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Harrington West Financial Group, Inc.
7

8 UNITED STATES BANKRUPTCY COURT
9
10 FOR THE CENTRAL DISTRICT OF CALIFORNIA
11 NORTHERN DIVISION

12 In re

13 HARRINGTON WEST FINANCIAL
14 GROUP, INC.,

15 Debtor.
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Bk. No. 9:10-bk-14677-RR

Chapter 11

**DEBTOR AND DEBTOR IN POSSESSION
HARRINGTON WEST FINANCIAL
GROUP, INC.'S FIRST AMENDED PLAN
OF LIQUIDATION**

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Debtor and Debtor in Possession Harrington West Financial Group, Inc. ("Debtor") proposes the following First Amended Plan of Liquidation (along with any amendments, supplements or exhibits hereto, collectively, the "Plan") pursuant to section 1121(a) of the Bankruptcy Code for resolution of all Claims against and Equity Interests in the Debtor and its Estate. The First Amended Disclosure Statement In Support of the Debtor's First Amended Plan of Liquidation (the "Disclosure Statement"), which accompanies the Plan, discusses the Debtor's history, business, contracts, leases, results of operations, resolution of material disputes, financial projections for the liquidation and distribution of Debtor's remaining Assets, and contains a summary and discussion of the Plan. Holders of Claims are encouraged to read the Disclosure Statement before voting to accept or reject the Plan.

The Debtor is the proponent of the Plan. The Debtor, following solicitation, will seek the Bankruptcy Court's confirmation of the Plan. No solicitation materials other than the Disclosure Statement and any schedules, exhibits or letters attached thereto or referenced therein have been authorized by the Debtor or the Bankruptcy Court for use in soliciting acceptances or rejections of the Plan.

I. DEFINITIONS AND RULES OF CONSTRUCTION

A. Defined Terms.

As used herein, the following terms have the respective meanings specified below (such meanings to be equally applicable to both the singular and plural, and masculine and feminine forms of the terms defined):

1. "Administrative Expense" means any cost or expense of administration of the Chapter 11 Case under sections 503(b) and 507(a)(2) of the Bankruptcy Code, including, without limitation, any actual and necessary post-petition expenses of preserving, administering and liquidating the Estate, all compensation or reimbursement of expenses to the extent allowed by the Bankruptcy Court under sections 330, 331, or 503 of the Bankruptcy Code, and any fees or charges assessed against the Estate under section 1930 of Title 28 of the United States Code.

2. "Allowed Claim" means, except as otherwise allowed or otherwise provided herein, a Claim, proof of which was timely and properly filed or, if no proof of claim was filed, which has

1 been or hereafter is listed on the Debtor's Schedules as liquidated in amount and not disputed or
2 contingent, and, in either case, as to which no objection to the allowance thereof has been
3 interposed. Unless otherwise specified herein or by order of the Bankruptcy Court, "Allowed
4 Claim" shall not include interest on such Claim accruing after the Petition Date.

5 3. "Allowed Class ____ Claim" means an Allowed Claim in the Class specified.

6 4. "Available Cash" means the Cash in the Liquidating Trust that is not otherwise
7 designated by the Liquidating Trustee as Cash to be used to satisfy Allowed Administrative
8 Claims, Allowed Priority Tax Claims, Allowed Secured Claims, Allowed Other Priority Claims,
9 and expenses of the Liquidating Trust or otherwise subject to a reserve established by the
10 Liquidating Trustee.

11 5. "Assets" means all assets of the Debtor's Estate including "property of the estate" as
12 described in section 541 of the Bankruptcy Code and shall, without limitation, include Cash, Estate
13 Causes of Action, securities, proceeds of insurance and insurance policies, all rights and interests,
14 all real and personal property, and all files, books and records of the Estate.

15 6. "Bankruptcy Code" means Title 11 of the United States Code, 11 U.S.C. §§ 101, *et*
16 *seq.*, as amended.

17 7. "Bankruptcy Court" means the United States Bankruptcy Court for the Central
18 District of California, Northern Division or, in the event such court ceases to exercise jurisdiction
19 over the Chapter 11 Case, such other court that exercises jurisdiction over the Chapter 11 Case.

20 8. "Bankruptcy Rules" means, collectively, (i) the Federal Rules of Bankruptcy
21 Procedure, as amended from time to time, as applicable to the Chapter 11 Case, and (ii) the Local
22 Bankruptcy Rules applicable to cases pending before the Bankruptcy Court, as now in effect or
23 hereafter amended.

24 9. "Bar Date Order" means the Order entered by the Bankruptcy Court on November
25 15, 2010, approving the Debtor's *Notice of Motion and Motion For Entry Of An Order (I)*
26 *Establishing Bar Dates For Filing Proofs Of Claim or Interests; And (II) Approving The Form And*
27 *Manner Of Notice Thereof* (Docket No. 25), as modified by the Order.

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1 10. “Beneficiaries” means the Holders of Claims who are the beneficiaries of the
2 Liquidating Trust.

3 11. “Business Day” means any day which is not a Saturday, a Sunday, or a "Legal
4 holiday" as defined in Bankruptcy Rule 9006(a)(6).

5 12. “Capital Securities Agreement” means the Capital Securities Subscription
6 Agreement dated as of September 17, 2003 by and among the Harrington West Capital Trust I, the
7 Debtor and ALESCO Funding I, Ltd.

8 13. “Cash” means cash or cash equivalents.

9 14. “Chapter 11 Case” means the case under Chapter 11 of the Bankruptcy Code,
10 commenced by the Debtor on the Petition Date, styled “*In re Harrington West Financial Group,*
11 *Inc.*” and assigned Case No. 9:10-bk-14677-RR.

12 15. “Claim” means (a) any right to payment from the Debtor’s Estate, whether or not
13 such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured,
14 disputed, undisputed, legal, equitable, secured, or unsecured, or (b) any right to an equitable
15 remedy for breach of performance if such breach gives rise to a right of payment from the Debtor’s
16 Estate, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent,
17 matured, unmatured, disputed, undisputed, secured, or unsecured.

18 16. “Claims Bar Date” means January 20, 2011, which is the general deadline set
19 pursuant to the Bar Date Order or, in the case of a “governmental unit” (as defined in 11 U.S.C.
20 §101(27)), March 9, 2011 pursuant to the Bar Date Order and 11 U.S.C. §502(b)(9).

21 17. “Class” means one of the Classes of Claims or Classes of Equity Interests
22 designated in Section II of the Plan.

23 18. “Common Securities Agreements” means collectively the following: (i) the
24 Common Securities Subscription Agreement dated September 25, 2003 between the Harrington
25 West Capital Trust I and the Debtor; and (ii) the Common Securities Subscription Agreement dated
26 September 23, 2004 between the Harrington West Capital Trust II and the Debtor.

27 19. “Confirmation Date” means the date on which the Clerk of the Bankruptcy Court
28 enters the Confirmation Order on its docket.

20. “Confirmation Hearing” means the hearing before the Bankruptcy Court pursuant to section 1128 of the Bankruptcy Code to consider confirmation of the Plan.

21. “Confirmation Order” means the order of the Bankruptcy Court confirming the Plan in accordance with the provisions of Chapter 11 of the Bankruptcy Code.

22. “Debentures” means those debt securities issued pursuant to the Indentures.

23. “Debenture Subscription Agreements” means collectively the following: (i) the Debenture Subscription Agreement dated as of September 27, 2004 between the Debtor and Harrington West Capital Trust II; and (ii) the Debenture Subscription Agreement dated as of September 25, 2003 between the Debtor and Harrington West Capital Trust I.

24. “Debtor” means Harrington West Financial Group, Inc., a Delaware corporation.

25. “Debtor in Possession” means the Debtor when it is acting in the capacity of representative of the Estate in the Chapter 11 Case.

26. “Declaration of Trusts” means collectively the following: (i) the Declaration of Trust of Harrington West Capital Trust I dated as of September 16, 2003; (ii) the Amended and Restated Declaration of Trust of Harrington West Capital Trust I, dated as of September 25, 2003; (iii) the Initial Declaration of Trust of Harrington West Capital Trust II dated as of September 23, 2004, and (iv) the Amended and Restated Declaration of Trust of Harrington West Capital Trust II dated as of September 27, 2004.

27. “Disbursing Agent” means the Liquidating Trustee or any entity selected by the Liquidating Trustee to act as its agent in conducting the disbursements to Holders of Allowed Claims pursuant to the Liquidating Trust Agreement; provided, however, that with respect to the Allowed Class 4 Claims, the respective Indenture Trustee shall be the Disbursing Agent.

28. “Disclosure Statement” means that certain document entitled “*First Amended Disclosure Statement In Support of The Debtor’s First Amended Plan of Liquidation*” filed in the Chapter 11 Case, including the exhibits attached thereto, either in its present form or as it may be amended, modified or supplemented from time to time.

29. “Disputed Claim” means any Claim (i) which is listed in the Schedules as unliquidated, disputed, contingent, and/or unknown and for which no proof of Claim has been

1 filed; (ii) as to which a Proof of Claim has been filed and the dollar amount of such Claim is not
2 specified in a fixed amount; or (iii) as to which the Debtor or any other party in interest has
3 interposed a timely objection or request for estimation in accordance with the Bankruptcy Code,
4 the Bankruptcy Rules, the Plan and/or any order of the Bankruptcy Court, which objection or
5 request for estimation has not been withdrawn or determined by a Final Order.

6 30. "Disputed Claims Reserve" means the Cash to be set aside for, and in an amount
7 sufficient to pay the required distribution under the Plan to, all Disputed Claims which have not
8 been finally adjudicated as of the Effective Date and which may become Allowed Claims prior to
9 the Final Distribution Date. The Liquidating Trustee may establish more than one Disputed Claim
10 Reserve to ensure payment on Allowed Claims as required under the Plan.

11 31. "Distribution(s)" means any transfer under the Plan of Cash or other property or
12 instruments to a Holder of an Allowed Claim.

13 32. "Effective Date" means the first day when the Confirmation Order has been entered
14 on the docket in the Chapter 11 Case and no stay of the Confirmation Order is in effect, provided,
15 that, the Debtor may waive the condition that no stay be in effect as provided under section VIII of
16 the Plan.

17 33. "Equity Interests" means any equity interest in the Debtor represented by HWFG
18 Preferred Stock Interests and HWFG Common Stock Interests.

19 34. "Estate" shall mean with respect to the Debtor, the estate created by section 541(a)
20 of the Bankruptcy Code upon the Petition Date.

21 35. "Estate Cause of Action" shall mean, on behalf of the Estate, any and all manner of
22 causes of action, claims, rights, obligations, suits, debts, judgments, demands, rights of offset or
23 recoupment, damages (actual, compensatory or punitive), counterclaims or affirmative defenses,
24 whatsoever, whether in law or in equity including, but not limited to, the claims arising under or
25 pursuant to sections 541 through 551, inclusive, and section 553, of the Bankruptcy Code and
26 objections to filed proofs of Claim.

27 36. "File," "Filed," "Files," or "Filing" means properly and timely filed with the
28 Bankruptcy Court in the Chapter 11 Case, as reflected on the official docket of the Bankruptcy

1 Court for the Chapter 11 Case, served on Persons, as such filing and service are required pursuant
2 to the Bankruptcy Code, Bankruptcy Rules and/or order of the Bankruptcy Court.

3 37. "Final Distribution Date" means the first Business Day on which any and all
4 Disputed Claims have been resolved pursuant to a Final Order and all interests of the Estate in
5 property and all Estate Causes of Action and other rights to payment existing in favor of the Estate
6 have been liquidated, reduced to Available Cash, and distributed Pro Rata to Holders of Allowed
7 Claims.

8 38. "Final Order" means an order or judgment of the Bankruptcy Court or other
9 applicable court as to which the time to appeal, petition for certiorari, or move for reargument or
10 rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for
11 reargument or rehearing shall then be pending; or as to which any right to appeal, reargue, rehear,
12 or petition for certiorari shall have been waived in writing in form and substance satisfactory to the
13 Debtor prior to the Effective Date, or the Liquidating Trustee after the Effective Date, respectively,
14 or, in the event that an appeal, writ of certiorari, reargument or rehearing thereof has been sought,
15 such order or judgment of the Bankruptcy Court or other applicable court shall have been affirmed
16 by the highest court to which such order or judgment was appealed or from which reargument or
17 rehearing was sought, or certiorari shall have been denied, and the time to take any further appeal,
18 petition for certiorari or move for reargument or rehearing shall have expired.

19 39. "General Unsecured Claim" means any Claim that is not an Administrative
20 Expense, Priority Tax Claim or a Claim classified in Classes 1, 2 and 4. General Unsecured
21 Claims, include, without limitation, unsecured pre-petition obligations owing to vendors, taxing
22 authorities, and professional persons; any pre-petition intercompany Claims; any Claims of the
23 FDIC that may be determined not to be an Other Priority Claim; and unsecured Claims arising
24 from the rejection of executory contracts and unexpired leases.

25 40. "Guarantee Agreements" means collectively the following: (i) the Guarantee
26 Agreement dated as of September 25, 2003 between the Debtor and Wilmington Trust; and (ii) the
27 Guarantee Agreement dated September 27, 2004 between the Debtor and Wells Fargo.

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1 41. "Holder" means the owner of a Claim or Equity Interest against the Debtor.

2 42. "HWFG Common Stock Interests" means the shares of common stock of the
3 Debtor issued and outstanding prior to the Effective Date, and all rights and interests arising
4 thereunder or in connection therewith.

5 43. "HWFG Preferred Stock Interests" means the shares of Preferred Stock of the
6 Debtor issued and outstanding prior to the Effective Date, and all rights and interests arising
7 thereunder or in connection therewith.

8 44. "Indentures" means collectively, the (i) Indenture between the Debtor and trustee
9 Wilmington Trust dated September 25, 2003, authorizing the issuance of Floating Rate Junior
10 Subordinated Debt Securities due 2033; and (ii) Indenture between Debtor and trustee Wells Fargo
11 dated September 27, 2004, authorizing the issuance of Junior Subordinated Debt Securities due
12 October 7, 2034.

13 45. "Indenture Trustee Claims" means the Claims of the Indenture Trustees arising
14 under the Indentures, including, but not limited to, arising from or associated with the transactions
15 relating to the issuance contemplated by and referred to in the Indentures, but excluding the
16 Indenture Trustee Fees.

