

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

<p>In re:</p> <p>DBSI, INC., <i>et al.</i>,</p> <p style="text-align: center;">Debtors.</p>	<p>Chapter 11</p> <p>Case No. 08-12687 (PJW)</p> <p>Jointly Administered</p>
---	--

**NOTE/BOND/FUND INVESTOR DISCLOSURE STATEMENT PURSUANT
TO SECTION 1125 OF THE BANKRUPTCY CODE AND PLAN
SUMMARY PURSUANT TO FED.R.BANKR.P. 3017(d) WITH RESPECT
TO SECOND AMENDED JOINT CHAPTER 11 PLAN OF LIQUIDATION
FILED BY THE CHAPTER 11 TRUSTEE AND THE OFFICIAL
COMMITTEE OF UNSECURED CREDITORS**

<p>Dated: August 17, 2010</p> <p>GREENBERG TRAURIG, LLP</p> <p>Donald J. Detweiler (No. 3087) Dennis A. Meloro (No. 4435) The Nemours Building 1007 North Orange Street, Suite 1200 Wilmington, DE 19801 T (302) 661-7000 F (302) 661-7360 E-mail: detweilerd@gtlaw.com E-mail: melorod@gtlaw.com</p> <p style="text-align: center;">- and -</p> <p style="text-align: center;">-</p> <p>Michael H. Goldstein Nathan A. Schultz 2450 Colorado Avenue, Suite 400 East Santa Monica, CA 90404 E-mail: goldsteinmh@gtlaw.com E-Mail: schultzn@gtlaw.com</p> <p><i>Attorneys for Official Committee of Unsecured Creditors</i></p>	<p>GIBBONS P.C.</p> <p>William R. Firth, III (Bar No. 4356) 1000 N. West Street, Suite 1200 Wilmington, DE 19801-1058 T (302) 295-4875 F (302) 295-4876 E-mail: wfirth@gibbonslaw.com</p> <p style="text-align: center;">- and -</p> <p>Karen A. Giannelli Mark B. Conlan Natasha M. Songonuga One Gateway Center Newark, NJ 07102-5310 E-mail: kgiannelli@gibbonslaw.com E-mail: mconlan@gibbonslaw.com E-mail: nsongonuga@gibbonslaw.com T (973) 596-4500 F (973) 596-0545</p> <p><i>Attorneys for James R. Zazzali, Chapter 11 Trustee</i></p>
---	--



INTRODUCTION
- ABOUT THE DISCLOSURE STATEMENT AND VOTING -

WHAT IS THIS DOCUMENT? This document is a “Disclosure Statement” prepared specifically for persons or entities who purchased notes, bonds or units from certain funding entities affiliated with DBSI, Inc. (“Note/Bond/Fund Investors”). It contains (and constitutes) a summary of the Second Amended Joint Chapter 11 Plan of Liquidation dated August 17, 2010 (as it may have been or may be amended, the “Plan”).

WHAT IS THE PURPOSE OF THIS DISCLOSURE STATEMENT? The purpose of this Disclosure Statement is to provide Note/Bond/Fund Investors with adequate information to make an informed judgment regarding whether they should vote to accept or reject the Plan.

WHAT DO I NEED TO DO WITH THIS DISCLOSURE STATEMENT? You should review this Disclosure Statement (and any additional information you find helpful) and decide whether you will vote to accept or reject the Plan.

HOW DO I VOTE TO ACCEPT OR REJECT THE PLAN?

To vote to accept or reject the Plan, you must fill out and return a Ballot. You should use only the Ballot sent to you with the Disclosure Statement to cast your vote for or against the Plan. If you are a member of one of the Voting Classes and did not receive a Ballot, or if your Ballot is damaged or lost you may request a replacement by contacting Kurtzman Carson Consultants, LLC (“KCC”) at Attn: Joe Morrow, Kurtzman Carson Consultants, LLC, email: jmorrow@kccllc.com.

To be counted, your vote indicating acceptance or rejection of the Plan must be properly completed in accordance with the instruction on the Ballot and returned to the Balloting Agent, Kurtzman Carson Consultants, LLC, no later than **5:00 p.m., prevailing Pacific Time, on September 23, 2010** (the “Voting Deadline”). Ballots received after that time will not be counted, except to the extent the Chapter 11 Trustee and the Creditors’ Committee so determine or as permitted by the Bankruptcy Court pursuant to Bankruptcy Rule 3018.

IN ORDER TO BE COUNTED, BALLOTS MUST BE COMPLETED, SIGNED, AND RECEIVED BY THE VOTING DEADLINE, AT THE FOLLOWING ADDRESS:

VIA U.S. MAIL OR OVERNIGHT DELIVERY
DBSI Ballot Processing
c/o Kurtzman Carson Consultants LLC
2335 Alaska Avenue
El Segundo, CA 90245

PLEASE CAREFULLY FOLLOW THE DIRECTIONS CONTAINED ON EACH ENCLOSED BALLOT. VOTES THAT ARE CAST IN ANY MANNER OTHER THAN BY USING A BALLOT WILL NOT BE COUNTED AND ONLY BALLOTS RETURNED WITH ORIGINAL SIGNATURES WILL BE COUNTED. FACSIMILE BALLOTS WILL NOT BE ACCEPTED.

WHERE CAN I GET A COPY OF THE PLAN AND MORE INFORMATION ABOUT THE PLAN? Article III of this Note/Bond/Fund Investor Disclosure Statement identifies sources of additional information about the Plan, including a where to get a copy of the Plan and a more detailed “Master” Disclosure Statement.

