant to section 943 of the Bankruptcy Code.

4 **1.22 Confirmation Date** means the date on which the Clerk
5 of the Bankruptcy Court enters the Confirmation Order on the
6 docket of the Bankruptcy Court.

7 **1.23 Confirmation Order** means the order of the Bankruptcy
8 Court confirming this Plan under section 943 of the Bankruptcy
9 Code.

10 **1.24 Consummation** means the substantial completion of the
11 Distributions to be made under the Plan as determined by the
12 Bankruptcy Court.

13 **1.25 Creditor** means all Persons with Claims against the
14 Debtor.

15 **1.26 Debt** means liability on a Claim.

16 **1.27 Debtor** means Los Osos Community Services District, a
17 California Community Services District.

18 **1.28 Disallowed** means a Claim or portion thereof that
19 satisfies any of the following: (i) has been disallowed by a
20 Final Order; (ii) is identified in the List of Creditors in an
21 amount of zero dollars or as contingent, unliquidated, or
22 disputed and as to which no proof of Claim was filed on or
23 before the Bar Date; or (iii) is not identified in the List of
24 Creditors and as to which no proof of Claim has been filed or
25 deemed filed on or before the Bar Date.

26 **1.29 Disbursement Reserve Account** has the meaning set
27 forth in Section 9.1.1 of this Plan.

28

1 **1.30 Disbursing Agent** means the Debtor or such other
2 agents as may be retained by the Debtor without bond to make or
3 assist the Debtor in making Distributions.

4 **1.31 Disclosure Statement** means the disclosure statement,
5 and all exhibits and schedules incorporated therein, that
6 relates to this Plan and that is approved by the Bankruptcy
7 Court pursuant to section 1125 of the Bankruptcy Code, as the
8 same may be amended, modified or supplemented in accordance
9 with the Bankruptcy Code.

10 **1.32 Disputed** means any Claim or portion thereof that has
11 not become Allowed and that is not Disallowed. In the event
12 that any part of a Claim is Disputed, except as otherwise
13 provided in this Plan, such Claim shall be deemed Disputed in
14 its entirety for purposes of distribution under this Plan
15 unless the Debtor agrees otherwise in its sole discretion.
16 Without limiting the foregoing, a Claim that is the subject of
17 a pending application, motion, complaint, objection, or any
18 other legal proceeding seeking to disallow, limit, reduce,
19 subordinate, or estimate such Claim shall be deemed to be
20 Disputed.

21 **1.33 Disputed Claims** means (a) a Claim as to which, if no
22 proof of Claim has been Filed by the Bar Date or has otherwise
23 been deemed timely Filed under applicable law and such Claim
24 has been scheduled by the Debtor in its Schedules as other than
25 disputed, contingent or unliquidated: (1) the Debtor has
26 objected to the Claim and (2) (i) any agreement to settle the
27 dispute has not been executed, or (ii) if such agreement was
28 executed prior to the Confirmation Date, such agreement has not

1 been approved by the Court; or (b) a Claim as to which, if a
2 proof of Claim has been Filed by the Bar Date or has otherwise
3 been deemed timely Filed under applicable law, an objection has
4 been Filed by the Debtor or any other party in interest and
5 which objection, if timely Filed, has not been withdrawn on or
6 before any date fixed by the Plan or order of the Court for
7 Filing such objections and such objection has not been denied
8 by a Final Order. Prior to the time that an objection has been
9 or may be timely Filed, for purposes of the Plan, a Claim
10 asserted in a proof of Claim shall be considered a Disputed
11 Claim if: (a) the amount of the Claim specified in the proof
12 of Claim exceeds the amount of any corresponding Claim
13 scheduled by the Debtor in its Schedules (b) any corresponding
14 Claim in the Debtor's Schedules has been scheduled as disputed,
15 contingent or unliquidated, irrespective of the amount
16 scheduled; or (c) no corresponding Claim has been scheduled by
17 the Debtor in its Schedules. As to any Disputed Claim, only
18 the portion thereof which either (a) exceeds the amount of any
19 corresponding Claim scheduled by the Debtor in its Schedules or
20 (b) is asserted by the Debtor in objections Filed in connection
21 therewith as disputed, contingent or unliquidated shall be
22 deemed the "disputed portion" of such Disputed Claim.

23 **1.34 Disputed Claims Reserve Account** means a segregated
24 interest bearing account into which the Debtor has deposited
25 from the Net Funds an amount of Cash which, in the exercise of
26 the Debtor's sole discretion, the Debtor believes is the amount
27 that would have been distributed on account of all Disputed
28 Claims in Class 8 if all such Disputed Claims were allowed in

1 the full amount claimed by the holders thereof on the Effective
2 Date, except as to those Disputed Claims that are estimated as
3 provided in Section 9.2 and pursuant to section 502(c) of the
4 Bankruptcy Code.

5 **1.35 Distribution(s)** means the Cash to be distributed
6 under this Plan.

7 **1.36 Effective Date** means the fifth (5th) Business Day
8 after the date on which the conditions specified in Article 15
9 of the Plan have been satisfied or waived.

10 **1.37 Face Amount** means (a) when used with reference to a
11 Disputed or Disallowed Claim, the full stated amount Claimed by
12 the Claimant in a proof of claim timely filed with the
13 Bankruptcy Court or otherwise deemed timely filed by any Final
14 Order of the Bankruptcy Court or other applicable bankruptcy
15 law, and (b) when used in reference to an Allowed Claim, the
16 Allowed amount of the Claim.

17 **1.38 File or Filed or Filing** means properly filed with the
18 Bankruptcy Court in the Chapter 9 Case, as reflected on the
19 official docket of the Bankruptcy Court.

20 **1.39 Final Order** means a judgment, order, ruling, or other
21 decree issued and entered by the Bankruptcy Court which
22 judgment, order, ruling, or other decree has not been reversed,
23 stayed, modified, or amended and as to which:

24 (i) the time to appeal or petition for review,
25 rehearing or certiorari has expired and no appeal or petition
26 for review, rehearing or certiorari is then pending; or

27 (ii) any appeal or petition for review, rehearing or
28 certiorari has been finally decided and no further appeal or

1 petition for review, rehearing or certiorari can be taken or
2 granted.

3 **1.40 General Unsecured Claim** means any Unsecured Claim
4 against the Debtor, including the Unsecured Claims in Classes
5 6, 7 and 8 under the Plan.

6 **1.41 Governmental Unit** has the meaning provided in section
7 101(27) of the Bankruptcy Code.

8 **1.41A Holders** means the beneficial owners of the Bonds.

9 **1.42 Impaired** has the meaning provided in section 1124 of
10 the Bankruptcy Code.

11 **1.43 LAFCO** means the Local Area Formation Commission with
12 jurisdiction over LOCSD.

13 **1.44 Lien** has the meaning provided in Section 101 (37) of
14 the Bankruptcy Code.

15 **1.45 List of Creditors** means the List of Creditors filed
16 by the Debtor pursuant to section 924 of the Bankruptcy Code on
17 or about February 23, 2007, as it may be amended, modified or
18 supplemented from time to time.

19 **1.46 Notice of Effective Date** means the Notice prepared
20 and mailed pursuant to Section 16.7.

21 **1.47 Old Project** means the wastewater project on which
22 LOCSD began but then stopped construction before the Petition
23 Date.

24 **1.48 Order for Relief** means the commencement of this
25 Chapter 9 Case under the Bankruptcy Code by the Debtor's filing
26 of a voluntary petition under such chapter, which an order for
27 relief was automatically entered pursuant to section 301 of the
28

1 Bankruptcy Code, as confirmed by order of the Bankruptcy Court
2 entered on September 14, 2006.

3 **1.49 Ordinary Course Administrative Claim** means an
4 Administrative Claim, other than a Professional Claim, that
5 represents an obligation incurred in the ordinary course of
6 business of the Debtor (as determined by the Debtor in its sole
7 discretion) from and after the Petition Date through and
8 including the Confirmation Date.

9 **1.50 Person** means and includes an individual, corporation,
10 partnership, joint venture, association, joint stock company,
11 limited liability company, limited liability partnership,
12 trust, estate, unincorporated organization or other entity, and
13 a Governmental Unit.

14 **1.51 Petition Date** means August 25, 2006, the date on
15 which an order for relief was automatically entered pursuant to
16 section 301 of the Bankruptcy Code and confirmed by order of
17 the Bankruptcy Court entered on September 14, 2006.

18 **1.52 Post-Petition Date** means after August 25, 2006.

19 **1.53 Plan** means this Plan of Adjustment of Debts, together
20 with all Exhibits hereto, each in their present form or as they
21 may be altered, amended or modified from time to time in
22 accordance with the provisions of this Plan, the Confirmation
23 Order, the Bankruptcy Code, and the Bankruptcy Rules.

24 **1.54 Plan Documents** means all agreements, instruments and
25 documents required or contemplated by the Plan including
26 agreements, instruments and documents to be executed, entered
27 into, delivered or recorded pursuant to the Plan.

28

1 **1.55 Plan Solicitation Order** means the Order Approving (i)
2 Adequacy Of Information In Disclosure Statement With Respect To
3 Los Osos Community Services District's Plan Of Adjustment; (ii)
4 Form, Scope And Nature Of Solicitation, Balloting, Tabulation
5 And Notices With Respect Thereto; And (iii) Related
6 Confirmation Procedures, Deadlines And Notices, by which the
7 Bankruptcy Court approved the Disclosure Statement as
8 containing adequate information for the purpose of
9 dissemination and solicitation of votes on and confirmation of
10 this Plan and established certain rules, deadlines, and
11 procedures for the solicitation of votes with respect to and
12 the balloting on this Plan.

13 **1.56 Professional Claim** means a Claim for approval of
14 amounts paid or to be paid for professional services and
15 expenses in the Chapter 9 Case or incident to this Plan and
16 afforded treatment under section 507(a)(1) of the Bankruptcy
17 Code.