17 46. "Indenture Trustee Fees" means any fees, costs, expenses, disbursements and
18 advances incurred or made by the Indenture Trustee pursuant to the Indentures (including, without
19 limitation, (a) any reasonable fees, costs, expenses and disbursements incurred by the Indenture
20 Trustee with any of its attorneys, advisors (including, without limitation, financial advisors), agents
21 and other professionals and (b) any fees, costs or expenses for services performed by the Indenture
22 Trustee in connection with distributions made to the Holders of Indenture Trustee Claims pursuant
23 to this Plan, in each case, whether prior to, on or after the Petition Date, or on or after the Effective
24 Date.

25 47. "Indenture Trustees" means collectively, Wilmington Trust and Wells Fargo, acting
26 in their capacity as trustee under the respective Indentures together with their successors and
27 assigns.

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1 48. “Interim Distributions” means one or more Pro Rata Distributions of Available Cash
2 made in accordance with the Plan and/or any Order of the Bankruptcy Court on account of
3 Allowed Claims before the Final Distribution.

4 49. “Liquidating Trust” means the trust created pursuant to the Plan, Confirmation
5 Order, and the Liquidating Trust Agreement, and created for the benefit of Holders of all Allowed
6 Claims. Except as otherwise expressly provided in the Plan, all of the Assets of the Debtors will be
7 transferred to the Liquidating Trust on the Effective Date of the Plan. The Liquidating Trust will
8 continue and conclude the liquidation of such Liquidating Trust Assets, including the resolution of
9 all Estate Causes of Action, and make Distributions to the Holders of Allowed Claims and pay the
10 expenses of the Liquidating Trust, all as provided in the Plan.

11 50. “Liquidating Trust Agreement” means that certain liquidating trust agreement by
12 and between the Debtor and the Liquidating Trustee to be entered into pursuant to the Plan and the
13 Confirmation Order, substantially in the form included in Exhibit “3” hereto, as may be amended
14 from time to time.

15 51. “Liquidating Trust Assets” means any and all Assets of the Debtor and Estate,
16 including, without limitation, Cash, Estate Causes of Action, and other personal and real property,
17 all of which shall be transferred or assigned to the Liquidating Trust on the Effective Date of the
18 Plan, free and clear of any liens or claims that might otherwise have existed in favor of any party.

19 52. “Liquidating Trustee” means a person selected by the Debtor that is reasonably
20 satisfactory to the Indenture Trustees or any other person approved by the Court as Liquidating
21 Trustee, and any successor trustee(s) appointed pursuant to the Liquidating Trust Agreement, that
22 has the powers and responsibilities set forth in the Plan, the Confirmation Order and the
23 Liquidating Trust Agreement and in such capacity shall act as a liquidator of the Liquidating Trust
24 Assets for the benefit of Holders of Allowed Claims. Whenever the Liquidating Trustee is referred
25 to herein, all such references are qualified by the Liquidating Trustee’s powers, rights and
26 obligations as set forth in the Liquidating Trust Agreement.

27 53. “Liquidating Trustee Claim Objection Deadline” means the first Business Day to
28 occur ninety (90) days after the Effective Date, provided, however, that such date may be

1 continued by order of the Bankruptcy Court to a later date upon motion brought by the Liquidating
2 Trustee at any time before the occurrence thereof, and such later date shall then become the
3 Liquidating Trustee Claim Objection Deadline.

4 54. "Local Bankruptcy Rules" means the Local Bankruptcy Rules of the United States
5 Court for the Central District of California.

6 55. "Other Priority Claim" means any Claim accorded priority in right of payment
7 under section 507(a) of the Bankruptcy Code, other than a Priority Tax Claim or an Administrative
8 Expense.

9 56. "Person" means any individual, corporation general partnership, limited partnership,
10 association, joint stock company, joint venture, estate, trust, government or any political
11 subdivision, governmental unit, official committee appointed by the Office of the United States
12 Trustee, unofficial committee of creditors, or other entity.

13 57. "Petition Date" means September 10, 2010, the date on which the Debtor filed its
14 voluntary petition commencing the Chapter 11 Case.

15 58. "Plan" means this Chapter 11 plan of liquidation, including all exhibits hereto,
16 either in their present form or as they may be altered, amended, or modified from time to time.

17 59. "Priority Tax Claim" means a Claim of a "governmental unit" (as defined in 11
18 U.S.C. § 101(27)) of the kind specified in section 507(a)(8) of the Bankruptcy Code.

19 60. "Professional Person" means for purposes of this Plan, any professional person
20 employed by the Debtor pursuant to section 327 of the Bankruptcy Code.

21 61. "Pro Rata," "Pro Rata Share," and "Pro Rata Basis" means, at any time, the
22 proportion that the face amount of a Claim in a particular Class or Classes bears to the aggregate
23 face amount of all Claims (including Disputed Claims, but excluding disallowed Claims) in such
24 Class or Classes; and "face amount," as used herein, means (a) when used in reference to a
25 Disputed or disallowed Claim, the full stated liquidated amount claimed by the claimholder in any
26 proof of claim timely filed with the Bankruptcy Court or otherwise deemed timely filed by any
27 Final Order of the Bankruptcy Court or other applicable bankruptcy law; and (b) when used in
28 reference to an Allowed Claim, the allowed amount of such Claim.

62. "Purchase Agreement" means the Purchase Agreement among Harrington West Capital Trust II, the Debtor and Bear, Stearns & Co., Inc. dated as of September 23, 2004.

63. "Schedules" means the schedules of assets and liabilities, list of equity security holders, and statement of financial affairs filed by the Debtor as required by section 521(a)(1) of the Bankruptcy Code, Bankruptcy Rules 1007(a)(1) and (3) and (b)(1), and Official Bankruptcy Form Nos. 6 and 7, as amended from time to time.

64. "Secured Claim" means a Claim against the Debtor to the extent of the value, as determined by the Bankruptcy Court pursuant to section 506(a) of the Bankruptcy Code, of any interest in property of the Estate securing such Claim.

65. "Statutory Business Trusts" means collectively Harrington West Capital Trust I and Harrington West Capital Trust II created by the respective Declaration of Trusts.

66. "Taxes" means all income, gaming, franchises, excise, sales, use, employment, withholding, property, payroll or other taxes, assessments, or governmental charges, together with any interest, penalties, additions to tax, fines, and similar amounts relating thereto, imposed or collected by any federal, state, local or foreign governmental authority.

67. "TRUPs" means the trust originated preferred securities issued by the respective Statutory Business Trusts.

68. "Wells Fargo" means Wells Fargo Bank, National Association.

69. "Wilmington Trust" means the Wilmington Trust Company.

B. Other Terms.

The words "herein," "hereof," "hereto," "hereunder," and others of similar import refer to the Plan as a whole and not to any particular section, subsection, or clause contained in the Plan. A term used herein that is not defined herein shall have the meaning ascribed to that term, if any, in the Bankruptcy Code or Bankruptcy Rules and shall be construed in accordance with the rules of construction thereunder.

C. Computation of Time.

In computing any period of time prescribed or allowed by the Plan, unless otherwise expressly provided, the provisions of Bankruptcy Rule 9006(a) shall apply.

D. Exhibits.

All exhibits to the Plan are incorporated into and are a part of the Plan as if set forth in full herein.

II. CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. Summary.

The chart below summarizes the classes of Claims and Equity Interests for all purposes, including voting, confirmation, and distribution pursuant to the Plan:

CLASS	STATUS
Class 1: Other Priority Claims	Unimpaired - not entitled to vote
Class 2: Secured Claims	Unimpaired - not entitled to vote
Class 3: General Unsecured Claims	Impaired – entitled to vote
Class 4: Indenture Trustee Claims	Impaired – entitled to vote
Class 5: HWFG Preferred Stock Interests	Impaired – deemed to reject
Class 6: HWFG Common Stock Interests	Impaired – deemed to reject

B. Unclassified Claims.

1. Administrative Expense Claims.

(a) General.

Subject to the allowance procedures and deadlines provided herein, the Disbursing Agent shall pay to each Holder of an Allowed Administrative Expense, on account of the Allowed Administrative Expense, and in full satisfaction thereof, Cash equal to the amount of such Allowed Administrative Expense, unless the Holder agrees to other treatment. Except as otherwise provided herein or a prior order of the Bankruptcy Court: (i) payment of an Administrative Expense that is an Allowed Claim as of the Effective Date shall be made on the later of the Effective Date or the date such payment would have become due for payment of such Allowed Administrative Expense

1 in the absence of the Chapter 11 Case, whether pursuant to contract or applicable nonbankruptcy
2 law; and (ii) payment of an Administrative Expense that becomes an Allowed Claim following the
3 Effective Date shall be made on or before (a) the date that is thirty (30) days after an order deeming
4 such Administrative Expense an Allowed Claim becomes a Final Order, or (b) the Final
5 Distribution Date, whichever is earlier.

6 **(b) Deadlines For Filing Claims For Administrative Expenses.**

7 **(i) Pre-Effective Date Claims and Expenses.**

8 All applications for final compensation of Professional Persons for services rendered and
9 for reimbursement of expenses incurred on or before the Effective Date and all other requests for
10 payment of Administrative Expenses incurred before the Effective Date pursuant to Bankruptcy
11 Code sections 327, 328, 330, 331, 503(b), 507(a)(2) or 1103 (except only for post-petition
12 obligations incurred through the Effective Date in the ordinary course of Debtor's post-petition
13 business and obligations under section 1930 of Title 28 of the United States Code) shall be filed no
14 later than the first Business Day that is not less than forty-five (45) days after the Effective Date
15 (the "Administrative Expense Claims Bar Date"). Professional Persons and others that do not File
16 such requests on or before the Administrative Expense Claims Bar Date shall be barred from
17 asserting such Claims against the Debtor, its Estate, the Liquidating Trust, the Liquidating Trustee,
18 or any other Person or entity, or any of their respective property. Objections to applications of
19 Professional Persons or others for compensation or reimbursement of expenses must be Filed and
20 served on the Liquidating Trustee and its counsel, as well as the Professional Persons and others to
21 whose application the objection is addressed, in accordance with the Bankruptcy Code, the
22 Bankruptcy Rules or pursuant to any other procedure set forth by an order of the Bankruptcy Court.
23 From and after the Effective Date the Liquidating Trustee will comply with such reporting
24 requirements, and payment of quarterly fees to the Office of the United States Trustee as required
25 by applicable law.

26 **(ii) Indenture Trustee Fees.**

27 Fees Accrued During the Chapter 11 Case: Each of the Indenture Trustees shall serve on or
28 before the Administrative Expense Claims Bar Date a statement of its Indenture Trustee Fees

1 accrued from the Petition Date through the Effective Date on the Liquidating Trustee and its
2 counsel, and the Office of the United States Trustee. Indenture Trustees that do not serve such
3 statements on or before the Administrative Expense Claims Bar Date shall be barred from asserting
4 such Claims against the Debtor, its Estate, the Liquidating Trust, and the Liquidating Trustee.
5 Unless a written objection is made to the reasonableness of such fees within twenty (20) days after
6 receipt of such statement, the Liquidating Trustee shall promptly pay the Indenture Trustee Fees,
7 without the necessity or requirement of the Indenture Trustees to file any applications with the
8 Bankruptcy Court therefor. Any such objection made to any Indenture Trustee Fees shall be
9 resolved by the Bankruptcy Court, provided the Liquidating Trustee shall be authorized and
10 directed to pay the Indenture Trustee Fees to the extent not objected to in accordance with this
11 Section.

12 Fees Accrued After the Effective Date: Following the Effective Date, each of the Indenture
13 Trustees shall serve monthly statements of its Indenture Trustee Fees accrued after the Effective
14 Date on the Liquidating Trustee and its counsel, and the Office of the United States Trustee.
15 Unless a written objection is made to the reasonableness of such fees within twenty (20) days after
16 receipt of each such statement, the Liquidating Trustee shall promptly pay the submitted Indenture
17 Trustee Fees. Any such objection made to any Indenture Trustees Fees shall be resolved by the
18 Bankruptcy Court, provided the Liquidating Trustee shall be authorized and directed to pay the
19 Indenture Trustee Fees to the extent not objected to in accordance with this Section.

20 **(iii) Tax Claims.**

21 All requests for payment of Claims by a “governmental unit” (as defined under 11 U.S.C.
22 101(27)) for Taxes (and for interest and/or penalties related to such Taxes) for any tax year or
23 period, all or any portion of which occurs or falls within the period from and including the Petition
24 Date through and including the Effective Date, and for which no bar date has otherwise been
25 previously established, must be Filed on or before the later of: (a) sixty (60) days following the
26 Effective Date; or (b) ninety (90) days following the filing of the tax return for such Taxes for such
27 tax year or period with the applicable “governmental unit”. Any Holder of a Claim for Taxes is
28 required to File a request for a payment of the post-petition Taxes and other monies due related to

1 such Taxes. Any Holder of a Claim for Taxes which does not File such a Claim by the applicable
2 bar date shall be forever barred from asserting any such Claim against any of the Debtor, its Estate,
3 the Liquidating Trust, the Liquidating Trustee or their respective property, whether any such Claim
4 is deemed to arise prior to, on, or subsequent to the Effective Date, and shall receive no distribution
5 under the Plan or otherwise on account of such Claim.

6 **2. Priority Tax Claims.**

7 Except as otherwise agreed to by the parties, or ordered by the Court, as soon as practicable
8 after the Effective Date, each Holder of an unpaid Allowed Priority Tax Claim shall receive
9 payment in full in an amount equal to the Allowed Priority Tax Claim.

10 **C. Classification and Treatment**

11 **1. Class 1: Other Priority Claims.**

12 (a) Classification: Class 1 consists of all Claims entitled to priority in
13 right of payment under section 507(a) of the Bankruptcy Code, except Administrative Expenses
14 and Priority Tax Claims.

15 (b) Treatment: The Debtor estimates the Allowed Class 1 Claims to be
16 zero. The Liquidating Trustee shall pay all Allowed Claims in this class in full, in Cash, on the
17 later of: (i) the Effective Date; and (ii) the date on which an order allowing such Claim becomes a
18 Final Order, and in each case or as soon thereafter as is practicable. Class 1 is not impaired, and
19 the Holders of Claims in Class 1 are not entitled to vote to accept or reject the Plan.