INTRODUCTION - ABOUT THE PLAN -

WHO FILED THE PLAN? The Plan was filed by (i) James R. Zazzali, as trustee for DBSI, Inc. and its affiliated debtors in the Chapter 11 Cases (“Chapter 11 Trustee”), and (ii) the Official Committee of Unsecured Creditors (“Creditors’ Committee”). The Trustee and the Creditors’ Committee worked together over several months to develop the Plan. **See Article I(B)(3), below.**

WHAT WILL THE PLAN DO? The purpose of the Plan is to generate maximum value from the remaining DBSI assets and to distribute this value equitably and efficiently to Note/Bond/Fund Investors and other investors and creditors. **See Article I(B)(3) and Article II below.**

HOW WILL THE PLAN DO THIS? The Plan will establish and fund various trusts, allocate the DBSI assets to these trusts, and provide for the assets in these trusts to be liquidated for the benefit of investors and creditors. **See Article II below.**

WHERE DO NOTE/BOND/FUND INVESTORS FIT IN THE TRUST STRUCTURE? Note/Bond/Fund Investors will be beneficiaries of the DBSI Real Estate Liquidating Trust. Note/Bond/Fund Investors also will have the option to elect to participate in a Private Actions Trust. **See Article II(A) below.**

WHAT WILL NOTE/BOND/FUND INVESTORS RECEIVE AS BENEFICIARIES OF THE DBSI REAL ESTATE LIQUIDATING TRUST? As beneficiaries of the DBSI Real Estate Liquidating Trust, Note/Bond/Fund Investors will receive distributions of cash realized from the assets allocated to the DBSI Real Estate Liquidating Trust on a pro rata basis according to the allowed amount of their claims. The Chapter 11 Trustee and the Creditors’ Committee are estimating that distributions to Note/Bond/Fund Investors will be approximately 18.5% of each Note/Bond/Fund Investor’s allowed claim(s), with a few limited exceptions. This estimate does not include any amount for potential litigation recoveries, as such recoveries are exceedingly uncertain and difficult to predict. **See Article II(A) below.**

WHAT ASSETS WILL PROVIDE VALUE FOR DISTRIBUTION TO NOTE/BOND/FUND INVESTORS? In addition to potential litigation recoveries, the primary assets that will provide value for distribution to Note/Bond/Fund Investors are certain real estate assets and investments. **See Article II(A) below.**

HOW WILL LITIGATION RECOVERIES BE OBTAINED AND DISTRIBUTED? A DBSI Estate Litigation Trust will be established under the Plan to litigate and/or settle claims of the Plan Debtors and certain other DBSI affiliates. A portion of any net recoveries will be distributed to Note/Bond/Fund Investors (through the DBSI Real Estate Liquidating Trust). **See Article II(B) below.**

WHAT IS THE PRIVATE ACTIONS TRUST? The Private Actions Trust is a trust that is established and funded under the Plan to litigate and/or settle claims of Note/Bond/Fund Investors and other investors against certain third parties (i.e. entities other than DBSI). **See Article II(B) below.**

HOW DO I PARTICIPATE IN THE PRIVATE ACTIONS TRUST? Participation is completely voluntary. If you would like to participate, fill out the Election Form and return it with your Ballot.

WHY SHOULD I VOTE IN FAVOR OF THE PLAN? Your vote on the Plan is important. Without the votes of Note/Bond/Fund Investors to accept the Plan, there may be protracted delays, increased expenses and/or a need to resolve some or all of the Chapter 11 Cases through a liquidation under Chapter 7 of the Bankruptcy Code. The Chapter 11 Trustee and the Creditors’ Committee believe that (i) the Plan provides the best available method for resolving the Chapter 11 Cases and maximizing the value of the DBSI assets for distribution to creditors and investors, and (ii) if the Plan is not confirmed, distributions to all Note/Bond/Fund Investors will be significantly less than under the Plan and no distribution would be made to some Note/Bond/Fund Investors. **See Article III(B)(1) below.**

Accordingly, the Chapter 11 Trustee and the Creditors’ Committee urge you to vote to accept the Plan by completing/returning your Ballot(s) no later than September 23, 2010, at 5:00 p.m. Pacific.

ARTICLE I BACKGROUND INFORMATION

A. The DBSI Enterprise

Prior to the Petition Date, DBSI¹ engaged in several different business ventures, including (1) property management, (2) commercial real estate investment/development, (3) residential real estate investment/development, (4) technology company investment, and (5) certain miscellaneous business ventures. The DBSI enterprise was conducted through hundreds of different affiliated corporate entities and partnerships. DBSI largely funded its business enterprise by soliciting investments from individual investors. The vast majority of these investments took the form of either a tenant-in-common investment (“TIC Investment”) or an investment in a bond, note or other interest issued by a DBSI funding entity (“Note/Bond/Fund Investment”).

1. TIC Investment

In the typical TIC Investment transaction, DBSI or one of its wholly-owned subsidiaries, acquired directly or contracted for the right to acquire real property improved by commercial or residential buildings (such as a retail shopping center, an office park or an apartment complex) (the “TIC Property”). A DBSI entity (typically a subsidiary of one of the Debtors) then located interested investors (“TIC Investors”) willing to purchase a fractional interest in the TIC Property to be owned by all such TIC Investors as a tenancy-in-common. The DBSI entity then sold the TIC Property to TIC Investors, and retained some portion of the proceeds.