18 **1.57 Pro Rata** means, at any time the proportion that the
19 Face Amount of a Claim in a particular Class bears to the
20 aggregate Face Amount of all Claims (including Disputed Claims,
21 but excluding Disallowed Claims) in such Class, unless the Plan
22 provides otherwise.

23 **1.58 Remaining State Revolving Fund Proceeds** means the
24 loan proceeds LOCSD obtained from the State Water Board's State
25 Revolving Fund to design and construct the Old Project.

26 **1.59 Reinstated or Reinstatement** means (a) leaving
27 unaltered the legal, equitable and contractual rights to which
28 a Claim is entitled, so as to leave such Claim unimpaired in

1 accordance with section 1124 of the Bankruptcy Code, or (b)
2 notwithstanding any contractual provision or applicable law
3 that entitles the holder of such claim to demand or receive
4 accelerated payment of such Claim after the occurrence of a
5 default (i) curing any such default that occurred before or
6 after the Petition Date, other than a default of a kind
7 specified in section 365(b)(2) of the Bankruptcy Code; (ii)
8 reinstating the maturity of such Claim as such maturity existed
9 before such default; (iii) compensating the holder of such
10 claim for any damages incurred as a result of any reasonable
11 reliance by such holder of such claim on such contractual
12 provision or such applicable law; and (iv) not otherwise
13 altering the legal, equitable or contractual rights to which
14 the holder of such Claim is entitled; provided, however, that
15 any contractual right that does not pertain to the payment when
16 due of principal and interest on the obligation on which such
17 Claim is based, including, but not limited to, circumstances
18 that may give rise to an alleged non-monetary default, shall
19 not be required to be cured or Reinstated in order to
20 accomplish Reinstatement.

21 **1.60 Rights of Action** means all claims, causes of action,
22 and defenses of the Debtor, including, but not limited to:
23 counterclaims; rights of offset or recoupment; objections to
24 Claims; objections to the validity, priority, amount,
25 allowance, or classification of any Claim; rights to seek
26 equitable or contractual subordination of Claims; and
27 avoidance and recovery of Pre-petition or Post-petition
28 transfers (including but not limited to the Avoidance Actions),

1 which claims, causes of action, and defenses are against,
2 arise out of, or are related to any of the following (except
3 for such claims, causes of action, and defenses that have been
4 settled and released pursuant to this Plan or an order of the
5 Bankruptcy Court):

6 a. All claims, causes of action and defenses
7 against the current and/or past officers and/or directors of
8 the Debtor, control persons of the Debtor, the Debtor's
9 predecessors in interest, and the agents, attorneys,
10 accountants, investment bankers, underwriters, and other
11 professionals employed by any of the current and/or past
12 officers and/or directors of the Debtor, or the Debtor's
13 predecessors in interest, including, but not limited to,
14 claims, causes of action and defenses arising out of or related
15 breach of duty, negligence, mismanagement and/or excessive
16 compensation;

17 b. All claims, causes of action and defenses
18 against any Person who is or was a past or present officer,
19 director, executive, control person, or predecessors in
20 interest of the Debtor, and the agents, attorneys, accountants,
21 investment bankers, underwriters, and other professionals
22 employed by any Person who is or was a past or present
23 officer, director, executive, control person, or predecessors
24 in interest of the Debtor;

25 c. All claims, causes of action and defenses against
26 any Person;

27 d. All claims, causes of action, and defenses
28 arising out of or related to lawsuits and proceedings pending

1 as of the Petition Date, and any lawsuit or proceeding
2 commenced by or against the Debtor after the Petition Date;

3 e. All rights, claims, causes of action and
4 defenses arising under or related to Claims that have been
5 purchased during this Chapter 9 Case and/or are asserted by a
6 Person other than the original claimant, including, but not
7 limited to, defenses to the amount of such claims based on
8 failure to provide adequate information to the transferors;

9 f. All claims, causes of action and defenses
10 arising out of or related to any theft claims, fire loss claims
11 and damage claims at any time arising against any Person;

12 g. All claims, causes of action and defenses
13 arising out of or related to amounts due the Debtor, by any
14 Person, for deposit refund claims, chargebacks, rebates,
15 premium adjustments, refunds and accounts receivable claims;

16 h. All defenses, counterclaims, third party claims,
17 offset claims, rights of recoupment, causes of action for
18 equitable or contractual subordination, indemnity claims and
19 coverage claims arising out of or related to any Claim against
20 the Debtor, whether based on the Bankruptcy Code or any
21 applicable law;

22 i. All claims related to taxes, and rights to file
23 tax returns and amended returns and to seek tax determinations,
24 including, without limitation, tax loss carryback claims, net
25 operating loss claims, determinations of basis or depreciation,
26 overpayment claims, offset and counterclaims;

27
28

1 j. All claims, causes of action and defenses
2 against or with respect to financial institutions and any other
3 Person for the turnover of funds of, or due to, the Debtor;

4 k. All rights, causes of action, defenses, claims,
5 powers, privileges and licenses of the Debtor;

6 l. All causes of action, claims and defenses
7 arising under the Plan and the Bankruptcy Code;

8 m. All rights, claims, causes of action and
9 defenses for coverage in or under any and all insurance
10 policies of the Debtor; and

11 n. All rights, claims, or Causes of Action owned
12 by, accruing to, or assigned to the Debtor pursuant to the
13 Bankruptcy Code or pursuant to any contract, statute, or legal
14 theories.

15 **1.61 Secured Claim** means a Claim that is alleged to be
16 secured, in whole or in part, (a) by a Lien that is not subject
17 to avoidance or subordination under the Bankruptcy Code or
18 applicable non-bankruptcy law; or (b) as a result of a valid
19 right of setoff under section 553 of the Bankruptcy Code, but
20 in any event only to the extent of the value, determined in
21 accordance with section 506(a) of the Bankruptcy Code, of the
22 holder's interest in the Debtor's interest in property or to
23 the extent of the amount subject to such valid setoff, as the
24 case may be.

25 **1.62 Solid Waste Franchise Agreement** means the solid waste
26 franchise contract with a company that picks up and disposes of
27 solid waste within LOCSD's boundaries.

28

1 **1.62A Special Tax** means a tax which could be imposed to
2 pay Class 8 Creditors if (a) the Class 8 creditors decide to
3 seek a vote of the registered voters who live in the area which
4 was to be served by LOCSD's former wastewater project (the
5 "Prohibition Zone") to approve that tax in an amount to be
6 determined by the Class 8 Creditors, and (b) two-thirds of the
7 registered voters vote to assess the Special Tax.

8 **1.63 Unclaimed Distribution** means any Distributions that
9 are unclaimed two (2) years following the date of the making of
10 the Distribution. Unclaimed Distributions shall include (a)
11 checks (and the funds represented thereby) which have been
12 returned as undeliverable without a proper forwarding address,
13 (b) funds for checks which have not been paid, (c) checks (and
14 the funds represented thereby) which were not mailed or
15 delivered because of the absence of a proper address with which
16 to mail or deliver such property, and (d) interest on cash from
17 unclaimed Distributions.

18 **1.64 Unsecured Claim** means any Claim that is not a Secured
19 Claim or an Administrative Claim.

20 **1.65 U.S. Bank** means U.S. Bank National Association,
21 acting in its capacity as Paying Agent pursuant to the Paying
22 Agent/Bond Registrar Agreement dated February 15, 2007, between
23 Debtor and U.S. Bank, and as Trustee of the Redemption Fund and
24 the Reserve Fund established by the Debtor pursuant to Los Osos
25 Community Services District Wastewater Assessment District No.
26 1 Resolution No. 2006-29, dated November 16, 2006.

27
28

ARTICLE 2

RULES OF CONSTRUCTION

The following rules of construction apply to this Plan:

2.1 Where not inconsistent or in conflict with the provisions of the Plan, the words and phrases used in the Plan shall have the meanings provided in the Bankruptcy Code or the Bankruptcy Rules.

2.2 The rules of construction set forth in section 102 of the Bankruptcy Code apply.

2.3 In computing any period of time prescribed or allowed by this Plan, the provisions of Bankruptcy Rule 9006(a).

2.4 Unless otherwise specified; all references in this Plan to "Sections" and "Exhibits" are to the respective Section in or Exhibit to this Plan, as the same may be amended or modified from time to time.

2.5 Section captions and the headings in this Plan are for convenience of reference only and do not limit or otherwise affect the provisions of this Plan.

2.6 Words denoting the singular number include the plural number and vice versa.

2.7 The words "herein," "hereof," "hereto," "hereunder," and others of similar import refer to this Plan as a whole and not to any particular Section, subsection, or clause contained in this Plan.

2.8 The first letters of terms defined in the Plan are capitalized.

ARTICLE 3

CERTAIN GENERAL TERMS AND CONDITIONS

1
2
3 The following general terms and conditions apply to this
4 Plan:

5 **3.1** To the extent any Claim or portion of any Claim of a
6 Creditor is a Disputed Claim, or is otherwise contingent or
7 unliquidated, or has not been allowed by the Bankruptcy Court,
8 the Disbursing Agent may either reserve and segregate from such
9 Distributions under the Plan an amount sufficient to provide
10 for each of such Claims under the Plan, ask the Bankruptcy
11 Court to determine an appropriate reserve, or ask the
12 Bankruptcy Court to estimate for purposes of allowance any
13 contingent or unliquidated Claim which would otherwise delay
14 the administration of the Chapter 9 Case.

15 **3.2** Pursuant to sections 901(a) and 1123(a)(1) of the
16 Bankruptcy Code, Article V of the Plan designates nine Classes
17 of Claims. As set forth below, Claims of the kind specified in
18 sections 507(a)(1) of the Bankruptcy Code have not been
19 classified and are excluded from the Classes set forth in
20 Article V of the Plan, in accordance with section 1123(a)(1) of
21 the Bankruptcy Code. A Claim shall be deemed classified in a
22 particular Class only to the extent that the Claim qualifies
23 within the description of that Class and shall be deemed
24 classified in a different Class to the extent that any
25 remainder of the Claim qualifies within the description of such
26 different Class. A Claim is in a particular Class only to the
27 extent that the Claim is an Allowed Claim in that Class.
28 Multiple proofs of claim filed by a Creditor that qualify for

1 inclusion within the same Class shall be aggregated and, if
2 allowed, shall constitute a single Allowed Claim.