20 **2. Class 2: Secured Claims.**

21 (a) Classification: Class 2 consists of Secured Claims.

22 (b) Treatment: The Debtor estimates the Allowed Class 2 Claims to be
23 zero. To the extent any Allowed Class 2 Claims exist, Holders of Allowed Class 2 Claims shall
24 receive payment in full in Cash or of Property of the amount of their respective Allowed Secured
25 Claims. Distributions to Holders of Allowed Class 2 Claims shall occur on the later of the
26 Effective Date if such Secured Claim is deemed to be an Allowed Claim or the first Business Day
27 that is at least thirty (30) days from the date the Secured Claim becomes an Allowed Claim. Class
28 2 is not impaired, and the Holders of Claims in Class 2 are not entitled to vote to accept or reject

the Plan.

3. Class 3: General Unsecured Claims.

(a) Classification. Class 3 consists of General Unsecured Claims.

(b) Treatment. Each Holder of an Allowed Class 3 Claim shall receive, as soon as practicable in the discretion of the Liquidating Trustee, in full satisfaction thereof, unless such Holder agrees to accept lesser treatment of such Claim, a Pro Rata Share of the Available Cash (the "Initial Class 3 Distribution"). In addition, after the Initial Class 3 Distribution but prior to the Final Distribution Date, the Disbursing Agent shall, but is not required, to make Pro Rata Interim Distributions of Available Cash to the Holders of Allowed Class 3 Claims, when, in the discretion of the Liquidating Trustee, the Liquidating Trust has sufficient Available Cash to make such Interim Distributions. Finally, on the Final Distribution Date, each Holder of an Allowed Class 3 Claim shall receive a Pro Rata share of the Available Cash remaining in the Liquidating Trust. Class 3 is impaired, and the Holders of Allowed Class 3 Claims are entitled to vote to accept or reject the Plan.

4. Class 4: Indenture Trustee Claims

(a) Classification. Class 4 consists of Indenture Trustee Claims and Indenture Trustee Fees accrued prior to the Petition Date.

(b) Treatment. Subject to the provision in this Plan related to the payment of Indenture Trustee Fees, each Holder of an Allowed Class 4 Claim shall receive, as soon as practicable in the discretion of the Liquidating Trustee, in full satisfaction thereof, unless such Holder agrees to accept lesser treatment of such Claim, a Pro Rata Share of each Distribution available to the Holders of Allowed Class 3 Claims; provided, however, that the amount of Distributions to Holders of Allowed Class 4 Claims shall be paid first on account of unpaid Indenture Trustee Fees accrued prior to the Petition Date. Class 4 is impaired, and the Holders of Allowed Class 4 Claims are entitled to vote to accept or reject the Plan.

5. Class 5: HWFG Preferred Stock Interests

(a) Classification: Class 5 consists of the HWFG Preferred Stock Interests in the Debtor.

(b) Treatment: As of the Effective Date, each Holder of record of an Allowed HWFG Preferred Stock Interest shall not receive a distribution under the Plan and all HWFG Preferred Stock Interests will be deemed cancelled and void. Class 5 is impaired, but because no distributions shall be made to Holders of HWFG Preferred Stock Interests in Class 5, such Holders are deemed conclusively to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore the Holders of HWFG Preferred Stock Interests in Class 5 are not entitled to vote to accept or reject the Plan.

6. Class 6: HWFG Common Stock Interests

(a) Classification: Class 6 consists of HWFG Common Stock Interests in the Debtor.

(b) Treatment: As of the Effective Date, each Holder of record of an Allowed HWFG Common Stock Interest shall not receive a distribution under the Plan and all HWFG Common Stock Interests will be deemed to be cancelled and void. Class 6 is impaired, but because no distributions shall be made to Holders of HWFG Common Stock Interests in Class 6, such Holders are deemed conclusively to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore the Holders of HWFG Common Stock Interests in Class 6 are not entitled to vote to accept or reject the Plan.

III. ACCEPTANCE OR REJECTION OF THE PLAN

A. Voting Classes.

Each Holder of an Allowed Class 3 Claim and Allowed Class 4 Claim shall be entitled to vote to accept or reject the Plan.

B. Voting Rights Of Holders Of Disputed Claims.

A Disputed Claim will not be counted for purposes of voting on the Plan to the extent it is disputed, provided an objection to such Claim has been filed no later than fourteen (14) days prior to the deadline for casting ballots on the Plan, unless an order of the Bankruptcy Court is entered after notice and a hearing temporarily allowing the Disputed Claim for voting purposes under Bankruptcy Rule 3018(a).

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C. Acceptance By Impaired Classes.

An impaired class of Claims shall have accepted the Plan if (i) the Holders (other than any Holder designated under section 1126(e) of the Bankruptcy Code) of at least two-thirds in dollar amount of the Allowed Claims actually voting in such class have voted to accept the Plan and (ii) more than one-half in number of the Holders (other than any Holder designated under section 1126(e) of the Bankruptcy Code) of such Allowed Claims actually voting in such Class have voted to accept the Plan.

D. Presumed Acceptance Of The Plan.

Classes 1 and 2 are unimpaired under the Plan and, therefore, are conclusively presumed by the Bankruptcy Code to accept the Plan.

IV. PROVISIONS FOR ALLOWANCE OF CLASS 4 INDENTURE TRUSTEE CLAIMS AND TREATMENT OF DISPUTED, CONTINGENT, OR UNLIQUIDATED CLAIMS AND ADMINISTRATIVE EXPENSES

A. Allowance Of Claims Of Holders Of Record Of Indenture Trustee Claims.

A beneficial owner of Debentures of record as of June 1, 2011 (the "Record Date") shall, for purposes of distributions under the Plan, be deemed to have an Allowed Class 4 Claim for the outstanding principal amount of the Debentures owned by such beneficial owner plus accrued and unpaid interest as of the Petition Date, and need not file a proof of claim with respect thereto.

In the event any Person that is neither the record Holder as of the Record Date of a Debenture, nor the beneficial owner with respect thereto, shall file a proof of right to record status pursuant to Bankruptcy Rule 3003(d), the Liquidating Trustee shall establish such reserve, if any, as may be ordered by the Bankruptcy Court on account of any objection thereto. Such reserve shall be held in trust for the Holder of such Disputed Claim. To the extent such Disputed Claim is disallowed, any reserve pertaining to such Disputed Claim shall be distributed to all Holders of Allowed Class 4 Claims on a Pro Rata basis.

With respect to distributions to be made to Holders of Debentures classified in Class 4, the Indenture Trustees for the respective Indentures shall (i) be the Disbursing Agent, (ii) receive the consideration to be paid to Holders of the Debentures as Indenture Trustees for the Debentures

1 which are classified as Allowed Class 4 Claims; (iii) be responsible for making distributions to
2 Holders of Allowed Class 4 Claims arising from such Debentures in accordance with the terms of
3 this Plan and the Indentures; and (iv) be authorized to deduct the Indenture Trustee Fees from the
4 consideration provided to Holders of Allowed Class 4 Claims to the extent so provided for in the
5 Indentures.

6 The trustees of the Statutory Business Trusts shall be responsible for making any
7 distributions to the holders of TRUPs as of the Record Date in accordance with the Declaration of
8 Trusts.

9 **B. Resolution Of Disputed Claims.**

10 As of the Effective Date, and subject to the provisions of this Plan, the Liquidating Trustee
11 shall have sole authority for investigating, administering, monitoring, implementing, litigating and
12 settling all Disputed Claims. From and after the Effective Date, the Liquidating Trustee shall have
13 the sole and exclusive right to make and file, and to prosecute, objections to Claims, including, but
14 not limited to, Administrative Expenses and Priority Tax Claims. All objections shall be filed prior
15 to the Liquidating Trustee Claim Objection Deadline and served upon the Holder of the Claim to
16 which the objection is made.

17 **C. Reserves for Disputed Claims.**

18 Cash which would be issued and distributed on account of Holders of Disputed Claims, in
19 the event that such Disputed Claims become Allowed Claims, shall instead be placed in the
20 Disputed Claims Reserve and maintained by the Liquidating Trustee. Such Cash in the Disputed
21 Claims Reserve will be reserved respectively for the benefit of Holders of such Disputed Claims
22 pending determination of their entitlement thereto. Unless the Bankruptcy Court orders otherwise,
23 the Liquidating Trustee will reserve Pro Rata distributions for such Disputed Claims based upon
24 the full amount of the Disputed Claims or, in the case of a Disputed Claim that is an Administrative
25 Expense or Priority Tax Claim, Cash in the full amount of such Disputed Claim. No reserve shall
26 be required for any Disputed Claim to the extent of any effective insurance coverage therefore.
27 Such Cash so reserved shall be distributed by the Liquidating Trustee to the Holder of a Disputed
28 Claim to the extent that such Disputed Claim becomes an Allowed Claim pursuant to a Final

Order.

To the extent that a Disputed Claim ultimately is disallowed or allowed in an amount less than the amount of Cash that has been reserved, the resulting surplus Cash shall be allocated among Holders of Allowed Claims in the Class in which the Disputed Claim was classified as provided in the Plan.

Prior to or on the Final Distribution Date, the Liquidating Trustee shall make all distributions on account of any Disputed Claim that has become an Allowed Claim and remains unpaid as of the Final Distribution Date. To the extent that any portion of a Disputed Claim is not disputed, the Liquidating Trustee may establish a reserve in the Disputed Claims Reserve only on account of that portion of the Disputed Claim that is in dispute and may make one or more Interim Distributions on account of the portion of such Disputed Claim that is not in dispute.

The Liquidating Trustee may, at the Liquidating Trustee's sole discretion, file a tax election to treat the Disputed Claims Reserve as a Disputed Ownership Fund ("DOF") within the meaning of Treasury Income Tax Regulation Section 1.468B-9 for federal income tax purposes, rather than tax such reserve as a part of the grantor liquidating trust. If the election is made, the Liquidating Trustee shall comply with all federal and state tax reporting and tax compliance requirements of the DOF, including but not limited to the filing of a separate federal income tax return for the DOF and the payment of federal and/or state income tax due.

V. IMPLEMENTATION OF THE PLAN

A. Vesting Of Assets.

Unless otherwise expressly provided for under this Plan, on the Effective Date, all of the Debtor's Assets, including, without limitation, all of the Estate Causes of Action, will vest in the Liquidating Trust free and clear of all claims, liens, encumbrances, charges and other interests, subject to the provisions of the Plan. On and after the Effective Date, the transfer of the Debtor's Assets from the Estate to the Liquidating Trust will be deemed final and irrevocable and distributions may be made from the Liquidating Trust.

B. Establishment of the Liquidating Trust.

On the Effective Date, the Debtor, on behalf of the Estate, and the Liquidating Trustee, on behalf of the Liquidating Trust, will be authorized and directed to, and will execute the Liquidating Trust Agreement in substantially the form attached as Exhibit "3" hereto, and take all such actions as required to transfer all Assets from the Debtor and its Estate (except as specifically set forth herein) to the Liquidating Trust. The Liquidating Trust is organized and established as a trust for the benefit of the Beneficiaries and is intended to qualify as a liquidating trust within the meaning of Treasury Regulation Section 301.7701-4(d).

1. Beneficiaries.

In accordance with Treasury Regulation Section 301.7701-4(d), the Beneficiaries of the Liquidating Trust will be the Holders of all Allowed Claims against the Debtor. The Holders of Allowed Claims will receive an allocation of the Liquidating Trust Assets as provided for in the Plan and the Liquidating Trust Agreement. The Beneficiaries of the Liquidating Trust shall be treated as the grantors and owners of such Beneficiaries' respective portion of the Liquidating Trust.

2. Implementation of the Liquidating Trust.

From and after the Effective Date, the Liquidating Trustee will be authorized to, and will take all such actions as required to implement the Liquidating Trust Agreement and the provisions of the Plan as are contemplated to be implemented by the Liquidating Trustee, including, without limitation, directing Distributions to Holders of Allowed Claims, objecting to Claims, prosecuting or otherwise resolving Estate Causes of Action, and causing Distributions from the Liquidating Trust to be made to the Beneficiaries. Pursuant to the terms of the Liquidating Trust Agreement and the Plan, the Liquidating Trustee may use, acquire and dispose of property of the Liquidating Trust free of any restrictions imposed under the Bankruptcy Code.

3. Transfer of Debtor's Assets.

On the Effective Date, pursuant to the Plan and sections 1123, 1141 and 1146(a) of the Bankruptcy Code, the Debtor is authorized and directed to transfer, grant, assign, convey, set over, and deliver to the Liquidating Trustee all of the Debtor's and its Estate's right, title and interest in

1 and to its Assets, including, without limitation, all Estate Causes of Action, free and clear of all
2 liens, Claims, encumbrances or interests of any kind in such property, except as otherwise
3 expressly provided in the Plan. To the extent required to implement the transfer of the Debtor's
4 Assets from the Debtor and its Estate to the Liquidating Trust, all Persons will cooperate with the
5 Debtor and its Estate to assist the Debtor and the Estate to implement said transfers.

6 **4. Representative of the Estate.**

7 The Liquidating Trustee will be appointed as the representative of the Estate pursuant to
8 sections 1123(a)(5), (a)(7) and (b)(3)(B) of the Bankruptcy Code and as such will be vested with
9 the authority and power (subject to the Liquidating Trust Agreement) to *inter alia*: (i) object to
10 Claims against and Equity Interests in the Debtor; (ii) administer, investigate, prosecute, settle and
11 abandon all Estate Causes of Action assigned to the Liquidating Trust; (iii) make Distributions
12 provided for in the Plan, including, but not limited to, on account of Allowed Claims; and (iv) take
13 such action as required to administer, wind-down, and close the Chapter 11 Case. As the
14 representative of the Estate, the Liquidating Trustee will be vested with all of the rights and powers
15 of the Debtor and the Estate with respect to all Estate Causes of Action assigned and transferred to
16 the Liquidating Trust, and the Liquidating Trustee will be substituted in place of the Debtor and its
17 Estate, as applicable, as the party in interest in all such litigation pending as of the Effective Date.