Simultaneously with the sale, either DBSI, Inc. or another DBSI entity (in many instances formed solely for the purpose of the particular TIC transaction) (each, a “DBSI Masterlessee”) entered into a master lease agreement (each a “Masterlease”) with the TIC Investors pursuant to which the DBSI Masterlessee leased the TIC Property from the TIC Investors and sublet it to the commercial tenants. As of the Petition Date, there were approximately 200 TIC Properties subject to Masterleases in which thousands of TIC Investors (in the aggregate) held interests .

In its role as masterlessee, the DBSI Masterlessee collected rent from the commercial tenants and paid, among other things, the operating expenses associated with the TIC Property, rent to the TIC Investors and a management fee to Debtor DBSI Realty. Under a typical TIC Masterlease, the DBSI Masterlessee’s obligations to the TIC Investors (the “TIC Rent”) included, among other things, a fixed monthly payment to the TIC Investors (i.e. a monthly investment return) and payment by the DBSI Masterlessee of the debt service due to the lending institution which financed the acquisition of the TIC Property (the “TIC Lender”), which debt service was typically secured by a mortgage on the TIC Property. Generally, amounts remaining from the TIC Property subrent after payment of operating expenses, TIC Rent and management fees, represented the DBSI Masterlessee’s and, in turn, DBSI’s return on the Masterlease.

¹ As used in this Note/Bond/Fund Investor Disclosure Statement, “DBSI” as a stand-alone term generally refers to the affiliated enterprise of companies and not to any specific entity. Other terms used but not defined herein have the meaning set forth in the Plan.

2. Note/Bond/Fund Investments

Prior to the Petition Date, certain of the Debtors and their affiliated non-debtors acquired, developed, improved and sold real properties. Since approximately 1999, these acquisition and development projects were largely funded through the sale of Note/Bond/Fund Investments. DBSI raised Note/Bond/Fund Investment proceeds from Note/Bond/Fund Investors on an unsecured debt and/or equity investment basis through circulars or private placement memoranda issued by an entity formed by DBSI for the purpose of raising the particular funding. The advertised purpose of the DBSI funding entity was to loan or contribute investor funds to projects within the DBSI enterprise. In some instances, but not all, loans from the funding entity were required to be secured by real property owned by DBSI affiliates. In other instances, the projects in which funds were invested were permitted to be encumbered by liens in favor of third-party lenders. However, Note/Bond/Fund Investors did not receive an interest in real property to secure their investment. In addition, DBSI, Inc. guaranteed the Note/Bond/Fund Investment obligations of certain (but not all) funding entities to Note/Bond/Fund Investors. As of the Petition Date, there were approximately 13 DBSI funding entities with aggregate Note/Bond/Fund Investment obligations in excess of approximately \$435 million owed to thousands of Note/Bond/Fund Investors. The following table summarizes the outstanding Note/Bond/Fund Investments for the Plan Debtors as of the Petition Date:

<u>Issuer</u>	<u>Type of Investment</u>	<u>Owed On Petition Date</u>
DBSI 2001A Funding Corporation	Bonds	\$4,200,000
DBSI 2001B Funding Corporation	Bonds	\$9,600,000
DBSI 2001C Funding Corporation	Bonds	\$9,300,000
DBSI 2005 Secured Notes Corporation	Notes	\$59,000,000
DBSI 2006 Secured Notes Corporation	Notes	\$80,000,000
DBSI 2008 Notes Corporation	Notes	\$92,000,000
DBSI 2008 Development Opportunity Fund LLC	Notes	\$9,250,000
	Sharing Units	\$3,000,000+
DBSI Guaranteed Capital Corporation	Bonds	\$17,000,000
DBSI 2007 Land Improvement & Development Fund LLC	Notes	\$26,000,000
	Sharing Units	\$35,000,000+
DBSI 2006 Land Opportunity Fund LLC	Preferred Units	\$16,000,000+
	Sharing Units	\$8,600,000+
DBSI Real Estate Funding Corporation	Bonds	\$43,500,000
DBSI Short-Term Development Fund LLC	Preferred Units	\$12,975,000+
	Non-Preferred Units	\$7,000,000+
Total:		\$432,425,000+

The foregoing table illustrates that, although most of the Note/Bond/Fund Investments were structured as either a Note or Bond investment, four of the Note/Bond/Fund Investment funding entities sold more than one type of investment-- DBSI Short-Term Development Fund LLC (“DBSI STDF”), DBSI 2006 Land Opportunity Fund LLC (“DBSI 2006 LOF”), DBSI 2007 Land Improvement & Development Fund LLC (“DBSI LIDF”), and DBSI 2008 Development Opportunity Fund LLC (“DBSI 2008 DOF”):

- DBSI STDF sold Preferred Units and Non-Preferred Units. The offering materials for DBSI STDF provided for a priority system for payments to investors where (i) Preferred Unit investors would receive a fixed percentage return, (ii) then Non-Preferred Unit investors would receive a fixed percentage return, (iii) then Preferred Unit investors would receive an additional fixed percentage return and a return of investment, and (iv) then Non-Preferred Unit investors would receive an additional fixed percentage return, a return of investment and a share in profits.
- Similarly, DBSI 2006 LOF sold Preferred Units and Sharing Units, and the offering materials provided for a priority system for payments to investors where (i) Preferred Unit investors would receive a fixed percentage return, (ii) then Sharing Unit investors would receive a fixed percentage return, (iii) then Preferred Unit investors would receive a return of investment, and (iv) then Sharing Unit investors would receive an additional fixed percentage return, a return of investment and a share in profits.
- DBSI LIDF and DBSI 2008 DOF sold Notes and Sharing Units. The offering materials for DBSI LIDF and DBSI 2008 DOF provided for a priority system of payments to investors where (i) Note investors would receive interest payments and return of principal, and (ii) then Sharing Unit investors would receive fixed percentage returns, a return of investment and a share in profits.