3 **ARTICLE 4**

4 **TREATMENT AND DEADLINE FOR THE ASSERTION**

5 **OF ADMINISTRATIVE CLAIMS AND PROFESSIONAL CLAIMS**

6 **4.1 Treatment Of Administrative Claims.** The Debtor or its
7 agent shall pay from Net Funds to each holder of an Allowed
8 Administrative Claim, in full satisfaction, release and
9 discharge of such Claim, Cash in an amount equal to such
10 Allowed Administrative Claim on the later of the Effective Date
11 or the date on which such Claim becomes an Allowed
12 Administrative Claim, or as soon thereafter as is practicable,
13 unless the holder of an Allowed Administrative Claim agrees to
14 a different treatment; provided however, that Ordinary Course
15 Administrative Claims shall be paid in full and honored by the
16 Debtor in the ordinary course of business in accordance with
17 the terms and conditions of the particular transactions and any
18 agreements relating thereto.

19 **4.2 Treatment Of Professional Claims.** Pursuant to section
20 943(b)(3) of the Bankruptcy Code, all amounts paid or to be
21 paid for services or expenses in the Chapter 9 Case or incident
22 to this Plan must be approved by the Bankruptcy Court as
23 reasonable. The Debtor or its agent shall pay from Net Funds to
24 each holder of a Professional Claim, in full satisfaction,
25 release and discharge of such Claim, Cash in an amount equal to
26 that portion of such Claim that the Bankruptcy Court approves
27 as reasonable (except to the extent such Claim previously has
28 been paid or satisfied) on or as soon as reasonably practicable

1 following the date on which the Bankruptcy Court order
2 determining such reasonableness becomes a Final Order.

3 **4.3 Deadline For The Filing And Assertion Of**
4 **Administrative Claims (Other Than Ordinary Course**
5 **Administrative Claims And Professional Claims).**

6 All requests for payment or any other means of preserving
7 and obtaining payment of Administrative Claims (other than
8 Ordinary Course Administrative Claims and requests for approval
9 of Professional Claims) that have not been paid, released, or
10 otherwise settled, must be filed with the Bankruptcy Court and
11 served upon the Debtor and the United States Trustee no later
12 than thirty (30) days after the date on which the Notice of
13 Effective Date is mailed. Any request for payment of an
14 Administrative Claim (other than an Ordinary Course
15 Administrative Claim and a request for approval of Professional
16 Claim) that is not timely filed by such date will be forever
17 barred, and holders of such Claims shall be barred from
18 asserting such Claims in any manner against the Debtor or
19 receiving any Distributions under this Plan.

20 **ARTICLE 5**
21 **DESIGNATION OF CLASSES OF CLAIMS**

22 Pursuant to section 1122 of the Bankruptcy Code, set forth
23 below is a designation of Classes of Claims against the Debtor.
24 A Claim is placed in a particular Class for the purposes of
25 voting on the Plan and receiving distributions pursuant to the
26 Plan only to the extent that such Claim is an Allowed Claim in
27 that Class and such Claim has not been paid, satisfied or
28 otherwise settled prior to the Effective Date. In accordance

1 real property taxes totaling \$3,556.62 (proof of claim no. 43).
2 The Class 1 Claim will retain all legal and equitable rights
3 under non-bankruptcy law.

4 **6.2 Class 2.** The Secured Claim of Key Equipment Finance
5 is based upon a financing lease of with an approximate balance
6 of \$10,508.38 (proof of claim no. 101) as of the Petition Date.
7 This Claim was paid in full on March 15, 2007 and the Class 2
8 Claimant will receive no further distributions under the Plan.

9 **6.3 Class 3.** The Secured Claim of Citizens Business Bank
10 is for a loan made to LOCSD to finance the purchase of a fire
11 truck. This Claim was paid in full according to the loan terms
12 on September 1, 2010. The Class 3 Claimant will receive no
13 further distributions under the Plan.

14 **6.4 Class 4.** The Secured Claim of California
15 Infrastructure & Development Bank is for financing of a water
16 system project constructed by LOCSD in 2005 with an approximate
17 balance as of August 1, 2010 of \$4,516,021.29 (proof of claim
18 151). This Claim is secured by LOCSD's water system.
19 California Infrastructure & Development Bank will retain
20 unaltered all legal, equitable and contractual rights under the
21 Enterprise Installment Sale Agreement Dated as of December 6,
22 2004, Agreement No. CIEDB-B04-060 and that all security
23 interests will remain in place. LOCSD is current on its
24 obligations to California Infrastructure & Development Bank and
25 will continue to make its semi-annual interest payments of
26 \$68,869.33 due on February 1, 2011 and will make all further
27 payments per the terms of the Amortization Schedule attached as
28

1 Debtor will solicit acceptances of the Plan from each Impaired
2 Class. The Impaired Classes will be treated as follows:

3 **7.1 Class 5(B)**. The Class 5 Secured Claim of MBIA
4 Insurance Corp. arises out of the bonds that were issued by
5 LOCSD to fund part of the Old Project. MBIA Insurance Corp. is
6 the insurer of those bonds. The bond indenture required LOCSD
7 to maintain certain bond proceeds in reserve and segregate them
8 (approximately \$1,158,000 to the Debt Service Reserve Fund).
9 Instead, LOCSD pooled the reserve funds and spent them for
10 other purposes. MBIA Insurance Corp.'s claim is for
11 \$714,268.00, plus interest, fees and expenses (proof of claim
12 no. 119) and is secured by the assessments paid annually by the
13 property owners. The LOCSD is informed that the current
14 balance of the claim is approximately \$450,000, excluding
15 interest, fees and expenses. In full satisfaction of its
16 Allowed Secured Claim, MBIA Insurance Corp. shall be paid
17 \$25,000 per year from the annual assessment overhead charges
18 collected by the County until the Claim is paid in full without
19 interest. Each annual payment will be made by the County at
20 the time the County collects the assessments and makes payments
21 to the U.S. Bank.

22 **7.2 Class 6**. The Unsecured Claim of the Regional Water
23 Quality Control Board arises from an Administrative Civil
24 Liability Order (No. R3-2005-0137) levied against LOCSD
25 pursuant to California Water Code sections 13308 and 13350 for
26 LOCSD's failure to complete the construction of a community
27 sewer system by August 30, 2004. The liability imposed by the
28 Regional Water Quality Control Board was \$10,000 per day.

1 The Regional Water Quality Control Board's claim is for
2 \$6,627,000.00 (proof of claim no. 126).

3 The Claim of the Class 6 Creditor will be subordinated to
4 the Claims of Class 7 and 8 Creditors if (a) the Plan is
5 approved; (b) the County of San Luis Obispo (the "County")
6 adopts a due diligence resolution to proceed with the County's
7 wastewater project; (c) the LOCSD provides the Class 6 Creditor
8 with a draft water conservation plan.

9 **7.3 Class 7.** The Unsecured Claim of the State Water
10 Resources Control Board arises from a loan and other advances
11 to LOCSD by the State Water Resources Control Board's State
12 Revolving Fund to design and construct a portion of the Old
13 Project. State Water Resources Control Board's claim is for
14 \$8,636,565.57 and is comprised of a \$6,486,144.00 State
15 Revolving Fund loan, \$150,421.57 in accrued interest as of the
16 Petition Date, and a \$2,000,000 grant (proof of claim no. 128).

17 If the Plan is approved, the County will satisfy the State
18 Water Resources Control Board's claim in connection with the
19 State Revolving Fund financing the County obtained from the
20 State Revolving Fund for the County's wastewater project and
21 the State Water Resources Control Board will not receive a
22 distribution under the Plan.

23 **7.4 Class 8.** The class of All Other General Unsecured
24 Claims consists of all Unsecured Claims other than the
25 Unsecured Claims of the Regional Water Quality Control Board
26 and the State Water Resources Control Board.

27 The Claimants in Class 8 will receive on account of their
28 Allowed General Unsecured Claims and in full satisfaction,

1 release and discharge thereof, a Pro Rata share of any Cash
2 Distribution from the Available Funds and their Pro Rata Share
3 of the Special Tax annual installments.

4 LOCSD estimates that it will be able to make Distributions
5 from the Remaining State Revolving Fund Proceeds within 60 days
6 of the Effective Date of the Plan. LOCSD also estimates that
7 the Distributions from amounts received from the County's
8 contribution based upon the transfer of LOCSD's Solid Waste
9 Franchise Agreement could take approximately eight months from
10 the Effective Date because regulatory approvals are required
11 for that transfer. Distributions from the proceeds of the
12 return of the Solid Waste System Franchise Agreement will be
13 made on the first Business Day following each Calendar Quarter
14 in which the funds are received until such Available Funds have
15 been exhausted. Distributions from the Special Tax annual
16 installments will be paid after the County collects and
17 processes the Special Tax payments.

18 On or before the first Distribution to be made to
19 Claimants in Class 8, LOCSD will establish the Disputed Claims
20 Reserve for holders of Disputed Claims. Subject to LOCSD's
21 right to have the amount of any contingent or unliquidated
22 Disputed Claims estimated and to use the estimated amount for
23 the purposes of setting the Disputed Claims Reserve, LOCSD will
24 deposit into such reserve on each date a Distribution is made
25 to the holders or Disputed Claims an amount equal to the Pro
26 Rata Share of the Available Funds and the Special Tax
27 installments that would have been distributed to holders of
28 Disputed Claims had such Claims been Allowed on the date of

1 each Distribution in the Face Amount. All Distributions
2 required to be made the holders of Class 8 Claimants from
3 Available Funds and Special Tax installments and the Disputed
4 Claim Reserve will be established and fully funded by LOCSD
5 with Available Funds and Special Tax installments as such funds
6 are available.