18 **5. No Liability of Liquidating Trustee.**

19 To the maximum extent permitted by law, the Liquidating Trustee, its employees, officers,
20 directors, agents, members, or representatives, or professionals employed or retained by the
21 Liquidating Trustee (the "Liquidating Trustee's Agents") will not have or incur liability to any
22 Person for an act taken or omission made in good faith in connection with or related to the
23 administration of the Liquidating Trust Assets, the implementation of the Plan and the
24 Distributions made thereunder or Distributions made under the Liquidating Trust Agreement. The
25 Liquidating Trustee, the Liquidating Trustee's Agents, and their employees, officers, directors,
26 agents, members, or representatives, or professionals employed or retained will in all respects be
27 entitled to reasonably rely on the advice of counsel with respect to their duties and responsibilities
28 under the Plan and the Liquidating Trust Agreement. Entry of the Confirmation Order constitutes a

1 judicial determination that the exculpation provision contained in Section X.A of the Plan is
2 necessary to, *inter alia*, facilitate confirmation and feasibility and to minimize potential claims
3 arising after the Effective Date for indemnity, reimbursement or contribution from the Debtor, its
4 Estate, or the Liquidating Trust, or their respective property. The Confirmation Order's approval
5 of the Plan also constitutes a res judicata determination of the matters included in the exculpation
6 provisions of the Plan. Notwithstanding the foregoing, nothing herein or in Section X.A of the
7 Plan will alter any provision in the Liquidating Trust Agreement that provides for the potential
8 liability of the Liquidating Trustee to any Person.

9 **6. Provisions Relating to Federal Income Tax Compliance.**

10 A transfer to the Liquidating Trust shall be treated for all purposes of the Internal Revenue
11 Code of 1986, as amended (the "Internal Revenue Code"), as a transfer to creditors to the extent
12 creditors are Beneficiaries. For example, such treatment shall apply for purposes of Internal
13 Revenue Code sections 61(a)(12), 483, 1001, 1012 and 1274. Any such transfer shall be treated for
14 federal income tax purposes as a deemed transfer to the Beneficiary-creditors followed by a
15 deemed transfer by the Beneficiary-creditors to the Liquidating Trust. The Beneficiaries of the
16 Liquidating Trust shall be treated for federal income tax purposes as the grantors and deemed
17 owners of the Liquidating Trust.

18 **C. Prosecution Of Estate Causes Of Action By The Liquidating Trustee.**

19 Pursuant to the Confirmation Order, on the Effective Date, the Debtor irrevocably assigns,
20 transfers and conveys to the Liquidating Trustee, the right to manage and control all property of the
21 Estate, including, but not limited to, all Estate Causes of Action. Subject to the provisions of
22 Section V.B.4 of this Plan and Section I.F of the Liquidating Trust Agreement, the Liquidating
23 Trustee shall have the power and authority to prosecute, compromise or otherwise resolve any and
24 all such Estate Causes of Action, with all recoveries derived therefrom to be included within the
25 Liquidating Trust Assets.

26 **D. Issuance And Execution Of Plan Related Documents.**

27 In connection with the transactions contemplated to implement the Plan, the Debtor and the
28 Liquidating Trustee will execute certain documents. As of the Effective Date, the Debtor and/or

1 the Liquidating Trustee will execute such amendments, modifications, supplements, and other
2 documents as provided for in the Plan. The Debtor and/or the Liquidating Trustee are authorized
3 to execute such amendments, modifications, supplements and other documents as provided for in
4 the Plan without any further corporate action, and upon such execution, such amendments,
5 modifications, supplements and other documents as provided for in the Plan shall be deemed
6 binding upon the Debtor and/or the Liquidating Trustee and such other parties as applicable.

7 **E. Cancellation/Surrender of the Debentures And Related Agreements.**

8 As of the Effective Date the Indentures, Debentures, Declaration of Trusts, Guarantee
9 Agreements, Debenture Subscription Agreements, Capital Securities Agreement, Purchase
10 Agreement, and Common Securities Agreements (collectively, the "Trust Related Agreements")
11 shall be terminated. Notwithstanding the foregoing, the Trust Related Agreements shall continue
12 in effect solely for purposes of (i) allowing the Indenture Trustees to receive Distributions under
13 the Plan on behalf of the Holders of Allowed Class 4 Claims; (ii) thereafter, allowing the Indenture
14 Trustees to make distributions to Holders of Allowed Class 4 Claims; and (iii) permitting the
15 Indenture Trustees to maintain any rights and charging liens they may have against property held
16 or collected by the Indenture Trustees for reasonable fees, costs and expenses pursuant to the
17 Indentures, or for indemnification as provided for under the Indentures. The Trust Related
18 Agreements shall terminate completely upon completion of all distributions by the Indenture
19 Trustees to the Holders of Allowed Class 4 Claims.

20 Following the Effective Date, Holders of Allowed Class 4 Claims will receive from the
21 Indenture Trustee or its designee(s) specific instructions regarding the time and manner in which
22 the Debentures are to be surrendered. Pending such surrender, such Debentures will be deemed
23 cancelled and shall represent only the right to receive the Distributions to which the Holder is
24 entitled under this Plan. Any such Holder who fails to surrender or cause to be surrendered such
25 Debenture or fails to execute and deliver an affidavit of loss and indemnity reasonably satisfactory
26 to the Disbursing Agent or the respective Indenture Trustee, agent or servicer, as the case may be,
27 within six (6) months after the Effective Date, shall be deemed to have forfeited all rights and
28 claims in respect of such Debenture and shall not participate in any distribution hereunder, and all

1 cash in respect of such forfeited distribution, including interest accrued thereon, shall revert to
2 Distributions to be made to other Holders of Debentures.

3 **F. Dissolution of the Debtor and Termination of Current Officers, Directors,**
4 **Employees and Counsel.**

5 From and after the Effective Date, the Debtor shall be dissolved and the Liquidating
6 Trustee shall be authorized to take all action necessary to dissolve the Debtor. On the Effective
7 Date, the employment, retention, appointment and authority of all Officers, Directors, Employees
8 and Professionals of the Debtor shall be deemed to terminate.

9 **VI. DISTRIBUTIONS UNDER THE PLAN.**

10 **A. In General.**

11 Except as otherwise provided herein, or as may be ordered by the Bankruptcy Court,
12 Distributions to be made on account of Allowed Claims, other than Allowed Class 3 Claims and
13 Allowed Class 4 Claims, shall be made on the Effective Date. The dates for Distributions by the
14 Liquidating Trust on account of Allowed Class 3 Claims and Allowed Class 4 Claims shall be
15 selected by the Liquidating Trustee. Such Distributions shall be made as soon as practicable after
16 the Effective Date.

17 **B. Manner Of Payment Under The Plan.**

18 Any payment of Cash made by the Liquidating Trustee pursuant to the Plan may be made
19 either by check drawn on a domestic bank or by wire transfer from a domestic bank, at the option
20 of the Liquidating Trustee.

21 **C. Manner Of Distribution Of Other Property.**

22 Any distribution under the Plan of property other than Cash shall be made by the
23 Liquidating Trustee in accordance with the terms of the Plan.

24 **D. Setoffs.**

25 The Liquidating Trustee may setoff against any Claim and the payments to be made
26 pursuant to the Plan in respect of such Claim, any claims of any nature whatsoever that the
27 Debtor's Estate or Liquidating Trust may have against the Holder of such Claim; provided that
28 neither the failure to effect such setoff nor the allowance of any Claim that otherwise would be

1 subject to setoff, shall constitute a waiver or release by the Debtor's Estate or Liquidating Trust of
2 any such claim the Debtor's Estate or Liquidating Trust may have against such Holder.

3 **E. Distribution Of Unclaimed Property.**

4 Except as otherwise provided in the Plan, any distribution of property (Cash or otherwise)
5 under the Plan which is unclaimed after the later of (i) one year following the Effective Date or (ii)
6 ninety (90) days after such distribution has been remitted to the Holder of the Allowed Claim, shall
7 be deemed Available Cash and distributed as provided for under the Plan.

8 **F. De Minimis Distributions.**

9 No Cash payment of less than fifty dollars (\$50.00) shall be made by the Liquidating
10 Trustee to any Holder of a Claim unless a request therefor is made in writing to the Liquidating
11 Trustee.

12 **G. Record Date.**

13 On the Record Date, as defined in Section IV.A above, the transfer ledgers for the
14 Debentures and the Equity Interests shall be closed, and there shall be no further changes in the
15 Holders of record of such securities. The Liquidating Trustee shall not recognize any transfer of
16 such securities occurring after the Record Date, but shall instead be entitled to recognize and deal
17 for all purposes with only those Holders of record stated on the applicable transfer ledgers as of the
18 Record Date. Additionally, with respect to Allowed Class 4 Claims, only the TRUP holders
19 owning TRUPs as of the Record Date will be allowed to vote on the Plan.

20 **H. Saturday, Sunday, Or Legal Holiday.**

21 If any payment or act under the Plan is required to be made or performed on a date that is
22 not a Business Day, then the making of such payment or the performance of such act may be
23 completed on the next succeeding Business Day, but shall be deemed to have been completed as of
24 the required date.

25 **I. Delivery Of Distributions, Address Of Holder.**

26 For purposes of all notices and distributions under this Plan, the Liquidating Trustee shall
27 be entitled to rely on the name and address of the Holder of each Claim as shown on, and
28 distributions to Holders of Allowed Claims shall be made by regular U.S. first class mail to, the

1 following addresses: (a) the address set forth on the proofs of Claim Filed by such Holders; (b) the
2 address set forth in any written notice of address change delivered by the Holder to the Debtor or
3 Liquidating Trustee after the date on which any related proof of Claim was Filed, or (c) the address
4 reflected on the Schedules if no proof of Claim or proof of Equity Interest is Filed and the Debtor
5 or Liquidating Trustee has not received a written notice of a change of address. The Liquidating
6 Trustee shall be under no duty to attempt to locate Holders of Allowed Claims who are entitled to
7 unclaimed distributions.

8 **VII. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

9 **A. Assumption.**

10 Effective upon the Effective Date, the Debtor hereby assumes those executory contracts and
11 unexpired leases which are listed in Exhibit "1" hereto. Pursuant to this Plan, the Debtor will also
12 assume the executory contracts and unexpired leases that are the subject of any specific order of the
13 Bankruptcy Court. The Debtor reserves the right to delete any contract or lease from Exhibit "1"
14 hereto, thereby rejecting the contract or lease, up until the Confirmation Hearing by filing with the
15 Bankruptcy Court an amended Exhibit "1" to the Plan and by giving notice to the non-debtor party
16 to the contract or lease.

17 **B. Assumption And Cure Payment Objection.**

18 Exhibit "1" hereto specifies the amount (the "Cure Payment"), if any, that the Debtor
19 believes must be tendered on the Effective Date, in order to provide cure and compensation in
20 accordance with sections 365(b)(1)(A) & (B) of the Bankruptcy Code. The deadline for any
21 objections to the Cure Payment amounts set forth in Exhibit "1" shall be the date for filing
22 objections to the Plan, and no other objections to such Cure Payment will be timely. In the event
23 that any party to a listed contract or lease on Exhibit "1" contends that the Cure Payment amount so
24 listed is incorrect, such party must file with the Bankruptcy Court and serve upon counsel for the
25 Debtor a written statement and an accompanying declaration in support thereof specifying the
26 amounts allegedly owing under sections 365(b)(1)(A) & (B) of the Bankruptcy Code no later than
27 the date fixed for filing objections to the confirmation of the Plan. Failure to timely file and serve
28 such statement shall result in the determination that the Debtor's tender of the Cure Payment, as

1 specified in Exhibit "1", on the Effective Date, shall provide cure and compensation for any and all
2 defaults and unpaid obligations under such assumed executory contract or unexpired lease.

3 In the event that any party to a listed contract or lease specified in Exhibit "1" objects to the
4 proposed assumption by the Debtor, such party must file with the Bankruptcy Court and serve upon
5 counsel for the Debtor a written statement and an accompanying declaration in support thereof no
6 later than the date fixed for filing objections to the confirmation of the Plan. Failure timely to file
7 and serve such statement shall result in the determination that the assumption is appropriate.

8 The Debtor reserves the right to respond to any objection filed by any party to an executory
9 contract or unexpired lease under this paragraph and/or to reject any executory contract or
10 unexpired lease or assume such contract or unexpired lease by complying with section 365(b) of
11 the Bankruptcy Code. To the extent the Debtor disagrees with any objection filed by any party to
12 an executory contract or unexpired lease under this paragraph, the Debtor will request that the
13 Bankruptcy Court declare that the Cure Payment is as stated by the Debtor, and that the proposed
14 assumption is appropriate, and any disputes shall be resolved by the Bankruptcy Court.

15 Entry of the Confirmation Order shall constitute approval of the assumptions under the Plan
16 pursuant to section 365 of the Bankruptcy Code. All Cure Payments which may be required by
17 section 365(b)(1) of the Bankruptcy Code shall be made on the Effective Date or as soon thereafter
18 as is practicable or as may otherwise be agreed by the parties to any particular contracts or leases.

19 **C. Rejection.**

20 With the exception of those executory contracts and unexpired leases that have been
21 previously assumed, assumed pursuant to Section VII.A, above, or rejected by order of the
22 Bankruptcy Court pursuant section 365 of the Bankruptcy Code, as of the Effective Date, the
23 Debtor shall reject, pursuant to section 365 of the Bankruptcy Code, all other executory contracts
24 and unexpired leases. Exhibit "2" hereto is a non-exclusive list of rejected contracts.

25 **D. General.**

26 Inclusion of a matter in Exhibits "1" or "2" does not constitute an admission by the Debtor
27 that an executory contract or unexpired lease exists, is valid or is an executory contract or
28 unexpired lease. As a matter of prudence, Exhibits "1" and "2" include contracts and leases which

1 may have previously been rejected or canceled or assigned or which may have expired. Entry of
2 the Confirmation Order shall constitute approval of the rejections under the Plan pursuant to
3 section 365(a) of the Bankruptcy Code.

4 All Allowed Claims arising from the rejection of executory contracts or unexpired leases,
5 whether under the Plan or by separate proceeding, shall be treated as Allowed Class 3 Claims
6 under the Plan.