3. Commingling Of Funds

Investigation and diligence conducted during the Chapter 11 Cases have revealed that prior to the Petition Date, DBSI ran its businesses and entities as a unified enterprise under common ownership and control. A small group of insiders employed that control to raise cash from investors, commingle it, and then distribute it as needs presented, without regard for source or restrictions on use. DBSI used reserve monies obtained from TIC Investors (including funds referred to as “Accountable Reserves”) to pay operational expenses. DBSI used cash raised through Note/Bond/Fund Investments to pay debts owed to TIC Investors. DBSI also used cash from the issuance of later Note/Bond/Fund Investments to meet obligations owed with respect to earlier Note/Bond/Fund Investments, and to purchase more properties, many of which were ultimately sold to TIC Investors to raise still more cash. Funds from TIC Investments and Note/Bond/Fund Investments were used to fund start-up technology companies in which the underlying investors had no interest. However, the global enterprise did not generate a profit for investors and was kept afloat for many years by an ever-increasing volume of new investor money and heavily-leveraged real estate transactions. This self-feeding cycle continued until the dislocation in the real estate, credit and other financial markets stymied the Debtors’ ability to

raise sufficient new capital from investors or obtain sufficient new lending from institutional lenders necessary to continue their real estate acquisition and sale operations. Despite raising over \$100,000,000 in new private placement funds in 2008, DBSI's rampant liquidity problems ultimately forced it to file for relief under chapter 11 of the Bankruptcy Code in late 2008.

B. The Chapter 11 Cases

Commencing on November 6, 2008, and various dates thereafter (the "Petition Date"), the Debtors filed voluntary petitions for relief under chapter 11, title 11, United States Code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code"). On November 12, 2008, the Bankruptcy Court entered an order authorizing the joint administration of the DBSI Chapter 11 Cases under the lead case *In re DBSI Inc.*, Case No. 08-12687 [Docket No. 34].² As of the date of this Note/Bond/Fund Investor Disclosure Statement, there are 55 Debtors in these jointly administered Chapter 11 Cases, which excludes certain of the DBSI cases that have been converted to chapter 7 as described more fully below.

Pursuant to Section 1102(a)(1) of the Bankruptcy Code, on November 21, 2008, the Office of the United States Trustee for Region Three (the "U.S. Trustee") appointed the Creditors' Committee [Docket No. 138] as the representative of the Debtors' unsecured creditor constituency in the Chapter 11 Cases. Since its formation, the Creditors' Committee has participated in virtually every aspect of the Chapter 11 Cases. As of the date of this Note/Bond/Fund Investor Disclosure Statement, the following creditors serve on the Creditors' Committee: (i) Circle 1984 Family Trust; (ii) John Bohinski; (iii) Russell Firkins; (iv) Herman Builders; (v) 388 Midwood Executive Dr., LLC; (vi) Evans LLC-Avenue North; and (vii) Initial Building Maintenance Services, Inc. Three members of the Creditors' Committee hold claims arising from TIC Investments, three members of the Creditors' Committee hold claims arising from Note/Bond/Fund Investments, and one member of the Creditors' Committee holds a trade claim.

The events transpiring during the Chapter 11 Cases broadly can be divided into three periods: (1) the TIC Investment/Masterlease wind-down; (2) the Examiner's investigation; and (3) the development of the Plan.

1. The TIC Investment/Masterlease Wind-Down

Shortly after the Petition Date, DBSI management sought to restructure the DBSI Masterlease portfolio for a potential sale. Initially, DBSI management attempted to accomplish this restructuring by filing motions seeking to reject all or substantially all of the Masterleases, and by offering alternatives to the rejection of certain Masterleases, such as modification of the Masterlease or assignment of the Masterlease to the applicable TIC Investors. See [Docket Nos. 31, 63 and 88]. In response to vigorous objections by TIC Investors, TIC Lenders and other parties, the Creditors' Committee worked with the Debtors to develop and implement a more organized and equitable process for the wind-down of the Masterlease portfolio.

² Except as otherwise provided herein, references to docket numbers refer to the docket in the lead case.

In accordance with the Court approved wind-down process, an auction was conducted and concluded on January 29, 2009 wherein TIC Properties Management, LLC (“TICPM”) acquired certain rights to designate 88 Masterleases for assumption or rejection by the applicable DBSI Masterlessee, and certain *de minimis* fractional fee interests owned by certain of the Non-Debtor Affiliates in certain TIC Properties in return for cash and future consideration. In addition to the TICPM transaction, approximately 19 TIC Investor groups elected to implement a consensual transaction with the Debtors’ estates, which generally required such TIC Investor groups to waive certain claims against the Debtors and/or pay a fee to DBSI.

After the Masterleases either had been assumed and assigned or rejected, the Debtors and the Creditors’ Committee developed a settlement protocol for resolving certain issues regarding cash held by the Debtors with respect to TIC Properties. Thereafter, the Chapter 11 Cases for the DBSI Masterlessees (other than DBSI, Inc.) were converted to cases under Chapter 7 of the Bankruptcy Code. See Docket Nos. 4171, 4596, 4863, 5020, 5314, and 5383.