7 **ARTICLE 8**

8 **ACCEPTANCE OR REJECTION; CRAMDOWN**

9 **8.1 Voting Of Claims.** Each holder of a Claim classified
10 into Classes 5(B), 6, 7 and 8 shall be entitled to vote each
11 such Claim separately to accept or reject this Plan.

12 **8.2 Nonconsensual Confirmation.** The Debtor believes that
13 the applicable requirements for confirmation of this Plan as
14 set forth in sections 901, 943, 1129(a)(2), 1129(a)(3),
15 1129(a)(6), and 1129(a)(10) are satisfied. Accordingly, the
16 Debtor will and hereby does request that the Bankruptcy Court
17 confirm this Plan in accordance with those portions of section
18 1129(b) of the Bankruptcy Code that are applicable to the
19 Chapter 9 Case and, in the event that an Impaired Class of
20 Claims rejects this Plan, on the basis that this Plan is fair
21 and equitable and does not discriminate unfairly with respect
22 to any non-accepting Impaired Class.

23 **ARTICLE 9**

24 **IMPLEMENTATION AND MEANS FOR CONSUMMATION OF THIS PLAN**

25 **9.1 Funding the Plan.**

26 **9.1.1 Payments to Holders of Allowed Administrative**
27 **and Professional Claims.** To the extent Allowed
28 Administrative Claims are not paid on or before the Effective

1 Date, payments to holders of Allowed Administrative Claims and
2 holders of Professional Claims shall made in Cash and funded
3 from Available Funds, except for Ordinary Course Administrative
4 Claims will be satisfied from LOCSD funds on hand allocated to
5 that purpose on and after the Effective Date.

6 **9.1.3 Funding of Distributions to Holders of Claims in**

7 **Class 8.** No later than the first Business Day
8 following the sixtieth (60th) day after the Effective Date, the
9 Debtor will deposit into a segregated account ("Disbursement
10 Reserve Account") all Remaining State Revolving Fund Proceeds
11 on hand except for Remaining State Revolving Fund Proceeds
12 required to fund the Disputed Claims Reserve Account. No later
13 than the first Business Day of following receipt by the Debtor
14 of the contribution from County on account of the return to the
15 County Solid Waste Franchise Agreement, the Debtor will deposit
16 those funds into the Disbursement Reserve Account except for
17 Remaining State Revolving Fund Proceeds required to fund the
18 Disputed Claims Reserve Account. All Distributions required to
19 be made to holders of Class 8 Claims from Available Funds and
20 Special Tax installments will be made pursuant to Article VII,
21 Section 7.4, and the Disputed Claims Reserve Account will be
22 established and funded by the Debtor with Available funds in
23 accordance with Sections 9.2 and 11.7.

24 **9.2 Establishment and Funding of Disputed Claims Reserve.**

25 No later than the first Business Day following the
26 sixtieth (60th) day after the Effective Date, the Debtor shall
27 establish the Disputed Claims Reserve Account for holders of
28 Disputed Claims in Class 8 ("Disputed Claims"). Subject to

1 Section 11.7, below, the Debtor will deposit into such reserve
2 account on each date a Distribution is made to holders of
3 Allowed Claims in Class 8 an amount equal to the Pro Rata Share
4 of the Distributions that would have been distributed to
5 holders of Disputed Claims, had such Claims been Allowed on the
6 date of each such Distribution in the Face Amount. At such time
7 as all Disputed Claims have been finally determined and paid
8 all Distributions to which the holders thereof are entitled to
9 receive hereunder upon Allowance of their respective Claims in
10 Class 8, the balance of Cash held in the Disputed Claims
11 Reserve Account shall be distributed to the holders of Allowed
12 General Unsecured Claims in Class 8 on a Pro Rata basis.

13 **9.3 Bar Date and Other Deadlines.** The last date for filing
14 proofs of claim is the Bar Date, except for claims arising from
15 the rejection of an executory contract or lease pursuant to
16 Section 10.3 for which the last day to file a proof of claim is
17 thirty (30) days after the Effective Date. The deadline for the
18 filing of a request for payment of Administrative Claims other
19 than an Ordinary Course Administrative Claim, a request for
20 approval of a Professional Claim, or a request for payment of
21 monetary amounts necessary to be paid to cure any existing
22 defaults or arrearages in connection with the Debtor's
23 assumption of an executory contract or lease pursuant to
24 Section 10.1 Plan is thirty (30) days after the Effective Date.
25 The deadline for the filing of a request for payment of
26 monetary amounts in connection with executory leases or
27 contracts assumed pursuant to Section 10.1 is thirty (30) days

28

1 after the Notice of the Effective Date is mailed pursuant to
2 Section 10.4.

3 **9.4 Retention Of Rights, Claims, And Causes Of Action, And**
4 **Prosecution Thereof.** Pursuant to sections 901 (a) and
5 1123(b)(3) of the Bankruptcy Code, the Debtor may maintain and
6 enforce any Rights of Action of the Debtor. All Rights of
7 Action shall remain property of the Debtor and may be
8 prosecuted, settled, or abandoned by the Debtor, subject to the
9 terms and conditions of this Plan, the Confirmation Order, and
10 any Final Order of the Bankruptcy Court, after the Effective
11 Date. Also expressly retained are all of the claims, causes of
12 action, defenses, counterclaims, causes of action for equitable
13 or contractual subordination, offset and recoupment rights of
14 the Debtor against any Person whether or not particularly
15 disclosed in the Disclosure Statement, it being the intent
16 expressly provided in this Plan that the requirements of In re
17 Heritage Hotel, 160 B.R. 374, 377 (BAP. 9th Cir. 1993), affd,
18 59 F.3d 175 (9th Cir. 1995), and The Alary Corp. v. Sims (In re
19 Associated Vintage Group, Inc.), 283 B.R. 549, 564 (BAP. 9th
20 Cir. 2002), have been satisfied, and that all claims and causes
21 of action held by the Debtor are retained and shall not be
22 barred under the principles of res judicata, and will not be
23 waived by reason of estoppel, judicial estoppel or res
24 judicata.

25 **9.4.1 Authority to Prosecute and Enforce Prosecution**
26 **Of Rights Of Action.** Following the Effective
27 Date, the Debtor shall be the appointed representative and
28 shall have the exclusive right to, and may in its sole

1 discretion, pursue, litigate, compromise, and settle any and
2 all Rights of Action, as appropriate, without further notice,
3 the opportunity for a hearing, or Bankruptcy Court approval.
4 The deadline for commencing an action based on a Right of
5 Action shall be one hundred eighty (180) days after the
6 Effective Date or as may be further extended by order of the
7 Bankruptcy Court; provided, however, that if the entity against
8 whom the Debtor asserts a Right of Action is a debtor under any
9 Chapter of the Bankruptcy Code, then the deadline shall be one
10 hundred eighty (180) days after the Debtor obtains relief from
11 stay or other relief which will permit the Filing of an action
12 against such entity based on a Right of Action.

13 **9.4.2 No Waiver Or Limitation Of Rights Of Action.**

14 The failure to list in the Disclosure Statement any
15 potential or existing Right of Action generally or specifically
16 is not intended to and shall not limit the rights of the Debtor
17 to pursue any such action. Unless a Right of Action is
18 expressly waived, relinquished, released, compromised or
19 settled in this Plan, the Debtor expressly reserves all Rights
20 of Action for later adjudication and, as a result, no
21 preclusion doctrine, including the doctrines of res judicata,
22 collateral estoppel, issue preclusion, claim preclusion,
23 estoppel Judicial, equitable or otherwise) or laches, shall
24 apply to such Rights of Action upon or after the confirmation
25 or consummation of this Plan or the Effective Date.

26 **9.4.3 Authority to Settle Rights of Action.** From and
27 after the Effective Date, the Debtor shall be authorized with
28 respect to any Rights of Action, pursuant to Bankruptcy Rule

1 9019 and section 105(a) of the Bankruptcy Code, to compromise
2 and settle such Rights of Action, in accordance with the
3 following procedures, which shall constitute sufficient notice
4 in accordance with the Bankruptcy Code and the Bankruptcy Rules
5 for compromise and settlement of such Rights of Action:

6 (i) If (a) the total amount in controversy in
7 connection with a Rights of Action to be settled is less than
8 \$100,000 (i.e. the total amount the Debtor seeks to recover,
9 exclusive of costs, attorney's fees, expenses and punitive
10 damages, is less than \$100,000), (b) a proceeding has not been
11 commenced with respect to such Rights of Action in any Court
12 and (c) the proposed settlement of the Rights of Action
13 involves solely the payment in Cash to the Debtor of an amount
14 not less than fifty percent (50%) of the total amount in
15 controversy in connection with such Rights of Action, then the
16 Debtor shall be authorized and empowered to settle the Rights
17 of Action and execute necessary documents, including a
18 stipulation of settlement or release, without the need for
19 prior Court approval of such settlement; and

20 (ii) If the settlement of a Rights of Action at issue
21 is not one that complies with the requirements of the foregoing
22 subsection (i), then the Debtor may settle such Rights of
23 Action with the approval of the Bankruptcy Court pursuant to
24 Bankruptcy Rule 9019 after notice to those Persons on the Post-
25 Effective Date Limited Notice List and a hearing.

26 **9.5 Continued Vesting of Property of LOCSD.** On and after
27 the Effective Date, LOCSD shall remain vested with all its
28 property.

1 **9.6 Cancellation Of Liens.** Except as otherwise
2 specifically provided in this Plan, on the Effective Date any
3 Lien or security interest securing any Secured Claim shall be
4 deemed released, and the entity holding such Secured Claim
5 shall (i) be authorized and directed to release any collateral
6 or other property of the Debtor (including without limitation
7 any cash collateral) held by such entity, and (ii) take such
8 actions as may be requested by the Debtor to evidence the
9 release of such lien, including without limitation the
10 execution, delivery and filing or recording of such releases.