7 All Claims arising from the rejection of executory contracts or unexpired leases, whether
8 under the Plan or by separate proceeding, must be filed with the Bankruptcy Court on or before
9 such date as the Bankruptcy Court has fixed pursuant to the Bar Date Order with respect to Claims
10 arising from the rejection of specified executory contracts and unexpired leases, or, if rejected
11 pursuant to the Plan, on or before the day that is 30 days after the Effective Date or, if such day is
12 not a Business Day, the first Business Day occurring thereafter. Any such Claims which are not
13 Filed within such time will be forever barred from assertion against the Debtor, its Estate, the
14 Liquidating Trustee, and the Liquidating Trust.

15 **E. Insurance Policies**

16 For the avoidance of doubt, the Debtor's rights with respect to all insurance policies under
17 which the Debtor may be a beneficiary (including all insurance policies that may have expired
18 prior to the Petition Date, all insurance policies in existence on the Petition Date, all insurance
19 policies entered into by the Debtor after the Petition Date, and all insurance policies under which
20 the Debtor holds rights to make, amend, prosecute and benefit from claims), are retained and will
21 be transferred or assigned to the Liquidating Trust pursuant to this Plan.

22 **VIII. EFFECTIVENESS OF THE PLAN**

23 **A. Conditions Precedent.**

24 The Effective Date shall not occur until the Confirmation Order has been entered on the
25 docket of the Bankruptcy Court and no stay of the Confirmation Order is in effect, unless this
26 condition has been waived in writing by the Debtor.

27 **B. Notice Of Effective Date.**

28 As soon as practicable after the Effective Date has occurred, the Debtor shall file with the

1 Bankruptcy Court an informational notice specifying the Effective Date, as a matter of record.

2 **IX. RETENTION OF JURISDICTION**

3 This Plan shall not in any way limit the Bankruptcy Court's post-confirmation jurisdiction
4 as provided under the Bankruptcy Code. The Bankruptcy Court will retain and have exclusive
5 jurisdiction to the fullest extent permissible over any proceeding (i) arising under the Bankruptcy
6 Code or (ii) arising in or related to the Chapter 11 Case or the Plan, including but not limited to the
7 following:

8 A. To hear and determine pending motions for the assumption, assumption and
9 assignment, or rejection of executory contracts or unexpired leases, if any are pending as of the
10 Effective Date, the determination of any cure payments related thereto, and the allowance or
11 disallowance of Claims resulting therefrom;

12 B. To hear and determine pending motions for sale of assets outside the ordinary
13 course of business pursuant to section 363 of the Bankruptcy Code, if any are pending as of the
14 Effective Date;

15 C. To determine any and all adversary proceedings, applications, motions, and
16 contested matters instituted prior to the closing of the Chapter 11 Case;

17 D. To ensure that distributions to Holders of Allowed Claims are accomplished as
18 provided herein;

19 E. To hear and determine any objections to Administrative Expenses and to Proofs of
20 Claim Filed both before and after the Effective Date, and to allow or disallow any Disputed Claim
21 in whole or in part;

22 F. To enter and implement such orders as may be appropriate in the event the
23 Confirmation Order is for any reason stayed, revoked, modified, or vacated;

24 G. To issue orders in aid of execution of the Plan and to issue injunctions or take such
25 other actions or make such other orders as may be necessary or appropriate to restrain interference
26 with this Plan or its execution or implementation by any entity;

27 H. To consider any modifications of the Plan, to cure any defect or omission, or to
28 reconcile any inconsistency in the Plan or any order of the Bankruptcy Court, including, without

1 limitation, the Confirmation Order;

2 I. To hear and determine all applications for compensation and reimbursement of
3 expenses of professionals under sections 330, 331, and 503(b) of the Bankruptcy Code;

4 J. To hear and determine any disputes arising in connection with the interpretation,
5 implementation, execution, or enforcement of the Plan, the Confirmation Order or any other order
6 of the Bankruptcy Court;

7 K. To hear or determine any action to recover assets of the Estate, wherever located,
8 including any and all Estate Causes of Action;

9 L. To hear and determine any actions or matters related to Estate Causes of Action,
10 whether or not such actions or matters are pending on the Effective Date;

11 M. To hear and determine any matters concerning state, local, and federal Taxes in
12 accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

13 N. To hear any other matter not inconsistent with the Bankruptcy Code;

14 O. To hear any other matter deemed relevant by the Bankruptcy Court; and

15 P. To enter a Final Decree closing the Chapter 11 Case.

16 **X. LIMITATION OF LIABILITY, RELEASES AND INJUNCTION**

17 **A. Exculpation.**

18 Except as otherwise provided by the Plan or the Confirmation Order, on the Effective Date,
19 the Debtor, the Indenture Trustees and their respective officers, directors, employees,
20 representatives, counsel, financial advisors or other agents and their successors or assigns shall be
21 deemed released by each of them against the other, and by all Holders of Claims or Equity
22 Interests, of and from any Claims, obligations, rights, causes of action and liabilities for any act or
23 omission in connection with, or arising out of, the Chapter 11 Case, including, without limiting the
24 generality of the foregoing, all sales of assets of the Debtor's Estate, the Disclosure Statement, the
25 pursuit of approval of the Disclosure Statement, the pursuit of confirmation of the Plan, the
26 consummation of the Plan or the administration of the Plan or the property to be distributed under
27 the Plan, except for acts or omissions which constitute willful misconduct or gross negligence, and
28 all such Persons, in all respects shall be entitled to rely upon the advice of counsel with respect to

1 their duties and responsibilities under the Plan and under the Bankruptcy Code. Notwithstanding
2 the foregoing, this provision of the Plan is not intended to waive, release, or provide exculpation
3 for, any cause of action based on prepetition actions or conduct, including but not limited to any
4 Estate Causes of Action.

5 **B. Injunction Enjoining Holders of Claims against Debtor.**

6 The Plan is the sole means for resolving, paying or otherwise dealing with Claims and
7 Equity Interests. To that end, except as expressly provided in the Plan, at all times on and after the
8 Effective Date, all Persons who have been, are, or may be Holders of Claims against or Equity
9 Interests in the Debtor arising prior to the Effective Date, will be permanently enjoined from taking
10 any of the following actions, on account of any such Claim or Equity Interest, against the Debtor,
11 its Estate, the Liquidating Trust or its property (other than actions brought to enforce any rights or
12 obligations under the Plan) and the Liquidating Trustee:

13 1. Commencing, conducting or continuing in any manner, directly or indirectly
14 any suit, action, or other proceeding of any kind against the Debtor, its Estate, the Liquidating
15 Trust, or the Liquidating Trustee, their successors, or their respective property or assets (including,
16 without limitation, all suits, actions, and proceedings that are pending as of the Effective Date
17 which will be deemed to be withdrawn or dismissed with prejudice);

18 2. Enforcing, levying, attaching, executing, collecting, or otherwise recovering
19 by any manner or means whether directly or indirectly any judgment, award, decree, or order
20 against the Debtor, its Estate, the Liquidating Trust, or the Liquidating Trustee, their successors, or
21 their respective property or assets;

22 3. Creating, perfecting, or otherwise enforcing in any manner, directly or
23 indirectly, any lien, security interest or encumbrance against the Debtor, its Estate, the Liquidating
24 Trust, or the Liquidating Trustee, their successors, or their respective property or assets; and

25 4. Proceeding in any manner in any place whatsoever against the Debtor, its
26 Estate, the Liquidating Trust, or the Liquidating Trustee, their successors, or their respective
27 property or assets, that does not conform to or comply with the provisions of the Plan.
28

C. Nondischarge of the Debtor.

In accordance with Bankruptcy Code section 1141(d)(3), the Confirmation Order will not discharge Claims. However, no Holder of a Claim may receive any payment from, or seek recourse against, any Assets that are to be distributed under the Plan other than Assets required to be distributed to that Holder pursuant to the Plan. As of the Confirmation Date, all Persons are enjoined from asserting against any property that is to be distributed under the Plan, any Claims, rights, causes of action, liabilities, or Equity Interests based upon any act, omission, transaction, or other activity that occurred before the Confirmation Date except as expressly provided in the Plan or the Confirmation Order.

XI. MISCELLANEOUS PROVISIONS

A. Payment Of Statutory Fees.

All quarterly fees due and payable to the Office of the United States Trustee pursuant to section 1930(a)(6) of Title 28 of the United States Code shall be duly paid in full on or before the Effective Date, as required by section 1129(a)(12) of the Bankruptcy Code. The Liquidating Trust shall be responsible for timely payment of such quarterly fees due and payable after the Effective Date and until the Chapter 11 Case is closed, pursuant to section 1930(a)(6) of Title 28 of the United States Code, with respect to cash disbursements made by the Disbursing Agent under the Plan. After the Effective Date and until the Chapter 11 Case is closed, the Liquidating Trustee shall file with the Office of the United States Trustee monthly financial reports specifying all disbursements made pursuant to the Plan and shall make all payments based upon such disbursements as required by applicable law.

B. Preservation Of Rights Of Action.

Except to the extent any rights, claims, causes of action, defenses, and counterclaims are expressly and specifically released in connection with this Plan or in any settlement agreement approved during the Chapter 11 Case: (i) any and all Estate Causes of Action accruing to the Debtor's Estate shall vest in the Liquidating Trust on the Effective Date, whether or not litigation relating thereto is pending on the Effective Date, and whether or not any such Estate Causes of Action have been listed or referred to in this Plan, the Disclosure Statement, or any other document

1 filed with the Bankruptcy Court, and (ii) the Debtor's Estate does not waive, release, relinquish,
2 forfeit, or abandon (nor shall it be estopped or otherwise precluded or impaired from asserting) any
3 Estate Cause of Action that constitutes property of the Debtor's Estate: (a) whether or not such
4 Estate Cause of Action has been listed or referred to in this Plan, the Disclosure Statement, or any
5 other document filed with the Bankruptcy Court, (b) whether or not such Estate Cause of Action is
6 currently known to the Debtor or the Liquidating Trustee, and (c) whether or not a defendant in any
7 litigation relating to such Estate Cause of Action filed a proof of Claim in the Chapter 11 Case,
8 filed a notice of appearance or any other pleading or notice in the Chapter 11 Case, voted for or
9 against this Plan, or received or retained any consideration under this Plan.

10 **C. Headings.**

11 Headings are used in the Plan for convenience and reference only, and shall not constitute a
12 part of the Plan for any other purpose.

13 **D. Binding Effect.**

14 The Plan shall be binding upon and inure to the benefit of the Debtor's Estate, Holders of
15 Claims, Holders of Equity Interests, and their respective successors or assigns.

16 **E. Revocation Or Withdrawal.**

17 **1. Right To Revoke.**

18 The Debtor reserves the right to revoke or withdraw the Plan prior to the Confirmation
19 Date.

20 **2. Effect Of Withdrawal Or Revocation.**

21 If the Debtor revokes the Plan prior to the Confirmation Date or if the Confirmation Date or
22 the Effective Date does not occur, then the Plan shall be deemed null and void. In such event,
23 nothing contained herein shall be deemed to constitute a waiver or release of any claims by or
24 against the Debtor or its Estate or any other person or to prejudice in any manner the rights of the
25 Debtor or its Estate or any person in any further proceedings involving the Debtor.

26 **F. Governing Law.**

27 Unless a rule of law or procedure is supplied by (i) federal law (including the Bankruptcy
28 Code and Bankruptcy Rules), or (ii) an express choice of law provision in any agreement, contract,

1 instrument or document provided for, or executed in connection with, this Plan, the rights and
2 obligations arising under the Plan and any agreements, contracts, documents and instruments
3 executed in connection with this Plan shall be governed by, and construed and enforced in
4 accordance with, the laws of the State of California without giving effect to the principles of
5 conflict of laws thereof.

6 **G. Withholding, Reporting, And Payment Of Taxes.**

7 In connection with the Plan and all instruments issued in connection therewith and
8 distributions thereon, the Liquidating Trustee shall comply with all withholding and reporting
9 requirements imposed by any federal, state, local, or foreign taxing authority and all Distributions
10 hereunder shall be subject to any such withholding and reporting requirements. The Liquidating
11 Trustee shall report and pay Taxes on the income of the Liquidating Trust Assets, if any, as
12 required by applicable law. In addition, to the extent required by applicable law, reported
13 distributions from such reserves shall include all interest and investment income, if any,
14 attributable to the Cash or property being distributed net of taxes which are, or are estimated to be,
15 due and payable thereon.

16 **H. Other Documents And Actions.**

17 The Debtor on and prior to the Effective Date and the Liquidating Trustee after the
18 Effective Date may execute such other documents and take such other actions as may be necessary
19 or appropriate to effectuate the transactions contemplated under this Plan.

20 **I. Modification Of The Plan.**

21 Prior to the Effective Date, the Plan may be altered, amended, or modified by the Debtor
22 pursuant to section 1127 of the Bankruptcy Code. After the Effective Date, the Liquidating
23 Trustee shall have the sole authority and power to alter, amend, or modify the Plan pursuant to
24 section 1127 of the Bankruptcy Code.

25 **J. Notices.**

26 Any notice to the Debtor, Liquidating Trustee or United States Trustee required or
27 permitted to be provided under the Plan shall be in writing and served by either (a) certified mail,
28 return receipt requested, postage prepaid, (b) hand delivery, or (c) reputable overnight delivery

service, freight prepaid, to be addressed as follows:

<u>Debtor:</u> Harrington West Financial Group, Inc. P.O. Box 442 Solvang, CA 93464 Attention: Kerry Steele	<u>With a copy to Debtor's Counsel:</u> Landau Gottfried & Berger LLP 1801 Century Park East Suite 1460 Los Angeles, CA 90067 Attention: Sharon M. Kopman, Esq.
<u>Liquidating Trustee:</u> <u>[TO BE INSERTED]</u>	<u>Office of the United States Trustee:</u> United States Trustee 21051 Warner Center Lane, Suite 115 Woodland Hills, CA 91367 Attention: Brian Fittapaldi, Esq.

K. Severability of Plan Provisions.

If, prior to the Confirmation Date, any term or provision of the Plan does not govern the treatment of Claims or Equity Interests, or is held by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term(s) or provision(s) to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

L. Successors And Assigns.

The rights, benefits, and obligations of any entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of, the heirs, executors, administrators, successors, and assigns of such entity.