During this initial period of the Chapter 11 Cases (and continuing through the present time), certain of the third-party lenders who held liens against the real estate projects in which Note/Bond/Fund Investment monies were invested began to exercise foreclosure remedies and/or seek relief from the automatic stay. Based on the lack of equity in nearly all of these projects, the Debtors’ estates generally were not able to oppose the third party lenders in their efforts. As a result, a significant number of real estate projects that were the subject of Note/Bond/Fund Investments have been taken back by the applicable third-party lenders.

2. The Examiner’s Investigation

On January 21, 2009, the State of Idaho Filed a motion [Docket No. 1276]³ seeking the appointment of an examiner pursuant to Section 1104(c) of the Bankruptcy Code. In the Examiner Motion, the State of Idaho argued that the appointment of an examiner was necessary to investigate fraudulent business practices alleged to have been committed by DBSI. Several other states joined in the State of Idaho’s motion. On March 13, 2009, after an evidentiary hearing, the Bankruptcy Court concluded that the appointment of an examiner was appropriate. The order for the appointment of an examiner was entered on March 25, 2009 [Docket No. 2974]. Pursuant to the Examiner Order, Joshua R. Hochberg (the “Examiner”) was appointed to: (a) investigate the circumstances surrounding (i) any and all of the Debtors’ intercompany transactions and transfers, (ii) any and all transactions and transfers between and among the Debtors and any Non-Debtor Affiliates, and (iii) any and all transactions and transfers between and among the Debtors and any insiders, officers, directors and principals of the Debtors; and (b) otherwise perform the duties of an examiner set forth in Sections 1106(a)(3) and 1106(a)(4) of the Bankruptcy Code.

The Examiner issued his First Interim Report on August 3, 2009, [Docket No. 4159] and his Final Report on October 19, 2009 [Docket No. 4544], setting forth the results of his investigation into the affairs of the Debtors. In his reports, the Examiner found, *inter alia*, that the Debtors and their Non-Debtor Affiliates were run as a unified business by a control group of

³ A motion for the appointment of an examiner was also Filed by certain TIC Investors [Docket No. 124], however that motion was subsequently withdrawn.

senior managers with conflicts of interest; that the Debtors' financial and accounting records are largely unreliable; and that DBSI's collective funds have been so commingled that it would be virtually impossible to trace their actual sources and uses, notwithstanding representations made to investors.

On August 3, 2009, the U.S. Trustee filed a motion [Docket 4170] seeking the appointment of a chapter 11 trustee for the DBSI Chapter 11 Cases. The U.S. Trustee's motion alleged, based on the Examiner's First Interim Report, that (i) certain of the Debtors' officers and directors, including Douglas L. Swenson, have engaged in misconduct, fraud and mismanagement which collectively caused damage to the Debtors' investors and creditors, and (ii) certain DBSI officers and directors used funds that were raised for specified purposes, including restricted proceeds from bond issuances, to cover operating shortfalls and to make payments on other outstanding debt. In response to the U.S. Trustee motion and at the urging of the Creditors' Committee, the Debtors stipulated to the appointment of a chapter 11 trustee. This stipulation was approved by Order dated August 14, 2009 [Docket No. 4240], and by order dated September 11, 2009 [Docket No. 4375], the Bankruptcy Court approved the appointment of James R. Zazzali as Chapter 11 trustee (the "Chapter 11 Trustee").

3. The Development of the Plan

Soon after the Chapter 11 Trustee was appointed, the Creditors' Committee and the Chapter 11 Trustee began to discuss how to resolve the Debtors' Chapter 11 Cases via a liquidating plan. Based on the Examiner's reports, it was clear that any such plan would need to address the issues of commingling and the potential for substantive consolidation. The Chapter 11 Trustee conducted months of factual investigation regarding these issues, and concluded that grounds existed to seek substantive consolidation of all of the Debtors' estates. On January 19, 2010, the Chapter 11 Trustee filed a motion seeking this relief together with supporting declarations (the "Sub Con Motion"). See [Docket Nos. 5094 - 5099].

Substantive consolidation is an equitable remedy. *In re Owens Corning*, 419 F.3d 195, 205 (3d Cir. 2005). It is used, essentially, to address the harms caused by debtors (and their related entities) disregarding their separateness and/or otherwise entangling their affairs. *See id.* "It treats separate legal entities as if they were merged into a single survivor left with all the cumulative assets and liabilities (save for inter-entity liabilities which are erased). The result is that claims of creditors against separate debtors morph to claims against the consolidated survivor." *Id.*

In the Sub Con Motion, the Chapter 11 Trustee contends that, consistent with the Examiner's First Interim and Final Reports, DBSI ran its businesses and entities as a unified enterprise under common ownership and control. A small group of insiders employed that control to raise cash, commingle it, and then distribute it as needs presented, without regard for source or restrictions on use. The available evidence points to the fact that the practice of running DBSI as a unified enterprise caused investors to rely upon the purported financial strength and competence of the unified enterprise in deciding to invest in various DBSI projects. In further support of the Sub Con Motion, the Chapter 11 Trustee alleges that his factual investigation revealed transactions of fantastic and tortured complexity leading the Chapter 11 Trustee to conclude that the inter-entity transactions could not practically be unraveled. The

Chapter 11 Trustee also determined that it was impossible to truly trace and separate cash obtained from Note/Bond/Fund Investments and cash obtained from TIC Investments, just as it is impossible to separate cash used to pay Note/Bond/Fund Investment obligations from cash used to pay TIC Investment obligations. Moreover, a great many transfers of cash and properties between DBSI entities were either constructively or actually fraudulent or otherwise gave rise to claims between the DBSI entities. The Chapter 11 Trustee determined that an attempt to trace all the different transfers and litigate the competing rights and claims among the DBSI entities would involve years of contentious litigation and, ultimately, administratively bankrupt most if not all of the estates.