11 **9.7 Objections To Claims; Prosecution Of Objections To**
12 **Disputed Claims.**

13 **9.7.1 Claims Objection Deadline.** Except as otherwise
14 provided in the Plan, the deadline for objecting to Claims
15 shall be one hundred eighty (180) days after the Effective Date
16 or as may be further extended by order of the Bankruptcy Court;
17 provided, however, that if the holder of the Claim is a debtor
18 under any Chapter of the Bankruptcy Code, then the deadline
19 shall be one hundred eighty (180) days after the Debtor obtains
20 relief from stay or other relief which will permit the Filing
21 of an objection to such Claim.

22 **9.7.2 No Distributions Pending Allowance.**

23 Notwithstanding any other provision of the Plan, no Cash
24 or other property shall be distributed under the Plan on
25 account of any Claim unless and until such Claim becomes
26 Allowed.

27 **9.7.3 Authority to Prosecute Claim Objections.** Unless
28 otherwise ordered by the Bankruptcy Court after notice and a

1 hearing and except as expressly provided herein, from and after
2 the Effective Date the Debtor shall have the exclusive right to
3 file objections to Claims. As to objections Filed prior to the
4 Effective Date but not resolved or determined before the
5 Effective Date, the Debtor, as provided herein, shall be vested
6 on the Effective Date with all rights, interests, and authority
7 with respect to the objections.

8 **9.7.4 Authority to Settle Disputed Claims.** From and
9 after the Effective Date, the Debtor shall be authorized with
10 respect to those Claims that are not Allowed hereunder or by
11 Final Order of the Bankruptcy Court, pursuant to Bankruptcy
12 Rule 9019 and section 105(a) of the Bankruptcy Code, to
13 compromise and settle Disputed Claims, in accordance with the
14 following procedures, which shall constitute sufficient notice
15 in accordance with the Bankruptcy Code and the Bankruptcy Rules
16 for compromise and settlement of claims:

17 a. If the proposed amount at which the
18 Disputed Claim to be allowed is less than or equal to \$100,000,
19 the Debtor shall be authorized and empowered to settle the
20 Disputed Claim and execute necessary documents, including a
21 stipulation of settlement or release without the need to obtain
22 Court approval of such settlement; and

23 b. If the proposed amount at which the
24 Disputed Claim is to be allowed is greater than \$100,000, the
25 Debtor shall be authorized and empowered to settle such
26 Disputed Claim and execute necessary documents, including a
27 stipulation of settlement or release, only upon receipt of
28 Bankruptcy Court approval of such settlement after notice to

1 those Persons on the Post-Effective Date Limited Notice List
2 and a hearing.

3 **9.8 Effectuating Documents And Further Transactions.** Each
4 of the officials and employees of the Debtor, and subject to
5 the extent authorized by the Debtor's Governing Board, is
6 authorized to execute, deliver, file, or record such contracts,
7 instruments, releases, indentures, and other agreements or
8 documents and take such actions as may be necessary or
9 appropriate to promote, effectuate, implement and further
10 evidence the terms and provisions of this Plan.

11 **9.9 Implementation Reports.** On the earlier of 90 days
12 following the Confirmation Date or 30 days after Distributions
13 are first made to the holders of Allowed Claims in Class 8, the
14 Debtor shall file an implementation report with the clerk of
15 the Bankruptcy Court setting forth the status of implementation
16 of the Plan. Supplemental implementation reports shall be filed
17 every 120 days thereafter until the time that the Debtor files
18 a motion with the clerk of the Bankruptcy Court requesting the
19 entry of a final decree closing the Case. A final
20 implementation report will be included in the Debtor's motion
21 for a final decree.

22 **ARTICLE 10**

23 **TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

24 **10.1 Assumption Of Certain Executory Contracts And**

25 **Unexpired Leases.** The Debtor assumes the executory
26 contracts and unexpired leases set forth in Exhibit 1 This Plan
27 shall constitute a motion to assume such executory contracts
28 and unexpired leases. Subject to the occurrence of the

1 Effective Date, entry of the Confirmation Order by the
2 Bankruptcy Court shall constitute approval of and authorization
3 for the assumption of such executory contracts and unexpired
4 leases pursuant to section 365(a) of the Bankruptcy Code and a
5 finding by the Bankruptcy Court that each assumption is in the
6 best interest of the Debtor and all parties in interest in the
7 Chapter 9 Case.

8 **10.2 Cure Payments.** As soon as practicable after and in no
9 event later than thirty (30) days after the Effective Date, the
10 Debtor or its agent shall pay to each party to an executory
11 contract or unexpired lease assumed pursuant to Section 10.1
12 any monetary amounts required to be paid under section 365(b)
13 of the Bankruptcy Code as a condition to assumption, unless the
14 Debtor and such party agree to different arrangements for the
15 satisfaction of obligations under section 365(b). The
16 Bankruptcy Court shall retain jurisdiction to and, after the
17 provision of notice and the opportunity for a hearing in accord
18 with the Bankruptcy Rules, shall resolve all disputes regarding
19 (a) the amount of any cure payment to be made pursuant to this
20 Section 10.2; (b) the ability of the Debtor to provide
21 "adequate assurance of future performance" within the meaning
22 of section 365 of the Bankruptcy Code under the contract or
23 lease to be assumed; and (c) any other matter pertaining to
24 such assumption.

25 **10.3 Rejection of Executory Leases and Contracts Not**
26 **Specifically Assumed.** Any executory contracts or
27 unexpired leases that (i) are not identified on Exhibit 1
28 hereto, (ii) have not expired by their own terms on or prior to

1 the Effective Date, (iii) have not been assumed, assumed and
2 assigned, or rejected with the approval of the Bankruptcy Court
3 as of the Effective Date, and (iv) are not the subject of a
4 motion for rejection pending as of the Effective Date, shall be
5 deemed to have been rejected by the Debtor effective as of the
6 Confirmation Date, and this Plan shall constitute a motion to
7 reject such executory contracts and unexpired leases. Subject
8 to the occurrence of the Effective Date, entry of the
9 Confirmation Order by the Bankruptcy Court shall constitute
10 approval of and authorization for the rejection of such
11 executory contracts and unexpired leases pursuant to section
12 365(a) of the Bankruptcy Code and a finding by the Bankruptcy
13 Court that each rejection is in the best interest of the Debtor
14 and all parties in interest in the Chapter 9 Case.

15 **10.4 Bar Date For The Assertion Of Claims For Cure**

16 **Payments.** The Debtor currently does not believe that
17 any amounts are necessary to be paid in order to cure any
18 existing defaults or arrearages under the executory contracts
19 and unexpired leases to be assumed pursuant to Section 10.1.
20 Any party to such an executory contract or unexpired lease that
21 asserts that any payment or other performance is due in
22 connection with the proposed assumption of such agreement in
23 accordance with this Plan must file with the Bankruptcy Court
24 and serve upon the Debtor a written statement and accompanying
25 declaration in support thereof specifying the basis for its
26 claim within the same deadline and in the manner established
27 July 8, 2011). The failure to timely file and serve such a
28 statement shall constitute and be deemed a waiver of any and

1 all objections to the proposed assumption and any claim for
2 cure amounts of the agreement at issue.

3 **10.5 Claims Arising From Rejection.** Proofs of Claim
4 arising from the rejection of executory contracts or unexpired
5 leases pursuant to Section 10.3 must be Filed with the
6 Bankruptcy Court and served on the Debtor no later than thirty
7 (30) days after the date on which the Notice of Effective Date
8 is mailed. Any Claim for which a proof of Claim is not Filed
9 and served within such time will be forever barred and shall
10 not be enforceable against the Debtor or its assets,
11 properties, or interests in property. Unless otherwise ordered
12 by the Bankruptcy Court, all such Claims that are timely Filed
13 as provided herein shall be treated as General Unsecured Claims
14 and be classified in Class 8 Other Allowed General Unsecured
15 Claims.

16 **ARTICLE 11**

17 **PROVISIONS GOVERNING DISTRIBUTIONS**

18 **11.1 Disbursing Agent.** On or after the Effective Date,
19 the Debtor may retain one or more agents to perform or assist
20 it in performing the Distributions to be made pursuant to this
21 Plan, which agents may perform without bond. The Debtor may
22 provide reasonable compensation to any such agent(s) without
23 further notice or Bankruptcy Court approval.

24 **11.2 Delivery Of Distributions.** All Distributions to any
25 holder of an Allowed Claim shall be made at the address of such
26 holder as set forth in the (i) List of Creditors, unless the
27 Debtor has been notified by such holder in a writing that
28 contains an address for such holder different from the address

1 reflected in such List of Creditors for such holder; or (ii)
2 holder's proof of claim, unless the Debtor has been notified by
3 such holder in a writing that contains an address for such
4 holder different from the address set forth in the proof of
5 claim. If any holder's Distribution is returned as
6 undeliverable, no further Distributions to such holder shall be
7 made unless and until the Debtor is notified of such holder's
8 then-current address, at which time all missed Distributions
9 shall be made to such holder, without interest.

10 **11.3 Distributions Of Cash.** Any payment or Distribution of
11 Cash to be made by the Debtor or its agent pursuant to this
12 Plan Shall be made by check drawn on a domestic bank or by wire
13 transfer, at the sole option of the Debtor.

14 **11.4 Timeliness Of Payments.** Any payments or Distributions
15 to be made pursuant to this Plan shall be deemed to be timely
16 made if made within fourteen (14) days after the dates
17 specified in this Plan. Whenever any Distribution to be made
18 under this Plan shall be due on a day other than a Business
19 Day, such Distribution instead shall be made, without interest,
20 on the immediately succeeding Business Day, but shall be deemed
21 to have been made on the date due.

22 **11.5 No Post Petition Accrual.** Unless otherwise
23 specifically provided in this Plan or by order of the
24 Bankruptcy Court, the Debtor shall not be required to pay to
25 any holder of a Claim any interest, penalty or late charge
26 accruing with respect to such Claim on or after the Petition
27 Date. Interest shall not accrue or be paid upon any Disputed
28 Claim in respect of the period from the Petition Date to the

1 date a final Distribution is made thereon if and after such
2 Disputed Claim becomes an Allowed Claim. With respect to
3 oversecured Claims (see 11 U.S.C. § 506(b)), post-petition
4 interest shall accrue on such Claims at the applicable
5 statutory or contractual nondefault rate, as the case may be.