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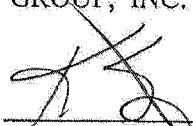
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1 **M. Post-Confirmation Notice.**

2 From and after the Effective Date, any person who desires notice of any pleading or
3 document Filed in the Bankruptcy Court, or any hearing in the Bankruptcy Court, or other matter
4 as to which the Bankruptcy Code requires notice to be provided, shall file a request for post-
5 confirmation notice and shall serve the request on the Liquidating Trustee; provided, however, the
6 Office of the United States Trustee shall be deemed to have requested post-confirmation notice.

7
8 DATED: June 23, 2011

 Respectfully submitted,
 HARRINGTON WEST FINANCIAL
 GROUP, INC.

10
11 By: 
12 Kerry Steele
13 Chief Financial Officer of Debtor
14 Harrington West Financial Group, Inc.

15
16 Presented By:

17 LANDAU GOTTFRIED & BERGER, LLP

18 By: /s/ Sharon M. Kopman
19 Sharon M. Kopman
20 Attorneys for Harrington West Financial Group, Inc.

LIST OF EXHIBITS

Exhibit "1" List of Executory Contracts Assumed

Exhibit "2" List of Executory Contracts Rejected

Exhibit "3" Liquidating Trust Agreement

EXHIBIT "1" TO PLAN

LIST OF EXECUTORY CONTRACTS ASSUMED

Effective upon the Effective Date, the Debtor hereby assumes the following executory contracts and unexpired leases, and will make the Cure Payments so specified. Inclusion herein does not constitute an admission by the Debtor that an executory contract or unexpired lease exists, is valid or that it is an executory contract or lease. As a matter of prudence, the following list includes contracts and leases which may have previously been rejected or canceled or assigned or which may have expired:

NONE

EXHIBIT "2" TO PLAN

LIST OF EXECUTORY CONTRACTS REJECTED

Effective upon the Effective Date, the Debtor hereby rejects the following executory contracts and unexpired leases. Inclusion herein does not constitute an admission by the Debtor that an executory contract or unexpired lease exists, is valid or that it is an executory contract or lease. Notwithstanding any failure to list an executory contract or unexpired lease on this Exhibit "2", the provisions of section VII.C of the Plan operate to reject all executory contracts and unexpired leases that have not been previously assumed, assumed pursuant to Section VII.A of the Plan, or rejected by order of the Bankruptcy Court pursuant to Bankruptcy Code section 365. As a matter of prudence, the following list includes contracts and leases which may have previously been rejected or canceled or assigned or which may have expired:

Los Padres Savings Bank, FSB 610 Alamo Pintado Road Solvang, CA 93463 And Valley Oaks Financial Corporation 610 Alamo Pintado Road Solvang, CA 93463 And Harrington Wealth Management, Inc. 10150 Lantern Road Suite 150 Fishers, IN 46038	Tax Sharing Agreement, as amended
Los Padres Savings Bank, FSB 610 Alamo Pintado Road Solvang, CA 93463	Administrative Services Agreement

EXHIBIT "3" TO PLAN
LIQUIDATING TRUST AGREEMENT

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**LIQUIDATING TRUST AGREEMENT
OF
HARRINGTON WEST FINANCIAL GROUP, INC.**

By and Between

**Harrington West Financial Group, Inc.,
as Debtor and Debtor in Possession**

and

**[TO BE INSERTED],
as Trustee**

Dated: _____, __, 2011

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LIQUIDATING TRUST AGREEMENT

THIS AGREEMENT is made this ____ day of _____ 2011, by and between Harrington West Financial Group, Inc. (the “Debtor”) and (ii) [To Be Inserted] (together with any successors, the “Trustee”)¹ under the Plan (as defined below)(the “Agreement”).²

RECITALS:

A. On September 10, 2010, the Debtor filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101-1330, *et seq.* (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Central District of California, Northern Division, Case No. 9:10-bk-14677-RR (the “Bankruptcy Case”).

B. By Order, dated _____, 2011 (the “Confirmation Order”), the Bankruptcy Court confirmed the Debtor’s First Amended Plan of Liquidation (as same may have been, or may be, amended, the “Plan”).

C. Pursuant to the terms of the Plan, on the Effective Date the Liquidating Trust of Harrington West Financial Group, Inc. (“Liquidating Trust”) is created on behalf of, and for the benefit of, the Holders of Allowed Claims of the Debtor entitled to receive a distribution on account of their Allowed Claims pursuant to the Plan. The Holders of Allowed Claims are the beneficiaries of the Liquidating Trust (collectively, the “Beneficiaries”). Upon payment by the Liquidating Trust of amounts due pursuant to the Plan, if any, to a Beneficiary, any interest such Beneficiary may have as a Beneficiary of the Liquidating Trust shall terminate and be of no further force and effect.

D. The Liquidating Trust is created pursuant to, and to effectuate, the Plan for the primary purpose of liquidating the Debtor’s Assets transferred to it (the “Liquidating Trust Assets”) and otherwise administering the post-confirmation Estate of the Debtor for the benefit of the Beneficiaries as a liquidating trust, in accordance with Treasury Regulation Section 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Liquidating Trust. The Trustee shall act as the liquidator of the Liquidating Trust Assets under this Agreement.

E. The Liquidating Trust provides that the Beneficiaries of the Liquidating Trust will be treated as the grantors of the Liquidating Trust and deemed owners of the Liquidating Trust Assets. This Liquidating Trust requires the Trustee to file returns for the Liquidating Trust as a grantor trust pursuant to Treasury Regulation §1.671-4(a).

¹ As used in this Agreement, the term “Trustee” shall have the same meaning as the term “Liquidating Trustee” used in the Plan.

² Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Debtor’s First Amended Plan of Liquidation.

F. The Liquidating Trust is intended to qualify as a “grantor trust” for federal income tax purposes with the Beneficiaries treated as the grantors and owners of the trust.

G. This Liquidating Trust provides for consistent valuations of the transferred property by the Debtor, Trustee and Beneficiaries, and those valuations must be used for all federal income tax purposes.

H. All of the Liquidating Trust’s income and/or recoveries are to be treated as subject to tax on a current basis to the Beneficiaries who will be responsible for payment of any tax due.

I. Subject to Section II (E) hereof, this Liquidating Trust contains a fixed determinable termination date that is not more than five (5) years from the date of creation of the Liquidating Trust and that is reasonable based on all of the facts and circumstances.

J. The investment powers of the Trustee are subject to section 345 of the Bankruptcy Code, except as may otherwise be ordered by the Bankruptcy Court.

K. Unless otherwise ordered by the Bankruptcy Court, the Trustee is required to distribute at least annually to the Beneficiaries the net income plus net proceeds from the sale of Liquidating Trust Assets, except that the Liquidating Trust may retain an amount of net proceeds or net income reasonably necessary to maintain the value of the Liquidating Trust Assets or to satisfy claims and contingent liabilities (including Disputed Claims) and to fund the operations of and pay the expenses of administration of the Liquidating Trust.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and in the Plan, the Debtor and the Trustee agree as follows:

SECTION I TRUSTEE

A. Appointment

Under the Plan, [To Be Inserted] has been selected to serve as the Trustee of the Liquidating Trust, and hereby accepts such appointment and agrees to serve in such capacity, effective upon the Effective Date of the Plan. A successor Trustee shall be appointed by the Bankruptcy Court in the event that the Trustee is removed or resigns pursuant to this Agreement or the Trustee becomes incapacitated or otherwise vacates the position.

B. Generally

The Trustee’s powers are exercisable solely in a fiduciary capacity consistent with, and in furtherance of, the purposes of the Liquidating Trust and not otherwise. The Trustee may deal with the Liquidating Trust Assets as permitted by the provisions hereof, including as set forth in Section I.D hereof. The Trustee shall have the authority to bind the Liquidating Trust and for all purposes hereunder shall be acting in the capacity as Trustee and not individually.

C. Scope of Authority

The responsibilities and authority of the Trustee shall include: (a) recovering and liquidating the Liquidating Trust Assets, including, but not limited to, any tax attributes belonging to the Debtor's Estate, (b) prosecuting and resolving Estate Causes of Action on behalf of or against the Debtor's Estate, (c) facilitating the prosecution or settlement of objections to and estimations of Disputed Claims, (d) calculating and implementing all distributions in accordance with the Plan, (e) filing all required tax returns and paying taxes and all other obligations on behalf of the Liquidating Trust from funds held by the Liquidating Trust, (f) periodic reporting to the Bankruptcy Court and parties in interest of the status of the Disputed Claims resolution process, distributions on Allowed Claims, and prosecution of Estate Causes of Action, (g) managing the wind-down of the Debtor's Estate and (h) such other responsibilities and powers as may be vested in the Trustee pursuant to the Plan or Bankruptcy Court order or not inconsistent therewith or as may be necessary and proper to carry out the provisions of the Plan.

D. Powers

The powers of the Trustee shall, without any further Bankruptcy Court approval (except as specifically required herein) and subject in all respects to the other terms and conditions of this Agreement, include (i) the power to invest funds in, and withdraw, make distributions and pay taxes and other obligations owed by the Liquidating Trust from funds held by the Trustee in accordance with the Plan, (ii) the power to handle the Liquidating Trust Assets, (iii) the power to engage employees and professional persons to assist the Trustee with respect to his responsibilities, (iv) the power to litigate, compromise and settle claims and Estate Causes of Action on behalf of or against the Liquidating Trust, (v) the power to file pleadings and papers and seek relief before the Bankruptcy Court or other courts of competent jurisdiction, where appropriate, (vi) the power to file returns, make elections and otherwise to do all things and take all steps that the Liquidating Trustee shall deem necessary or appropriate with respect to the tax attributes and/or obligations (if any) of the Liquidating Trust, and (vii) such other powers as may be vested in or assumed by the Liquidating Trust or the Trustee pursuant to the Plan, Bankruptcy Court Order or not inconsistent therewith or as may be necessary and proper to carry out the provisions of the Plan. Except as expressly set forth in this Agreement, the Trustee shall have absolute discretion to pursue or not to pursue any and all Disputed Claims, claims of the Estate, and Estate Causes of Action or other matters, activities or things as he determines is in the best interests of the Beneficiaries and consistent with the purposes of the Liquidating Trust, and shall have no liability for the outcome of his decision, except as such decision may constitute an act of gross negligence, willful misconduct, or fraud. The Trustee may incur reasonable and necessary expenses in liquidating and converting the Liquidating Trust Assets to cash, which shall be payable from the corpus of the Liquidating Trust.

In connection with the administration of the Liquidating Trust, except as otherwise set forth in this Agreement or the Plan, the Trustee is authorized to perform any and all acts necessary and reasonable to accomplish the purposes of the Liquidating Trust. Without limiting the foregoing, and subject in all respects to the other terms and conditions of this Agreement, the Trustee shall be expressly authorized, but shall not be required, to:

1. Hold legal title to the Liquidating Trust Assets, any and all rights of the Beneficiaries in or arising from the Liquidating Trust Assets, including, but not limited to, the right to vote any claim or interest held by the Liquidating Trust Assets in a case under the Bankruptcy Code and receive any distribution therein;
2. Protect and enforce the rights to the Liquidating Trust Assets vested in the Trustee by this Agreement by any method deemed appropriate including, without limitation, by judicial proceedings or pursuant to any applicable law and general principles of equity;
3. File objections, contest, settle, compromise, withdraw, litigate to judgment, adjust, arbitrate, sue on or defend, abandon, or otherwise deal with the Estate Causes of Action and Disputed Claims and any other claims in favor of or against the Liquidating Trust as the Trustee shall deem advisable;
4. Establish and maintain accounts at banks and other financial institutions, in a clearly specified fiduciary capacity, in which the Liquidating Trust Assets or other cash and property of the Liquidating Trust may be deposited, and draw checks or make withdrawals from such accounts;
5. Determine and satisfy any and all liabilities created, incurred or assumed by the Liquidating Trust;
6. Pay all fees and expenses and make all other payments relating to the administration, management, maintenance, operation, preservation or liquidation of the Liquidating Trust Assets or pursuit of Estate Causes of Action and claims in favor of or against the Liquidating Trust in accordance with the provisions of Section I.I hereof;
7. File, if necessary, any and all tax and information returns with respect to the Liquidating Trust and pay taxes properly payable by the Liquidating Trust, if any;
8. Obtain insurance coverage with respect to the liabilities and obligations of the Trustee and the Liquidating Trust (in the form of an errors and omissions policy, fiduciary policy or otherwise); provided, however, the Liquidating Trust is a successor of the Debtor for the purposes of continuing to receive benefits under insurance policies entered into by the Debtor;

9. Obtain insurance coverage with respect to real and personal property which may be or may become Liquidating Trust Assets, if any;
10. Retain and compensate professionals, as necessary, to aid the Trustee in the prosecution of any Estate Causes of Action and claims that constitute the Liquidating Trust Assets, and to perform such other functions as may be appropriate, including advising or assisting the Trustee in the discharge of his duty as Trustee. The Trustee may commit the Liquidating Trust to and shall pay such professionals' compensation for services rendered and expenses incurred;
11. Retain and compensate a public accounting firm to perform such reviews and/or audits of the financial books and records of the Liquidating Trust and to prepare and file any tax returns or informational returns for the Liquidating Trust as may be required. The Trustee may commit the Liquidating Trust to and shall pay such accounting firm reasonable compensation for services rendered and expenses incurred;
12. Retain and pay such third parties as necessary or appropriate to assist the Trustee in carrying out his powers and duties under this Agreement. The Trustee may commit the Liquidating Trust to and shall pay all such persons or entities compensation for services rendered and expenses incurred, as well as commit the Liquidating Trust to indemnify any such parties in connection with the performance of services on market terms, including an exception for such parties' losses occasioned or based upon such parties' gross negligence, willful misconduct, or fraud;
13. Invest any moneys held as part of the Liquidating Trust Assets in accordance with the terms of Section I.F.2 hereof;
14. Represent the interests of the Beneficiaries with respect to any matters relating to the Plan, this Agreement or the Liquidating Trust affecting the rights of such Beneficiaries;
15. Take any and all actions necessary to dissolve the Debtor; and
16. Engage in any transaction necessary or appropriate to the foregoing or to facilitate implementation of the Plan, including but not limited to, entering into, performing and exercising rights under contracts and leases on behalf of the Liquidating Trust.

