

Investors have asked certain questions regarding the impact of Walter Ng's chapter 11 case and the steps that R.E. Loans, LLC ("R.E. Loans") is taking to protect its interests in connection with Walter's case.

Some investors have asked about the guarantee by Walter of the note held by R.E. Reno, LLC ("R.E. Reno"). R.E. Reno and R.E. Loans both contend that the guarantee provided by Walter and Barney was for the benefit of R.E. Reno and not of each individual investor in R.E. Reno. Therefore, R.E. Loans cannot enforce that guarantee directly. I understand that Walter intends to schedule the claim of R.E. Reno under the guarantee as undisputed. If there are assets available in Walter's case, R.E. Reno will share in those assets and R.E. Loans will share in R.E. Reno's share.

At least one investor has asked whether R.E. Loans will seek to serve on Walter's official committee of unsecured creditors. R.E. Loans does not intend to seek to serve on Walter's official creditors' committee. Walter owns 25% of B-4 Partners, LLC, which is the sole member and sole manager of R.E. Loans. While that equity has little or no value, because R.E. Loans has debts to the Noteholders that exceed its assets, it makes R.E. Loans an affiliate of Walter Ng. Walter is also still a manager of B-4 Partners, LLC, which is the sole manager of R.E. Loans, though James Weissenborn runs the day to day operations as Chief Restructuring Officer. Based on the foregoing relationships, R.E. Loans is an affiliate and an insider of Walter. We do not believe that the US Trustee's office would appoint an affiliate to Walter's creditors' committee. Nor would R.E. Loans serving on the committee facilitate a constructive internal committee process, because other committee members would likely be concerned about R.E. Loans' role.

Several investors have asked whether R.E. Loans intends to file claims or adversary proceedings against Walter. In Walter's case the Bankruptcy Court has set deadlines to file a complaint under Bankruptcy Code section 523 and to file proofs of claim. Those deadlines are August 5th and September 6th, respectively, and also apply to individual creditors who have claims. R.E. Loans is seeking an extension of both deadlines for R.E. Loans. R.E. Loans will seek to finalize such an extension during June so that there is time to seek an extension from the court should that become necessary, or file a complaint and proof of claim before the existing deadlines.

The filing of a proof of claim (or, in a Chapter 11 case like Walter's, the scheduling of a claim not as disputed, contingent or unliquidated) allows the creditor to share in the assets in the bankruptcy estate.

Bankruptcy Code section 523 renders certain limited types of claims "nondischargeable." The discharge order is the order that provides that a debtor need not pay its pre-bankruptcy debts except out of the assets distributed to creditors as part of the bankruptcy process. A debt that is not dischargeable can survive the bankruptcy. A complaint to determine that a debt is not discharged in an individual's bankruptcy case therefore seeks to allow a creditor to share even in assets the debtor obtains after the bankruptcy case is concluded. It is possible that R.E. Loans could have claims against Walter that might be nondischargeable, but if a complaint is not timely filed the claims will be discharged and paid only out of assets distributed in his bankruptcy.