6 **11.6 Holding Undeliverable Distributions.** If any payment
7 or Distribution to any holder is returned to the Debtor or its
8 agent as undeliverable, no further payments or Distributions
9 shall be made to such holder unless and until the Debtor is
10 notified in writing of such holder's then-current address.
11 Unless and until the Debtor is so notified, such payment or
12 Distribution, as the case may be, shall be deemed to be
13 "Unclaimed Property" and shall be dealt with in accordance with
14 Sections 11.7 and 11.8.

15 **11.7 Unclaimed Property.** LOCSD shall deposit any Unclaimed
16 Distributions in the Disputed Claims Reserve to be maintained
17 by LOCSD and held in trust for the benefit of the holders of
18 Allowed Claims entitled thereto under the terms of the Plan.
19 Prior to the expiration of two years following the payment or
20 Distribution date, Unclaimed Distributions due to the holders
21 of an Allowed Claim shall be released from the Disputed Claims
22 Reserve and delivered to the holder upon presentation of proper
23 proof by such holder of its entitlement thereto. At the end of
24 two years following the payment or Distribution date, the
25 holder of Allowed Claims theretofore entitled to Unclaimed
26 Distributions shall cease to be entitled thereto, LOCSD's
27 property.

28

1 **11.8 Time Bar to Cash Payments.** Checks issued by the
2 Debtor on account of Allowed Claims shall be null and void if
3 no negotiated within ninety (90) days from and after the date
4 of issuance thereof. Requests for reissuance of any check
5 shall be made directly to the Debtor by the holder of the
6 Allowed Claim with respect to which the original check was
7 issued. Any claim based on a voided check shall be made after
8 the second anniversary date on which the voided check was
9 mailed. After such date, all claims based upon voided checks
10 shall be discharged and forever barred and the Debtor shall
11 retain all moneys on account of such checks.

12 **11.9 Compliance With Tax Requirements.** The Debtor shall
13 comply with all tax withholding and reporting requirements
14 imposed on it by any Governmental Unit, and all Distributions
15 pursuant to this Plan shall be subject to such withholding and
16 reporting requirements. In connection with each Distribution
17 requiring the filing of an information return (such as Internal
18 Revenue Service Form 1099) or withholding, the Debtor shall
19 file such information return with the Governmental Unit. With
20 respect to any entity from whom a tax identification number or
21 other tax information is required by law to avoid withholding,
22 if the Debtor has not received that information, the Debtor
23 may, at its sole option, withhold the amount required and
24 distribute the balance to such entity or decline to make such
25 Distribution until the information is received. If the holder
26 of an Allowed Claim fails to provide the information necessary
27 to comply with any withholding requirements of a Governmental
28 Unit within six (6) months from the date of first notification

1 to the holder of the need for such information, then the
2 holder's Distribution shall be treated as an undeliverable
3 Distribution in accordance with this Plan.

4 **11.10 No Distributions On Account of Disputed Claims.**

5 Notwithstanding anything in this Plan, no Distributions shall
6 be made on account of any part of any Disputed Claim until such
7 Claim becomes Allowed, and then only to the extent it is
8 Allowed.

9 **11.11 Disputed Claims Reserve.** The Debtor will withhold in
10 the Disputed Claims Reserve the Cash to be distributed to
11 holders of Disputed Allowed General Unsecured Claims in Class 8
12 under the Plan. The Debtor may request estimation for any
13 Disputed Claim that is contingent or unliquidated and the
14 Debtor will withhold the Disputed Claims Reserve based upon the
15 estimated amount of such claim as estimated by the Bankruptcy
16 Court. If the Court so orders, any Claimant whose Claim is so
17 estimated shall have recourse only to the reserve established
18 by the Bankruptcy Court for such Claimant's Disputed Claim, and
19 not to the Debtor or any Person receiving property or
20 Distributions under the Plan, even if the Allowed Claim of such
21 Claimant exceeds the maximum estimation of such Claim. **THUS,**
22 **THE BANKRUPTCY COURT'S ESTIMATION OF A DISPUTED CLAIM WILL**
23 **LIMIT THE DISTRIBUTION TO BE MADE THEREON, REGARDLESS OF THE**
24 **AMOUNT FINALLY ALLOWED ON ACCOUNT OF SUCH CLAIM.** If the Debtor
25 elects not to request such an estimation from the Bankruptcy
26 Court with respect to a Disputed Claim that is contingent or
27 unliquidated, the Debtor will withhold the Disputed Claims
28 Reserve based on the Face Amount of such Claim. If practicable,

1 the Debtor will invest any Cash that is withheld in the
2 Disputed Claims Reserve Account in a manner that will yield a
3 reasonable net return, taking into account the safety of the
4 investment. Nothing in the Plan or Disclosure Statement will be
5 deemed to entitle the holder of a Disputed Claim to interest,
6 post-petition or otherwise, on such Claim.

7 **11.12 Distribution After Allowance**. At such time as a
8 Disputed Claim becomes an Allowed Claim, in whole or in part,
9 the Debtor or its agent shall distribute to the holder thereof
10 the Distributions, if any, to which such holder is then
11 entitled under this Plan. Such Distributions, if any, shall be
12 made as soon as practicable after the date that the order or
13 judgment of the Bankruptcy Court allowing such Disputed Claim
14 becomes a Final Order (or such other date as the Claim becomes
15 an Allowed Claim), but in no event more than thirty (30) days
16 thereafter. Unless otherwise specifically provided in this Plan
17 or Allowed by order of the Bankruptcy Court, no interest shall
18 be paid on Disputed Claims that later become Allowed Claims.

19 **11.13 No De Minimis Distributions**. Notwithstanding any
20 other provision of this Plan, no Cash payment of less than ten
21 dollars (\$10.00) shall be required by the Debtor on account of
22 any Allowed Claim.

23 **11.14 Setoffs**. The Debtor may, in accordance with section
24 553 of the Bankruptcy Code and applicable non-bankruptcy law,
25 set off against any Allowed Claim and the Distributions to be
26 made pursuant to the Plan on account of such Claim (before any
27 Distribution is made on account of such Claim), the claims,
28 rights and causes of action of any nature that the Debtor may

1 hold against the holder of such Allowed Claim; provided,
2 however, that neither the failure to effect such a setoff nor
3 the allowance of any Claim hereunder shall constitute a waiver
4 or release by the Debtor of any such claims, rights and causes
5 of action that the Debtor may possess against such holder.

6 **11.15 Estimation of Claims**. The Debtor may, at any time,
7 request that the Bankruptcy Court estimate, pursuant to section
8 502(c) of the Bankruptcy Code, any Claim that is contingent or
9 unliquidated, regardless of whether any party in interest has
10 previously objected to such Claim or whether the Bankruptcy
11 Court has ruled on any such objection, and the Bankruptcy Court
12 will retain jurisdiction to estimate any Claim at any time
13 during litigation concerning any objection to any Claim,
14 including during the pendency of any appeal relating to any
15 such objection. In the event that the Bankruptcy Court
16 estimates any contingent or unliquidated Claim, the amount of
17 such estimation will constitute either the Allowed amount of
18 such Claim or a maximum limitation on such Claim, as determined
19 by the Bankruptcy Court. If the estimated amount constitutes a
20 maximum limitation on such Claim, the Debtor may elect to
21 pursue any supplemental proceedings to object to any ultimate
22 payment on such Claim. All of the aforementioned Claims
23 objection, estimation and resolution procedures are cumulative
24 and are not necessarily exclusive of one another. Claims may be
25 estimated and thereafter resolved by any mechanism permitted
26 under the Bankruptcy Code or the Plan.

27 **11.16 Amendments to Claims**. A Claim may be amended prior
28 to the Confirmation Date only as agreed upon by the Debtor and

1 the holder of such Claim, or as otherwise permitted by the
2 Bankruptcy Court, the Bankruptcy Rules or applicable law. After
3 the Confirmation Date, a Claim may not be Filed or amended
4 without the authorization of the Bankruptcy Court. Unless
5 otherwise provided herein, any new or amended Claim Filed after
6 the Confirmation Date shall be deemed disallowed in full
7 without any action by the Debtor, unless the holder of such
8 Claim has obtained prior Bankruptcy Court authorization for the
9 Filing.

10 **11.17 Allocation of Distributions**. Distributions to any
11 holder of an Allowed Claim shall be allocated first to the
12 original principal portion of any such Allowed Claim, and then,
13 to the extent the consideration exceeds such amount, to the
14 remainder of such Claim.

15 **11.19 Fractional Dollars**. Any other provision of the Plan
16 notwithstanding, payments of fractions of dollars shall not be
17 made. Whenever any payment of a fraction of a dollar under the
18 Plan would otherwise be called for, the actual payment made
19 shall reflect a rounding of such fraction to the nearest whole
20 dollar (up or down), with half dollars being rounded up.

21 **ARTICLE 12**

22 **EFFECT OF CONFIRMATION**

23 **12.1 Discharge Of The Debtor**. Pursuant to section 944 of
24 the Bankruptcy Code, Confirmation of the Plan discharges the
25 Debtor from all Debts of the Debtor and Claims against the
26 Debtor that arose prior to the Confirmation Date, whether or
27 not: (a) a proof of Claim based on such Debt is filed or deemed
28 filed under section 501 of the Bankruptcy Code; (b) such Claim

1 is allowed under section 502 of the Bankruptcy Code; or (c) the
2 holder of such Claim accepts the Plan, except for (i) any Debt
3 specifically and expressly excepted from discharge by the Plan
4 or the Confirmation Order, or (ii) any Debt owed to an entity
5 that, before the confirmation of this Plan, had neither notice
6 nor actual knowledge of the Chapter 9 Case.

7 The rights afforded in this Plan and the treatment of all
8 holders of Claims shall be in exchange for and in complete
9 satisfaction, discharge and release of all Claims of any nature
10 whatsoever arising on or before the Confirmation Date, known or
11 unknown, including any interest accrued or expenses incurred
12 thereon from and after the Petition Date, whether against the
13 Debtor or any of its properties, assets or interests in
14 property. Except as otherwise provided herein, upon the
15 Confirmation Date, all Claims against the Debtor shall be
16 deemed to be satisfied, discharged and released in full.