E. Additional Powers

Except as otherwise set forth in this Agreement or in the Plan, and subject to the retained jurisdiction of the Bankruptcy Court as provided for in the Plan, but without prior or further authorization, the Trustee may control and exercise authority over the Liquidating Trust Assets and over the protection, conservation and disposition thereof. No person dealing with the

Liquidating Trust shall be obligated to inquire into the authority of the Trustee in connection with the protection, conservation or disposition of Liquidating Trust Assets. It is intended that a signed copy of this Agreement serve as adequate proof of the Trustee's authority to act if such proof is required for any reason by any third party.

F. Limitation of Trustee's Authority

1. No Trade or Business

The Trustee shall not and shall not be authorized to engage in any trade or business with respect to the Liquidating Trust Assets or any proceeds therefrom except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Liquidating Trust and shall take such actions consistent with the prompt and orderly liquidation of the Liquidating Trust Assets as required by applicable law and consistent with the treatment of the Liquidating Trust as a liquidating trust under Treasury Regulation Section 301.7701-4(d).

2. Investment and Safekeeping of Liquidating Trust Assets

All moneys and other assets received by the Liquidating Trust shall, until distributed or paid over as herein provided, be held in trust for the benefit of the Beneficiaries, but need not be segregated from other Liquidating Trust Assets, unless and to the extent required by law or by the Plan. The Trustee shall be under no liability for interest or producing income on any moneys received by the Liquidating Trust hereunder and held for distribution or payment to the Beneficiaries, except as such interest shall actually be received by the Trustee. Investments of any moneys held by the Liquidating Trust shall be administered in view of the manner in which individuals of ordinary prudence, discretion and judgment would act in the management of their own affairs; provided, however, that the right and power of the Trustee to invest the Liquidating Trust Assets, the proceeds thereof, or any income earned by the Liquidating Trust, shall be limited to the right and power to invest such assets (pending periodic distributions in accordance with Section IV.E hereof) in demand and time deposits, such as short-term certificates of deposit, in banks or other savings institutions, or other temporary liquid investments, such as Treasury bills and, provided, further, that the scope of any such permissible investments shall be limited to include only those investments (a) that are consistent with the provisions of section 345 of the Bankruptcy Code unless ordered otherwise by Bankruptcy Court and (b) that a liquidating trust, within the meaning of Treasury Regulation Section 301.7701-4(d), may be permitted to hold, pursuant to the Treasury Regulations, or any modification in the Internal Revenue Service ("IRS") guidelines, whether set forth in IRS rulings, other IRS pronouncements or otherwise.

G. Liability of Trustee

In no event shall the Trustee, the Trustee's employees, or any of the Trustee's professionals or representatives be held personally liable for any claim asserted against the Liquidating Trust, the Trustee, the Trustee's employees, or any of the Trustee's professionals or representatives, except to the extent occasioned by or based upon willful misconduct, gross negligence or fraud by the same. Specifically, the Trustee, the Trustee's employees, and any of the Trustee's professionals or representatives shall not be liable for any negligence or any error of judgment in either case made in good faith, or with respect to any action taken or omitted to

be taken in good faith, except to the extent that the action taken or omitted to be taken by the Trustee, the Trustee's employees, or any of the Trustee's professionals or representatives are determined by a Final Order to be due to their own respective gross negligence, willful misconduct, or fraud.

H. Reliance by Trustee

Except as otherwise provided in Section I.F hereof:

1. The Trustee may rely upon, and shall be protected in acting upon, any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;
2. The Trustee may consult with legal counsel, financial or accounting advisors and other professionals to be selected by it, and the Trustee shall not be liable for any action taken or omitted to be taken by it in accordance with the advice thereof; and
3. Persons dealing with the Trustee shall look only to the Liquidating Trust Assets to satisfy any liability incurred by the Trustee to such person in carrying out the terms of this Agreement, and the Trustee shall have no personal obligation to satisfy any such liability, except to the extent such liability or obligation arises as a result of the gross negligence, willful misconduct, or fraud of the Trustee in which case the Liquidating Trust Assets shall not be subject to such claims or liabilities.

I. Authorization to Expend Liquidating Trust Assets

The Trustee may expend the assets of the Liquidating Trust (i) to pay expenses of administration of the Liquidating Trust (including, but not limited to, the fees and expenses of the Trustee, any taxes imposed on the Liquidating Trust or in respect of the assets of the Liquidating Trust, and fees and expenses in connection with litigation), and (ii) to satisfy other liabilities incurred or assumed by the Liquidating Trust (or to which the Liquidating Trust Assets are otherwise subject) in accordance with this Agreement or the Plan.

J. Compensation of the Trustee

1. The Liquidating Trust shall reimburse the Trustee for the actual reasonable out-of-pocket expenses incurred by the Trustee, including, without limitation, necessary travel, lodging, postage, telephone and facsimile charges upon receipt of periodic billings.
2. The Trustee and employees of the Trustee shall be entitled to receive compensation pursuant to that certain engagement letter attached hereto as Exhibit A for services rendered on behalf of Liquidating Trust. Any

change in compensation must be pursuant to an Order of the Bankruptcy Court following notice and opportunity to be heard.

3. The Liquidating Trust Assets shall be subject to the claims of the Trustee, and the Trustee shall be entitled to reimburse itself out of any available cash in the Liquidating Trust, for his actual out-of-pocket expenses and against and from any and all loss, liability, expense, or damage which the Trustee may sustain in good faith and without willful misconduct, gross negligence, or fraud in the exercise and performance of any of the powers and duties of the Trustee.
4. All compensation and other amounts payable to the Trustee shall be paid from the Liquidating Trust Assets. If the cash in the Liquidating Trust shall be insufficient to compensate and reimburse the Trustee, as the case may be, for any amounts to which it is entitled hereunder, then the Trustee is hereby authorized to reduce to cash in a commercially reasonable manner that portion of the Liquidating Trust Assets necessary so as to effect such compensation and reimbursement.

K. Exculpation; Indemnification

From and after the Effective Date, the Trustee, the Trustee's employees and each of their professionals and representatives (or their designees) shall be and hereby are exculpated by all Persons, including, without limitation, Beneficiaries, Holders of Claims and other parties in interest, from any and all claims, causes of action and other assertions of liability arising out of the discharge of the powers and duties conferred upon such Trustee by the Plan or any order of the Bankruptcy Court entered pursuant to or in furtherance of the Plan, or applicable law or otherwise, except only for actions or omissions to act only to the extent determined by a Final Order to be due to their own respective gross negligence, willful misconduct, or fraud after the Effective Date. No Beneficiary, Holder of a Claim or other party in interest will have or be permitted to pursue any claim or cause of action against the Trustee, the Liquidating Trust or the employees, professionals or representatives of the Trustee for making payments in accordance with the Plan or for implementing the provisions of the Plan except in cases of gross negligence, willful misconduct, or fraud. The Liquidating Trust shall indemnify, defend and hold harmless the Trustee, the Trustee's employees and any of their professionals or representatives from and against any and all claims, causes of action, liabilities, obligations, losses, damages or expenses (including attorneys' fees) (other than only to the extent determined by a Final Order to be due to their own respective gross negligence, willful misconduct, or fraud after the Effective Date) to the fullest extent permitted by applicable law and any obligations, liabilities or expenses incurred by any such persons or entities shall be payable from the Liquidating Trust Assets. Any action taken or omitted to be taken with the approval of the Bankruptcy Court will conclusively be deemed not to constitute gross negligence, willful misconduct, or fraud.

L. Bond

If the Bankruptcy Court so orders, the Trustee shall serve with a bond.

M. Confidentiality

The Trustee shall, and shall cause his agents and representatives to, hold strictly confidential and not use for personal gain any material, non-public information of or pertaining to any entity or matter to which any of the Liquidating Trust Assets relates or of which he has become aware in his capacity as Trustee.

N. Final Decree

It shall be the duty of the Trustee to seek and obtain a final decree or decrees from the Bankruptcy Court upon full administration of the Liquidating Trust.

O. Termination

The duties, responsibilities and powers of the Trustee will terminate on the date the Liquidating Trust is dissolved under applicable law in accordance with the Plan and Section II.E hereof, or by an Order of the Bankruptcy Court or by entry of a final decree closing the Chapter 11 Case.

**SECTION II
THE LIQUIDATING TRUST**

A. Transfer of Assets to Liquidating Trust

Pursuant to the Plan, the Debtor and the Trustee hereby establish, on behalf of the Beneficiaries, and the Debtor hereby transfers, assigns, and delivers to the Liquidating Trust, on behalf of the Beneficiaries, all right, title and interest in the Debtor's Assets, including but not limited to (a) all Available Cash, and (b) all claims and Estate Causes of Action of the Estate. The Trustee agrees to accept and hold the Liquidating Trust Assets for the Beneficiaries, subject to the terms of the Plan and this Agreement.

B. Title to Assets

1. The transfer of the Debtor's Assets to the Liquidating Trust (after taking into account any payment by the Debtor on the Effective Date to and/or full funding of the Allowed and projected (a) Administrative Expense Claims, (b) Priority Tax Claims, (c) Secured Claims, and (d) Other Priority Claims as well as postpetition fees and expenses) shall be made for the benefit of the Beneficiaries in accordance with the Plan. The Payment of Distributions and the utilization of all Liquidating Trust Assets shall be made in accordance with the Plan.
2. For all federal income tax purposes, all parties (including, without limitation, the Debtor, the Trustee, and the Beneficiaries) shall treat the transfer of the Debtor's Assets to the Liquidating Trust, as set forth in this Section II.B, as a transfer of such Assets to the Beneficiaries followed by a transfer of such Assets by the Beneficiaries to the Liquidating Trust.

Thus, the Beneficiaries shall be treated as the grantors and owners of a grantor trust for federal income tax purposes.

C. Funding of Liquidating Trust

The Debtor shall, on the Effective Date, transfer to the Liquidating Trust on behalf of the Beneficiaries (in accordance with Section II.B hereof) any and all of the Debtor's real and personal property to form the Liquidating Trust Assets. The Debtor shall have no further obligation to provide any funding with respect to the Liquidating Trust.

D. Valuation of Assets

As soon as practicable after the Effective Date, the Trustee shall apprise each of the Beneficiaries in writing of the value of the Liquidating Trust Assets by filing such valuation with the Bankruptcy Court. The valuation shall be used consistently by all parties (including the Debtors, the Trustee and the Beneficiaries) for all federal income tax purposes.

E. Termination of Liquidating Trust

The Liquidating Trust will terminate no later than the fifth (5th) anniversary of the Effective Date; provided, however, the Bankruptcy Court, upon motion by a party in interest, may by order entered before the expiration of the then current term, extend the term of the Liquidating Trust for a finite period if it is necessary to the liquidating purpose thereof. Multiple extensions can be obtained. The Trustee shall not unduly prolong the duration of the Liquidating Trust and shall at all times endeavor to resolve, settle or otherwise dispose of all claims and Estate Causes of Action that constitute Liquidating Trust Assets and to effect the distribution of the Liquidating Trust Assets to the Beneficiaries in accordance with the terms hereof and terminate the Liquidating Trust in such time as calculated to maximize recoveries. Prior to and upon termination of the Liquidating Trust, the Liquidating Trust Assets will be distributed to the Beneficiaries in accordance with their distribution rights under the Plan, subject to the provisions set forth herein. If any distributions of the Liquidating Trust are not duly claimed then such distributions will be disposed of in accordance with the Plan. Notwithstanding anything contained herein to the contrary, if the value of the Liquidating Trust Assets is less than the cost of postage and mailing for a distribution, the expense associated with seeking Court authority for a distribution and the expense of holding the estates open, the Trustee may contribute such assets to the charity of his choosing.

**SECTION III
BENEFICIARIES**

A. Identification of Beneficiaries

In order to determine the actual names, addresses and tax identification numbers of the Beneficiaries, the Trustee shall be entitled to conclusively rely on the names, addresses and tax identification numbers set forth in (1) the Debtor's Schedules, (2) proofs of claim filed by creditors in the Debtor's Chapter 11 Case, or (3) the Debtor's books and records. Each Beneficiary's right to distribution from the Liquidating Trust shall be that accorded to such

Beneficiary under the Plan. Each distribution by the Trustee to the Beneficiaries shall be made in accordance with the terms set forth herein.

B. Withholding

Unless otherwise permitted to be paid directly to a Beneficiary, the Trustee shall withhold from the amounts distributable to the Beneficiaries from the Liquidating Trust Assets at any time such sum or sums as may be required to be withheld under the income tax laws of the United States or of any state or political subdivision thereof.

C. Tax Identification Numbers

The Trustee shall require any Beneficiary to furnish to the Trustee its Employer or Taxpayer Identification Number as assigned by the IRS and the Trustee may condition any distribution to any Beneficiary upon receipt of such identification number. For the avoidance of doubt, the Trustee may request Bankruptcy Court authority to release funds set aside for distribution to Beneficiaries who have not provided proper tax identification numbers and make those funds available to remaining Beneficiaries.

**SECTION IV
PURPOSE, AUTHORITY, LIMITATIONS, AND DISTRIBUTIONS**

A. Purpose of the Liquidating Trust

The Liquidating Trust shall be established for the primary purpose of liquidating its assets, in accordance with Treasury Regulation Section 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Liquidating Trust. Accordingly, the Liquidating Trust shall, in an expeditious but orderly manner, liquidate and convert to cash the Liquidating Trust Assets, make timely distributions and not unduly prolong the duration of the Liquidating Trust. The liquidation of the Liquidating Trust Assets may be accomplished either through the prosecution, compromise and settlement, abandonment or dismissal of any or all claims, rights or causes of action, or otherwise.

B. Resolution of Liquidating Trust Assets by the Trustee

1. The Trustee shall be empowered to and, in his discretion (subject to the provisions hereof), may take all appropriate action with respect to the prosecution, settlement or other resolution of claims and Estate Causes of Action constituting the Liquidating Trust Assets. The Trustee shall deal with all collections and settlements within the normal course of his duties.
2. Notwithstanding anything contained in this Agreement to the contrary, the Liquidating Trust may, but is not required to, submit a proposed settlement of claims or Estate Causes of Action to the Bankruptcy Court or such other court of competent jurisdiction for its approval.