Approximately 35 creditors, including several Note/Bond/Fund Investors filed objections to the Sub Con Motion. In particular, several Note/Bond/Fund Investor groups objected to the Sub Con Motion contending that grounds do not exist to substantively consolidate the DBSI funding entities in which their Note/Bond/Fund Investments were made. By the end of May 2010, extensive discovery was underway regarding the Sub Con Motion, and in June 2010 the litigation schedule for the Sub Con Motion was extended through December 20, 2010. See Docket No. 5527.

Following the filing of the Sub Con Motion, the Chapter 11 Trustee and the Creditors' Committee developed the Plan as an alternative to litigating the Sub Con Motion. The goal of the Chapter 11 Trustee and the Creditors' Committee in developing the Plan was to balance fair and equitable treatment of all investors and creditors with the practical realities of administering the inter-twined DBSI corporate structure, assets and claims in an efficient manner. The Plan accomplishes this goal by providing for substantive consolidation of the Debtors into two separate groups, rather than substantive consolidation of all Debtors as sought in the Sub Con Motion. The Plan also provides for a global settlement of claims among the Debtors and other affiliated entities, the allocation and payment of chapter 11 administrative expenses, the resolution of TIC Investment claims and Noted/Bond/Fund Investment claims, and the liquidation of real estate assets, technology company assets, litigation claims and other assets to cash for distribution to investors and other creditors of the DBSI estates.

The initial version of the Plan was filed on June 24, 2010. Based on the filing of the Plan, the Court granted the request of the Creditors' Committee to stay discovery in connection with the Sub Con Motion for a period of time to allow parties to review and evaluate the Plan. The Chapter 11 Trustee and the Creditors' Committee believe that acceptance of the Plan by Note/Bond/Fund Investors (and other investors and creditors) and confirmation of the Plan by the Bankruptcy Court will produce better returns for investors and creditors on the whole than the other available alternatives, including litigation of the Sub Con Motion.

ARTICLE II SUMMARY OF THE PLAN

THE FOLLOWING SUMMARY OF CERTAIN PRINCIPAL PROVISIONS OF THE PLAN IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN, WHICH IS SEPARATELY FILED AND ATTACHED AS EXHIBIT A TO THE MASTER DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS NOTE/BOND/FUND INVESTOR DISCLOSURE STATEMENT DO NOT PURPORT TO

BE PRECISE OR COMPLETE STATEMENTS OF ALL THE TERMS AND PROVISIONS OF THE PLAN OR DOCUMENTS REFERRED TO THEREIN, AND REFERENCE IS MADE TO THE PLAN AND TO SUCH DOCUMENTS FOR THE FULL AND COMPLETE STATEMENTS OF SUCH TERMS AND PROVISIONS. IN THE EVENT OF ANY DISCREPANCY BETWEEN THIS NOTE/BOND/FUND INVESTOR DISCLOSURE STATEMENT, INCLUDING THE FOLLOWING SUMMARY DESCRIPTION, AND ANY PROVISION OF THE PLAN, THE PLAN OR ORDER CONFIRMING THE PLAN WILL CONTROL.

The Plan provides for the satisfaction of claims against and interests in the Plan Debtors through an orderly liquidation of the assets of the Plan Debtors (and as well as certain of their Non-Debtor Affiliates). Specifically, the Plan Debtors' Assets (excluding litigation claims) will be allocated to two trusts: (i) a DBSI Liquidating Trust, for the benefit of the creditors of the DBSI Consolidated Debtors (which include all TIC Investors); and (ii) a DBSI Real Estate Liquidating Trust, for the benefit of the creditors of the Note/Fund Consolidated Debtors (i.e. the Note/Bond/Fund Investors). The Plan also provides for the creation of two litigation trusts: (i) the DBSI Estate Litigation Trust, which will hold, prosecute and/or settle estate causes of action for the benefit of the DBSI Liquidating Trust and the DBSI Real Estate Liquidating Trust (and thereby for the benefit of Note/Bond/Fund Investors, TIC Investor and other creditors); and (ii) the Private Actions Trust, which will hold, prosecute and/or settle certain claims and rights against certain third parties that are voluntarily contributed by investors for the benefit of the contributing investors (and with a portion of the proceeds being paid to the DBSI Liquidating Trust, as part of the Global Claims Settlement, and the DBSI Real Estate Liquidating Trust in return for its facilitation and funding of the Private Actions Trust).

In order to accomplish the liquidation of the DBSI assets for distribution to investors and creditors, the Plan provides for: (i) the payment in full of Allowed Administrative Claims and Allowed Priority Claims; (ii) the satisfaction, in full, of Allowed Miscellaneous Secured Claims; (iii) the Distribution to Holders of Allowed Unsecured Claims of a Pro Rata Distribution from one of the Trusts; (iv) the funding of the Trusts to enable them to operate and pursue litigation claims; (v) a global settlement of various intercompany claims in order to streamline and maximize the recoveries to investors and other creditors; (vi) the substantive consolidation of the DBSI Consolidated Debtors together with certain Non-Debtor Affiliates, and the substantive consolidation of the Note/Fund Consolidated Debtors; and (vii) the vesting of authority in the Chapter 11 Trustee of the means to implement the foregoing.