17 **12.2 Judgments Obtained on Discharged Debts are Void.**

18 Pursuant to sections 901 (a) and 524(a)(1) of the Bankruptcy
19 Code, the Debtor's discharge upon Confirmation of the Plan
20 under section 944(b) of the Bankruptcy Code, voids any
21 judgments at any time obtained, to the extent that such
22 judgment is a determination of liability of the Debtor with
23 respect to any Debt discharged whether or not discharge of such
24 Debt is waived.

25 **12.3 Discharge Injunction.** Except as otherwise expressly
26 provided in this Plan, all Persons who have held, hold or may
27 hold pre-Confirmation Date Claims shall be permanently
28 enjoined, from and after the Confirmation Date, from

1 (a) commencing or continuing in any manner any action or other
2 proceeding of any kind with respect to any such pre-
3 Confirmation Date Claim against the Debtor or its property; (b)
4 enforcing, attaching, collecting, or recovering by any manner
5 or means any judgment, award, decree or order against the
6 Debtor or its property with respect to such pre-Confirmation
7 Date Claims; (c) creating, perfecting, or enforcing any lien or
8 encumbrance of any kind against the Debtor or its property; and
9 (d) except with respect to a setoff right under section 553 of
10 the Bankruptcy Code, asserting any other right of setoff,
11 subrogation or recoupment of any kind against any obligation
12 due to the Debtor with respect to any such pre-Confirmation
13 Date Claim.

14 **12.4 Term Of Existing Injunctions Or Stays.** Unless
15 otherwise provided or subject to Section 12.3 above, all
16 injunctions or stays provided for in the Chapter 9 Case
17 pursuant to sections 105, 362, or 922 of the Bankruptcy Code,
18 or otherwise, and in existence on the Confirmation Date, shall
19 remain in full force and effect until the Effective Date.

20 **12.5 Release by Claimants.** On the Effective Date, all
21 Claimants and each entity (collectively, "Releasing Parties")
22 that has held, holds or may hold a Claim, in consideration for
23 the obligations of LOCSD under the Plan, shall have
24 conclusively, absolutely, unconditionally, irrevocably and
25 forever, releases LOCSD from any Claim or Cause of Action
26 existing as of the Effective Date arising from, based on or
27 relating to, in whole or in part, the subject matter of, or the
28 transaction or event giving rise to, the Claim of such

1 Releasing Party, and any act, omission, occurrence or event in
2 any manner related to such subject matter, transaction or
3 obligation. The releases provided in this Section 12.5 shall
4 also act as a permanent injunction against any Person
5 commencing or continuing any action, employment of process, or
6 act to collect, offset or recover any Claim or Cause of Action
7 satisfied or release under this Plan to the fullest extent
8 authorized or provided by the Bankruptcy Code.

9 **ARTICLE 13**

10 **MODIFICATION OF PLAN**

11 **13.1** The Plan may be modified upon motion of the Debtor,
12 or corrected by the Debtor prior to the Effective Date, without
13 notice and a hearing and without additional disclosure pursuant
14 to section 942 of the Code provided that, after notice to all
15 parties who have filed and served a request for special notice
16 in the Case, the Bankruptcy Court finds that such modification
17 does not materially or adversely affect any Creditor or any
18 Class of Creditors.

19 **13.2** At any time prior to Consummation of the Plan, the
20 Debtor may seek Bankruptcy Court authorization to remedy any
21 defect or omission, reconcile any inconsistencies in the Plan
22 or in the Confirmation Order, or effect such other changes,
23 modifications, or amendments as may be necessary to carry out
24 the purposes and intent of the Plan.

25 **ARTICLE 14**

26 **RETENTION OF JURISDICTION**

27 **14.1** Following the Effective Date, the Bankruptcy Court
28 shall retain jurisdiction consistent with section 904 of the

1 Bankruptcy Code until Consummation of the Plan or entry of a
2 final decree closing the Chapter 9 Case. The Bankruptcy Court
3 shall further retain jurisdiction for all purposes consistent
4 with Plan, and its implementation, and the Code.

5 **14.2** The Bankruptcy Court shall retain and have exclusive
6 jurisdiction over any matter consistent with section 904 of the
7 Bankruptcy Code and: (i) arising under the Bankruptcy Code and
8 relating to the Debtor; (ii) arising in or related to the
9 Chapter 9 Case or this Plan, including administration of the
10 Chapter 9 Case and implementation and Consummation of the Plan;
11 and (ii) otherwise, including but not limited to, the following
12 purposes:

13 **14.2.1** To resolve any matters related to the assumption,
14 assumption and assignment, or rejection of any executory
15 contract or unexpired lease to which the Debtor is a party or
16 with respect to which the Debtor may be liable, and to hear,
17 determine and, if necessary, liquidate, any Claims arising
18 there from;

19 **14.2.2** To enter such orders as may be necessary or
20 appropriate to implement or consummate the provisions of this
21 Plan, documents executed, entered into delivered or recorded
22 pursuant to or in connection with the Plan and all other
23 contracts, instruments, releases, and other agreements or
24 documents related to this Plan;

25 **14.2.3** To determine any and all motions, adversary
26 proceedings, applications and contested or litigated matters
27 that may be pending on the Effective Date or that, pursuant to
28 this Plan, may be instituted by the Debtor after the Effective

1 Date or that are instituted by any holder of a Claim before or
2 after the Effective Date concerning any matter based upon,
3 arising out of, or relating to the Chapter 9 Case, whether or
4 not such action initially is filed in the Bankruptcy Court or
5 any other Bankruptcy Court;

6 **14.2.4** To determine all causes of action, controversies,
7 disputes or conflicts involving the right to participate in any
8 Distribution under the Plan, whether or not subject to an
9 action pending as of the Effective Date, between the Debtor and
10 any other party;

11 **14.2.5** To hear and determine any objections to Claims or
12 to proofs of Claim filed, both before and after the Effective
13 Date, including any objections to the classification of any
14 Claim, and to allow, disallow, determine, liquidate, classify,
15 estimate or establish the priority of or secured or unsecured
16 status of any Claim, in whole or in part;

17 **14.2.6** To enter and implement such orders as may be
18 appropriate in the event the Confirmation Order is for any
19 reason stayed, revoked, modified, reversed or vacated;

20 **14.2.7** To issue such orders in aid of execution of this
21 Plan, to the extent authorized by sections 945 or 1142(b) of
22 the Bankruptcy Code;

23 **14.2.8** To consider any modifications or amendment of this
24 Plan after Confirmation pursuant to the Bankruptcy Code or the
25 Bankruptcy Rules;

26 **14.2.9** To cure any defect or omission, or reconcile any
27 inconsistency in the Plan, any order of the Bankruptcy Court,
28 including the Confirmation Order;

1 **14.2.10** To hear and determine, as appropriate, the
2 reasonableness of compensation for services rendered and
3 reimbursement of expenses incurred prior to the Effective Date;

4 **14.2.11** To hear and determine all disputes or
5 controversies arising in connection with or relating to this
6 Plan or the Confirmation Order or the interpretation,
7 implementation, or enforcement of this Plan or the Confirmation
8 Order or the extent of any Person's obligations incurred in
9 connection with or released under this Plan or the Confirmation
10 Order;

11 **14.2.12** To issue injunctions, enter and implement other
12 orders or take such other actions as may be necessary or
13 appropriate to restrain interference by any Person with
14 consummation or enforcement of this Plan;

15 **14.2.13** To determine any other matters that may arise in
16 connection with or that are related to this Plan, the
17 Disclosure Statement, the Confirmation Order or any contract,
18 instrument, release or other agreement or document related to
19 this Plan or the Disclosure Statement (including the Plan
20 Documents);

21 **14.2.14** To hear any other matter or for any purpose
22 specified in the Confirmation Order that is not inconsistent
23 with the Bankruptcy Code;

24 **14.2.15** To hear and determine any Rights of Action;

25 **14.2.16** To hear and determine requests for the granting of
26 extensions of any deadline set forth in the Plan; and

27 **14.2.17** To enter a final decree closing the Chapter 9
28 Case.

1 deemed executed by the parties thereto, and all conditions to
2 their effectiveness shall have been satisfied or waived.

3 **15.2.4 Draft Water Conservation Plan.** LOCSD shall
4 have presented a draft water conservation plan to the Regional
5 Water Quality Control Board.

6 **15.2.5 Board and Other Approvals.** The Board of
7 Supervisors of the County, the Board of Directors of LOCSD and
8 LAFCO shall have approved the return of the Solid Waste
9 Franchise Agreement to the County.

10 **15.2.6 Effect Of Failure Of Conditions.** In the event that
11 the conditions to effectiveness of this Plan have not been
12 timely satisfied or waived, and upon notification submitted by
13 the Debtor to the Bankruptcy Court, (a) the Confirmation Order
14 shall be vacated, (b) no Distributions under this Plan shall be
15 made, (c) the Debtor and all holders of Claims shall be
16 restored to the status quo ante as of the day immediately
17 preceding the Confirmation Date as though the Confirmation Date
18 never occurred, and (d) all of the Debtor's obligations with
19 respect to the Claims shall remain unchanged and nothing
20 contained herein shall be deemed to constitute a waiver or
21 release of any claims by or against the Debtor or any other
22 entity or to prejudice in any manner the rights of the Debtor
23 or any entity in any further proceedings involving the Debtor.