C. Books and Records

On behalf of the Liquidating Trust, the Trustee shall maintain, in respect of the Liquidating Trust and the Beneficiaries, books and records relating to the Liquidating Trust Assets and income of the Liquidating Trust and the payment of expenses of, and liabilities of, claims against or assumed by, the Liquidating Trust in such detail and for such period of time as may be necessary to enable it to make full and proper accounting in respect thereof in accordance with Section VI hereof and to comply with applicable provisions of law. Except as provided in Section VI.A hereof, nothing in this Agreement requires the Liquidating Trust or the Trustee to file any accounting or seek approval of any court with respect to the administration of the Liquidating Trust, or as a condition for making any payment or distribution out of the Liquidating Trust Assets. Beneficiaries shall have the right upon thirty (30) days' prior written notice delivered to the Trustee to inspect such books and records, provided that, if so requested, such Beneficiary shall have entered into a confidentiality agreement satisfactory in form and substance to the Trustee.

D. Disputed Claim Reserve

The Trustee shall maintain, in accordance with the Trustee's powers and responsibilities under the Plan and this Agreement, a reserve for any distributable amounts to be set aside on account of Disputed Claims. The Liquidating Trustee is authorized to create more than one Disputed Claim Reserve as necessary to ensure sufficient funds to make the payments required under the Plan. Such amounts (net of any expenses, including any taxes, of the escrow relating thereto) shall be distributed, as provided herein and in the Plan, as such Disputed Claims are resolved. If a Holder's Disputed Claim is resolved and becomes an Allowed Claim, the Holder shall become a Beneficiary, the amounts previously reserved on account of the Holder's Disputed Claims shall be distributed as provided herein and in the Plan, and the Holder shall receive the same percentage recovery as Holders of Allowed Claims in the same Class as if the Holder's Allowed Claim was an Allowed Claim as of the Effective Date of the Plan.

E. Application of Liquidating Trust Assets

Assuming Holders of Allowed Administrative Expense Claims, Allowed Priority Tax Claims, Allowed Secured Claims, and Allowed Other Priority Claims have been paid (or, if not paid, after the Trustee has established adequate reserves to pay such claims once they become Allowed Claims), the Trustee shall apply all Liquidating Trust Assets, other than such reserves, and any proceeds therefrom, as follows:

1. Following the Effective Date, subject in all respects to the terms of the Plan, the Liquidating Trust shall apply all cash constituting Liquidating Trust Assets and any proceeds therefrom in the order and reflecting the priorities set forth below:

FIRST, to pay all the costs and expenses of the Liquidating Trust including, without limitation, the post-confirmation fees and expenses and any and all costs, expenses and liabilities incurred by the Trustee (including his professionals and advisors) in connection with the performance of duties under this Liquidating Trust Agreement as permitted herein.

SECOND, to the Beneficiaries in accordance with the Plan.

Notwithstanding anything to the contrary in this Section IV, prior to making any distribution pursuant to Paragraph SECOND hereof, the Trustee may retain such amounts (i) to pay estimated expenses of administration (including, but not limited to, any taxes imposed on the Liquidating Trust or in respect of the Liquidating Trust Assets, and fees and expenses in connection with litigation), (ii) to satisfy other liabilities incurred or assumed by the Liquidating Trust (or to which the Liquidating Trust Assets are otherwise subject), all for the term of the Liquidating Trust and in accordance with this Agreement or the Plan, and (iii) to satisfy the post-confirmation fees and expenses detailed in the Plan; provided, however, that, from the net amount distributable, the Trustee may reserve, in accordance with the provisions of Section IV.E hereof, such amounts as would be distributable in respect of Disputed Claims (treating such Claims for this purpose, as if they were Allowed Claims).

2. Distribution. Subject to the provisions of Section IV.D hereof, the Liquidating Trust shall distribute to the holders of Allowed Claims all net cash recoveries plus all net cash proceeds from the liquidation of the Liquidating Trust Assets (including as cash for this purpose, all cash equivalents) at such time intervals as decided by the Liquidating Trust in accordance with the terms of the Plan, provided that the Liquidating Trust shall make distributions no less frequently than on an annual basis unless otherwise ordered by the Bankruptcy Court.

F. Compliance with Laws

Any and all distributions of Liquidating Trust Assets shall be in compliance with applicable laws, including, but not limited to, applicable federal and state securities laws.

**SECTION V
SUCCESSOR TRUSTEE**

A. Removal

The Trustee may be removed by Final Order of the Bankruptcy Court.

B. Resignation

The Trustee may resign by giving not less than thirty (30) days' prior written notice thereof to the Bankruptcy Court. Such resignation shall become effective on the later to occur of (i) the date specified in such notice and (ii) the selection of a successor and the acceptance by such successor of such appointment.

C. Acceptance of Appointment by Successor Trustee

Any successor Trustee shall be chosen by the Bankruptcy Court. Any successor Trustee appointed hereunder shall execute an instrument accepting such appointment hereunder and shall file such acceptance with the Liquidating Trust records. If required, a successor should post a bond or provide evidence of insurance adequate to ensure the performance of the obligations of

the successor hereunder. Thereupon, such successor Trustee shall, without any further act, become vested with all the properties, rights, powers, trusts and duties of his predecessor in the Liquidating Trust with like effect as if originally named herein; provided, however, that a removed or resigning Trustee shall, nevertheless, when requested in writing by the successor Trustee, execute and deliver an instrument or instruments conveying and transferring to such successor Trustee under the Liquidating Trust all the properties, rights, powers, and trusts of such predecessor Trustee.

SECTION VI REPORTING

A. Tax and Other Reports

As soon as practicable after the end of each calendar year, and as soon as practicable upon termination of the Liquidating Trust, the Trustee shall submit to the Bankruptcy Court a written report including: (i) financial statements of the Liquidating Trust at the end of such calendar year or period and the receipts and disbursements of the Liquidating Trust for such period; and (ii) subject to Section VI.B, a separate statement for each Beneficiary setting forth the holder's share of items of income, gain, loss, deduction or credit (collectively, the "Tax Items") and will instruct all such holders to report such items on their federal income tax returns. The Trustee shall promptly submit additional reports to the Bankruptcy Court whenever an adverse material event or change occurs which materially affects either the Liquidating Trust or the rights of the Beneficiaries hereunder.

B. Federal Income Tax.

1. Grantor Trust Status. Except as set forth in Section VI.B.2, below, and subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the issuance of applicable Treasury Regulations, the receipt by the Trustee of a private letter ruling if the Trustee so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Trustee), the Trustee shall file returns for the Liquidating Trust as a grantor trust pursuant to Treasury Regulation Section 1.671-4(a).
2. Disputed Ownership Fund Election. The Liquidating Trustee may, at the Liquidating Trustee's sole discretion, file a tax election to treat the Disputed Claims Reserve as a Disputed Ownership Fund ("DOF") within the meaning of Treasury Income Tax Regulation Section 1.468B-9 for federal income tax purposes, rather than tax such reserve as a part of the grantor liquidating trust. If the election is made, the Liquidating Trustee shall comply with all federal and state tax reporting and tax compliance requirements of the DOF, including but not limited to the filing of a separate federal income tax return for the DOF and the payment of federal and/or state income tax due.

C. Other

The Trustee shall also file (or cause to be filed) any other statements, returns or disclosures relating to the Liquidating Trust, that are required to be filed by any governmental unit or under applicable law, guidelines, rules and regulations.

**SECTION VII
TRANSFER OF BENEFICIARY'S INTERESTS**

A. Transfer of Beneficial Interests

The interests of the Beneficiaries in the Liquidating Trust, which are reflected only in the records of the Liquidating Trust maintained by the Trustee shall be transferable after written notice to the Trustee only: (a) pursuant to applicable laws of descent and distribution (in the case of a deceased individual Beneficiary); (b) by operation of law; or (c) by any other method that complies with applicable securities and tax laws and does not result in an adverse consequence to the Liquidating Trust. The Trustee shall not be required to record any transfer in favor of any transferee which, in the sole discretion of the Trustee, is or might be construed to be ambiguous or to create uncertainty as to the holder of the interest in the Liquidating Trust. Until a transfer is in fact recorded in the books and records maintained by the Trustee for the purpose of identifying Beneficiaries, the Trustee, whether or not in receipt of documents of transfer or other documents relating to the transfer, may nevertheless make distributions and send communications to Beneficiaries, as though it has no notice of any such transfer, and in so doing the Trustee shall be fully protected and incur no liability to any purported transferee or any other Person.

**SECTION VIII
MISCELLANEOUS PROVISIONS**

A. Amendment; Waiver

This Agreement cannot be amended or waived in a material manner without an order of the Bankruptcy Court approving such material amendment or waiver, provided, however, that no change shall be made to this Agreement that would adversely affect the federal income tax status of the Liquidating Trust as a "grantor trust" in accordance with Section VI.B.

B. Intention of Parties to Establish Grantor Trust

This Agreement is intended to create a grantor trust for United States federal income tax purposes and, to the extent provided by law, shall be governed and construed in all respects as a grantor trust.

C. Preservation of Privilege

In connection with the rights, claims, and Estate Causes of Action that constitute the Liquidating Trust Assets, any attorney-client privilege, work-product privilege, or other privilege or immunity attaching to any documents or communications (whether written or oral) transferred to the Liquidating Trust shall vest in the Liquidating Trust and its representatives, and the Debtor and the Trustee are authorized to take all necessary actions to effectuate the transfer of such privileges.

D. Cooperation

The Debtor shall provide the Trustee with copies of such of its books and records as are reasonably available to it and that the Trustee shall reasonably require for the purpose of performing the Trustee's duties and exercising his powers hereunder.

E. Laws as to Construction

This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to rules governing the conflict of law. In the case of a conflict between the Plan and this Agreement, the Plan shall control.

F. Severability

If any provision of this Agreement or the application thereof to any person or circumstance shall be finally determined by a court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and such provision of this Agreement shall be valid and enforced to the fullest extent permitted by law unless the Agreement, as modified, will no longer effectuate the intent of the parties hereto in all material respects.

G. Notices

Any notice or other communication hereunder shall be in writing and shall be deemed to have been sufficiently given, for all purposes, if deposited, postage prepaid, in a post office or letter box addressed to the person for whom such notice is intended at such address as set forth below or such other address as filed with the Bankruptcy Court:

If to the Debtor:

Harrington West Financial Group, Inc.
P.O. Box 442
Solvang, CA 93464
Attn: Kerry Steele

With a copy to:

Landau Gottfried & Berger LLP
1801 Century Park East
Suite 1460
Los Angeles, California 90067
Attn: Sharon M. Kopman, Esq.

If to the Liquidating Trust or Trustee:

With a copy to:

[To Be Inserted]

H. Notices if to a Beneficiary and to the Indenture Trustee

Any notice or other communication hereunder shall be in writing and shall be deemed to have been sufficiently given, for all purposes, if deposited, postage prepaid, in a post office or letter box addressed to the person for whom such notice is intended to the name and address set forth on the Debtor's Schedules or such Beneficiary's proof of claim, such other notice filed with the Bankruptcy Court and the Liquidating Trust or such other means reasonably calculated to apprise the Beneficiary, provided, however, that a copy of any notice or communication to the Debtor or the Liquidating Trust or Trustee hereunder shall be sent to counsel for the Indenture Trustees, as follows: (i) counsel for Wilmington Trust, Kilpatrick Townsend & Stockton LLP, Attn: Todd Meyers, Esq., 1100 Peachtree Street, Suite 2800, Atlanta, Georgia, 30309-4528 and (ii) counsel for Wells Fargo, Reed Smith, LLP, Attn: Eric a. Schaffer, Esq., 225 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2716

I. Third-Party Beneficiary

There shall be no third-party beneficiaries of this Liquidating Trust except as expressly set forth herein.

J. Headings

The section headings contained in this Liquidating Trust Agreement are solely for convenience of reference and shall not affect the meaning or interpretation of this Agreement or of any term or provision hereof.

K. Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which taken together shall constitute one and the same instrument. A facsimile copy of a signature page is the equivalent of an original signature page.

IN WITNESS WHEREOF, the parties hereto have either executed and acknowledged this Agreement, or caused it to be executed and acknowledged on their behalf by their duly authorized officers all as of the date first above written.

DEBTOR: HARRINGTON WEST FINANCIAL GROUP,
INC.

By: _____
Kerry Steele
Chief Financial Officer

TRUSTEE: [TO BE INSERTED]

By: _____
Trustee of the Liquidating Trust

In re: Harrington West Financial Group, Inc. Debtor(s).	CHAPTER 11 CASE NUMBER 9:10-bk-14677
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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:
Landau Gottfried & Berger LLP
1801 Century Park East, Suite 1460
Los Angeles, CA 90067

A true and correct copy of the foregoing document described **DEBTOR AND DEBTOR IN POSSESSION HARRINGTON WEST FINANCIAL GROUP, INC.'S FIRST AMENDED PLAN OF LIQUIDATION** 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 June 23, 2011, 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:

Brian D Fittipaldi brian.fittipaldi@usdoj.gov
Sameer K Kapoor skapoor@kilpatrickstockton.com
John W Kim jkim@nossaman.com
Todd C Meyers tmeyers@kilpatrickstockton.com
Shane G Ramsey sramsey@kilpatrickstockton.com
Christopher O Rivas crivas@reedsmith.com
Valerie Strumwasser vstrumwasser@nossaman.com
United States Trustee (ND) ustpreion16.nd.ecf@usdoj.gov

☐ Service information continued on attached page

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

On June 23, 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.

BY U.S. MAIL

Honorable Robin Riblet
United States Bankruptcy Court
1415 State Street, Courtroom 201
Santa Barbara, California 93101-2511

☒ 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 _____ 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.

☐ 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.

June 23, 2011
Date

Patricia Swierszcz
Type Name


Signature

In re: Harrington West Financial Group, Inc.	CHAPTER 11
Debtor(s).	CASE NUMBER 9:10-bk-14677

II. SERVED BY U.S. MAIL (Continued):

U.S. Trustee

Office of the United States Trustee
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Debtor

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Special Notice

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