Due to the complexity of the DBSI enterprise, as well as the legal requirements for confirmation of a Chapter 11 plan mandated by the Bankruptcy Code, the Plan is a lengthy document that contains very technical legal provisions. While it may be difficult for many Note/Bond/Fund Investors to fully understand all of the various provisions of the Plan, the Chapter 11 Trustee and the Creditors' Committee believe that the following key components of the Plan are the essential provisions to understand and consider in connection with a decision whether to vote to accept or reject the Plan:

- (A) The establishment and funding of the DBSI Liquidating Trust and the DBSI Real Estate Liquidating Trust as two separately substantively consolidated vehicles to liquidate non-litigation assets and distribute value to investors/creditors.**
- (B) The establishment and funding of the DBSI Estate Litigation Trust and the Private Actions Trust to liquidate litigation claims and distribute value to the two liquidating trusts and contributing creditors/investors.**
- (C) The implementation of the Global Claims Settlement to resolve claims between Plan Debtors, Non-Debtor Affiliates, Converted Affiliates and creditors/investors in light of the separation of the DBSI Liquidating Trust and the DBSI Real Estate Liquidating Trust.**
- (D) The implementation of various protocols to resolve the liquidation, allocation and payment of chapter 11 administrative expenses and Note/Bond/Fund Investor claims.**

A graphic illustration of these key Plan components is attached to this Note/Bond/Fund Investor Disclosure Statement as Exhibit “1”. The following summary highlights the basic terms of these key Plan components.

A. Establishment And Funding Of The DBSI Liquidating Trust And The DBSI Real Estate Liquidating Trust

The central component of the Plan is the establishment and funding of the DBSI Liquidating Trust and the DBSI Real Estate Liquidating Trust to liquidate non-litigation assets and distribute value to investors/creditors. Each of these two Trusts will be vested with its own separate assets, and each of these two Trusts will have its own universe of beneficiaries who will receive the net value realized from the Trusts’ respective assets.

The DBSI Real Estate Liquidating Trust beneficiaries consist of the Note/Bond/Fund Investors. The DBSI Liquidating Trust beneficiaries primarily consist of the TIC Investors, along with certain other creditors (such as TIC Lenders) who hold claims against DBSI entities involved in the TIC Investments or other DBSI activity (other than Note/Bond/Fund Investments).

The Plan provides for substantive consolidation within the DBSI Real Estate Liquidating Trust, and for substantive consolidation within the DBSI Liquidating Trust. See § I(B)(3) above for a brief explanation of substantive consolidation. However, the Plan does not provide for the DBSI Real Estate Liquidating Trust and the DBSI Liquidating Trust to be substantively consolidated together. This means that all Note/Bond/Fund Investors generally will share pro rata in recoveries from a one pool of assets vested in the DBSI Real Estate Liquidating Trust, whereas all TIC Investors and other creditors (other than Note/Bond/Fund Investors) will share pro rata in the recoveries from a different pool of assets vested in the DBSI Liquidating Trust.

The assets to be vested in the DBSI Real Estate Liquidating Trust consist primarily of:
(i) any cash remaining for the Note/Fund Consolidated Debtors after funding a pro rata share of

the Chapter 11 Costs and certain reserves; (ii) ownership interests in certain special purpose entities with real estate assets and/or claims against such entities/assets; (iii) sixty percent (60%) of the DBSI Estate Litigation Trust Beneficial Interests (discussed below); and (iv) fifteen percent (15%) of the total number of Private Actions Trust Beneficial Interests (discussed below). Because litigation recoveries are uncertain, the estimated unsecured claim recovery of 18.5% for Note/Bond/Fund Investors set forth in the Plan is based primarily on the value of the real estate portfolio.

The assets to be vested in the DBSI Liquidating Trust consist primarily of: (i) any cash remaining for the DBSI Consolidated Debtors after funding a pro rata share of the Chapter 11 Costs and certain reserves; (ii) economic or beneficial interests in certain DBSI Non-Debtor Affiliates (which are believed to have minimal value); (iii) proceeds from the TICPM transaction; (iv) the DBSI technology company assets; (v) forty percent 40% of the DBSI Estate Litigation Trust Beneficial Interests (discussed below); and (vi) five percent (5%) of the total number of Private Actions Trust Beneficial Interests (discussed below). Because litigation recoveries are uncertain, the estimated unsecured claim recovery of 6% for TIC Investors set forth in the Plan is based primarily on the value of the DBSI technology company assets.

The two liquidating trusts will be administered by one trustee, proposed under the Plan to be Conrad Myers (whose firm Myers & Co. has provided financial and operational services to the DBSI estates since approximately October 2009). The trustee will be subject to oversight by a committee of creditors (the “Trust Oversight Committee”). The Trust Oversight Committee’s rights and duties will be set forth in full in the applicable Trust Agreement, and will include rights to review information, approve transactions, and remove or replace the trustee, subject to certain limitations and procedural requirements.