24 **ARTICLE 16**

25 **MISCELLANEOUS PROVISIONS**

26 **16.1 Severability.** If, prior to the Confirmation Date, any
27 term or provision of this Plan is held by the Bankruptcy Court
28 to be invalid, void or unenforceable, the Bankruptcy Court,

1 with the consent of the Debtor shall have the power to alter
2 and interpret such term or provision to make it valid or
3 enforceable to the maximum extent practicable, consistent with
4 the original purpose of the term or provision held to be
5 invalid, void or unenforceable, and such term or provision
6 shall then be applicable as altered or interpreted.
7 Notwithstanding any such holding, alteration or interpretation,
8 the remainder of the terms and provisions of this Plan shall
9 remain in full force and effect and shall in no way be
10 affected, impaired or invalidated by such holding, alteration
11 or interpretation. The Confirmation Order shall constitute a
12 judicial determination and shall provide that each term and
13 provision of this Plan, as it may have been altered or
14 interpreted in accordance with the foregoing, is valid and
15 enforceable pursuant to its terms.

16 **16.2 Interpretation.** To the extent that the terms of the
17 Plan are inconsistent with the terms of any agreement or
18 instrument concerning any Claim, or any other matter, the terms
19 of the Plan shall control.

20 **16.3 Successors and Assigns.** The rights, benefits and
21 obligations of any Person named or referred to in this Plan
22 shall be binding upon and inure to the benefit of any heir,
23 executor, administrator, successor, or assignee of such Person.

24 **16.4 Governing Law.** Except to the extent that the
25 Bankruptcy Code or other federal law is applicable, or to the
26 extent that an Exhibit hereto or Plan Document provides
27 otherwise, the rights, duties and obligations arising under
28 this Plan shall be governed by, and construed and enforced in

1 accordance with the laws of the State of California, without
2 giving effect to principles of conflicts of laws.

3 **16.5 Headings.** Headings are used in the Plan for
4 convenience and reference only, and shall not constitute a part
5 of the Plan for any other purpose.

6 **16.6 Saturday, Sunday or Legal Holiday.** If any payment or
7 act under the Plan is required to be made or performed on a
8 date that is not a Business Day, then the making of such
9 payment or the performance of such act may be completed on the
10 next succeeding Business Day, but shall be deemed to have been
11 completed as of the required date.

12 **16.7 Notice Of Effective Date.** On or before ten (10)
13 Business Days after occurrence of the Effective Date, LOCSD or
14 its agent shall mail or cause to be mailed to all holders of
15 Claims a Notice that informs such holders of (a) entry of the
16 Confirmation Order; (b) the occurrence of the Effective Date;
17 (c) the rejection of LOCSD's executory contracts and unexpired
18 leases pursuant to this Plan, as well as the deadline for the
19 filing of Claims arising from such rejection; (d) the deadline
20 established under this Plan for the filing of Administrative
21 Claims; (e) the procedures for changing an address of record
22 pursuant to Section 11.2; and (f) such other matters as LOCSD
23 deems to be appropriate.

24
25 Signatures on next page

26
27
28

1 DATED: April 20, 2011.

2

3

LOS OSOS COMMUNITY SERVICES DISTRICT

4

5

By: 

MARSHALL CHYLSKI, President of
the Board of Directors of the Los
Osos Community Services District

6

7

8

9

10 DATED: April 20, 2011.

11

GRIFFITH & THORNBURGH, LLP

12

13

By: 

JOSEPH M. SHOLDER, Attorneys
For the Los Osos Community
Services District

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

LOCSD LIST OF EXECUTORY CONTRACTS

<u>Party</u>	<u>Purpose</u>
Cal Fire	Contract for Fire Protection Services
Mission Country Disposal	Solid Waste Franchise Agreement
George Contento	Office Lease
Labor Agreements	
-San Luis Obispo County Employees Association Memorandum of Understanding	
San Luis Obispo County	Laboratory Services (Water and wastewater)
Wallace Group	District Engineering
Public Employee Retirement System (CalPERS)	Employee Retirement Benefits
Insurance (Medical/Liability)	
-PERS	Medical Insurance
AGP Video	Video/audio recording of board meetings
South Bay Community Center	Room for Board Meetings
Stanley Security Solutions	Alarm Service for Main Office and other facilities

In re: Los Osos Community Services District
9:06-bk-10548-RR

NOTE: When using this form to indicate service of a proposed order, **DO NOT** list any person or entity in Category I. Proposed orders do not generate an NEF because only orders that have been entered are placed on the CM/ECF docket.

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
8 E. Figueroa Street, Suite 300, Santa Barbara, CA 93101

A true and correct copy of the foregoing document described as **PROPOSED ORDER CONFIRMING PLAN FOR ADJUSTMENT OF DEBTS FOR THE LOS OSOS COMMUNITY SERVICES DISTRICT DATED OCT. 22, 2010** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner indicated below:

I. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF") – Pursuant to controlling General Order(s) and Local Bankruptcy Rule(s) ("LBR"), the foregoing document will be served by the court via NEF and hyperlink to the document. On _____, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following person(s) are on the Electronic Mail Notice List to receive NEF transmission at the email address(es) indicated below:

Service information continued on attached page

II. SERVED BY U.S. MAIL OR OVERNIGHT MAIL(indicate method for each person or entity served):

On AUG. 4, 2011, I served the following person(s) and/or entity(ies) at the last known address(es) in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States Mail, first class, postage prepaid, and/or with an overnight mail service addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

III. SERVED BY PERSONAL DELIVERY, FACSIMILE TRANSMISSION OR EMAIL (indicate method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on AUG. 4, 2011, I served the following

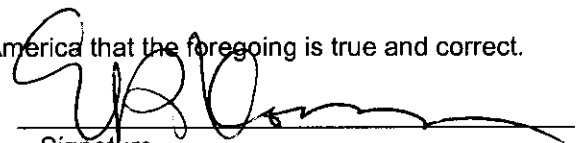
person(s) and/or entity(ies) by personal delivery, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on the judge will be completed no later than 24 hours after the document is filed. **By Personal Delivery:**
Hon. Robin Riblet, United States Bankruptcy Court, 1415 State Street, Santa Barbara, CA

Service information continued on attached page

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

AUG. 4, 2011
Date

EVELYN R. DOWNS
Type Name


Signature

In re: Los Osos Community Services District
9:06-bk-10548-RR

By U.S. Postal Service, Express Delivery:

Monterey Mechanical, Inc.
c/o Adam A. Lewis, Esq.
Morrison & Foerster, LLP
425 Market Street
San Francisco, CA 94105-2482

County of San Luis Obispo
c/o Barry S. Glaser, Esq.
Steckbauer Weinhart Jaffe LLP
333 S Hope St 36th Floor
Los Angeles, CA 90071

Official Committee of Unsecured Creditors
c/o Michael D. Good, Esq.
SouthBay Law Firm
23440 Hawthorne Blvd Ste 270
Torrance, CA 90505

The State Water Resources Control Board
c/o Allan Ono, Assistant Attorney General
Department of Justice
300 S. Spring Street, Suite 1702
Los Angeles, CA 90013

MBIA Insurance Corp.
c/o Robert Christmas, Esq.
Nixon Peabody, LLP
437 Madison Avenue
New York, NY 10022

Office of the U.S. Trustee
21051 Warner Center Lane, Suite 115
Woodland Hills, CA 91367

In re: Los Osos Community Services District
Case No. ND 06-10548-RR

NOTE TO USERS OF THIS FORM:

- 1) Attach this form to the last page of a proposed Order or Judgment. Do not file as a separate document.
- 2) The title of the judgment or order and all service information must be filled in by the party lodging the order.
- 3) **Category I.** below: The United States trustee and case trustee (if any) will always be in this category.
- 4) **Category II.** below: List **ONLY** addresses for debtor (and attorney), movant (or attorney) and person/entity (or attorney) who filed an opposition to the requested relief. **DO NOT** list an address if person/entity is listed in category I.

NOTICE OF ENTERED ORDER AND SERVICE LIST

Notice is given by the court that a judgment or order entitled (*specify*): _____

ORDER CONFIRMING PLAN FOR ADJUSTMENT OF DEBTS FOR THE LOS OSOS COMMUNITY SERVICES DISTRICT DATED OCTOBER 22, 2010

was entered on the date indicated as "Entered" on the first page of this judgment or order and will be served in the manner indicated below:

I. SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF") - Pursuant to controlling General Order(s) and Local Bankruptcy Rule(s), the foregoing document was served on the following person(s) by the court via NEF and hyperlink to the judgment or order. As of AUGUST 5, 2011, the following person(s) are currently on the Electronic Mail Notice List for this bankruptcy case or adversary proceeding to receive NEF transmission at the email address(es) indicated below.

Service information continued on attached page

II. SERVED BY THE COURT VIA U.S. MAIL: A copy of this notice and a true copy of this judgment or order was sent by United States Mail, first class, postage prepaid, to the following person(s) and/or entity(ies) at the address(es) indicated below:

Service information continued on attached page

III. TO BE SERVED BY THE LODGING PARTY: Within 72 hours after receipt of a copy of this judgment or order which bears an "Entered" stamp, the party lodging the judgment or order will serve a complete copy bearing an "Entered" stamp by U.S. Mail, overnight mail, facsimile transmission or email and file a proof of service of the entered order on the following person(s) and/or entity(ies) at the address(es), facsimile transmission number(s), and/or email address(es) indicated below:

Service information continued on attached page

This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

In re: Los Osos Community Services District
Case No. ND 06-10548-RR

By NEF:

- Helen G Arens helen.aren@doj.ca.gov
- William C Beall artyc@aol.com, bbassist@beallandburkhardt.com;carissa@beallandburkhardt.com
- Joseph P Buchman jbuchman@bwslaw.com
- Robert Christmas rchristmas@nixonpeabody.com
- Louis J Cisz lcisz@nixonpeabody.com
- Donald H Cram dhc@severson.com
- Barry S Glaser bglaser@swjlaw.com
- Michael D Good mgood@southbaylawfirm.com
- David L Hagan lawprofessional@charter.net, lawprofessional@att.net
- Bonnie M Holcomb bonnie.holcomb@doj.ca.gov
- Adam A Lewis alewis@mof.com
- Jay L Michaelson cheryl@msmlaw.com, jay@msmlaw.com
- Joseph M. Sholder sholder@g-tlaw.com
- Peter Susi cheryl@msmlaw.com, peter@msmlaw.com
- United States Trustee (ND) ustpreion16.nd.ecf@usdoj.gov