The bifurcated trust structure embodied in the Plan represents a mid-point between the two opposite extremes of (1) completely substantively consolidating all of the remaining DBSI assets into one pool to satisfy all investors/creditors on a pro rata basis, and (2) attempting to keep the assets attributable to each of the DBSI entities separate and using the assets of a particular entity only to satisfy claims against that entity. In contrast to these two extreme alternatives, the Chapter 11 Trustee and the Creditors’ Committee chose the Plan’s more balanced structure because, among other considerations:

- The TIC Investments and the Note/Bond/Fund Investments were structured in significantly different ways-- TIC Investors received fee title to real property, whereas Note/Bond/Fund Investors received only a payment obligation from a DBSI entity (who may have held debt or equity interests in other DBSI real estate owning entities).
- Due in large part to the difference in these investment structures, the implication and impact of the Chapter 11 Cases was significantly different for TIC Investors and Note/Bond/Fund Investors-- the TIC Investment business was wound down in a matter of months without the need for a chapter 11 plan, whereas a resolution of the Note/Bond/Fund Investments requires a much more involved process for realizing value and distributing it to investors.

- Despite the structural differences and the resultantly divergent impacts of the Chapter 11 Cases on TIC Investors and Note/Bond/Fund Investors, the Examiner's report and diligence conducted by the Chapter 11 Trustee and the Creditors' Committee have revealed that cash arising from both types of investments was extensively commingled and properties were routinely bounced back and forth between TIC Investment and Note/Bond/Fund Investment structures, often in conjunction with gross manipulations of value by DBSI management.
- Complete substantive consolidation would require extensive litigation of the Sub Con Motion (with approximately 35 parties having filed objections) that would not conclude before the end of 2010 at significant cost to the Debtors' estates and to the parties prosecuting objections.
- Absent any substantive consolidation (i.e. if all of the Debtors' estates were to remain separate), it does not appear possible to unwind the various interconnections, commingling of cash, property transfers, and related intercompany claims in a time and cost-effective manner (if at all)-- most (or all) value for distribution to investors and other creditors could be consumed with the investigation and litigation of these issues without producing any benefit to investors/creditors.

The DBSI Real Estate Liquidating Trust substantively consolidates the claims of all Note/Bond/Fund Investors to recover in the same pro rata share (with certain limited exceptions discussed below) from the same combined pool of assets. The Creditors' Committee and the Chapter 11 Trustee structured the Plan this way (and believe it is the most equitable and effective way to generate and distribute value to Note/Bond/Fund Investors) because:

- All Note/Bond/Fund Investors have suffered as a result of the same disregard for investment guidelines, inflated property valuations, and cash commingling perpetrated by DBSI management.
- As opposed to the TIC Investment structure, the various Note/Bond/Fund Investment structures were fundamentally similar in that (i) they were real estate focused, (ii) Note/Bond/Fund Investors generally receive unsecured payment promises/payment obligations from the funding entity, and (iii) the investments were premised on the strength of the DBSI enterprise as a whole (as opposed to specifically identified property portfolios).
- Differences in whether a particular Note/Bond/Fund Investment prohibited third party debt, required secured lending or was restricted to real estate investments do not consistently correlate with the relative values of the real estate project portfolios allocated by DBSI management to the various Note/Bond/Fund Investment groups as of the Petition Date.
- Instead, similar investment structures have divergent portfolio quality, and diligence by the Chapter 11 Trustee and the Creditors' Committee has revealed

that DBSI management routinely moved real estate projects from one Note/Bond/Fund Investment portfolio to another, or even between Note/Bond/Fund Investment structures and TIC Investment structures.

Based on these considerations, the Creditors' Committee and the Chapter 11 Trustee concluded that attempting to separate the various Note/Bond/Fund Investment assets in order to independently determine recoveries for each of the various groups of Note/Bond/Fund Investors would be both inequitable and impractical. Tying Note/Bond/Fund Investor treatment to the real estate project portfolios allocated by DBSI management would give effect the very same improper practices that victimized investors in the first place. In addition, attempting to separate the various assets and claims among the Note/Bond/Fund Investments would consume extensive resources and time, which would be multiplied to the extent that separate sets of professionals were involved on behalf of different Debtor estates.

In contrast, the consolidated DBSI Real Estate Liquidating Trust structure avoids having the Note/Bond/Fund Investment real estate project portfolio spread among several different Note/Bond/Fund Investment groups, with as few as one or two projects allocated to a particular group. Instead, the entire portfolio is consolidated into a unified whole that can be centrally administered by a single trustee and its professionals. This consolidated portfolio can broadly spread the risk of particular property value or carry cost fluctuations, which is particularly important given that the portfolio is heavily concentrated in the Boise area. The result is a more stable liquidation structure that can more flexibly be used to generate value over a longer time horizon, which enhances the potential for recovery of all Note/Bond/Fund Investors.

The DBSI Real Estate Liquidating Trust structure preserves the priority system for DBSI 2008 DOF, DBSI 2006 LOF, DBSI STDF and DBSI LIDF with respect to all assets other than litigation recoveries from estate causes of action-- i.e. holders of DBSI STDF Non-Preferred Units and DBSI 2006 LOF Sharing Units will receive distributions from these non-litigation recoveries based only on the fixed percentage return portion of their claims, and holders of Sharing Units issued by DBSI 2008 DOF and DBSI LIDF will not receive any distribution from these non-litigation recoveries. The Plan preserves the priority system because it was a known condition upon which funds were invested in these Note/Bond/Fund Investments.

However, the Plan does not preserve the priority system with respect to litigation recoveries from estate causes of action. All Note/Bond/Fund Investors (including holders of Sharing Units and Non-Preferred Units) share equally on a pro rata basis in the proceeds of the DBSI Estate Litigation Trust. In addition, all Note/Bond/Fund Investors are eligible to participate on an equal pro rata basis in the Private Actions Trust. The Creditors' Committee and the Chapter 11 Trustee structured the Plan in this fashion because, while Sharing Unit and Preferred Unit investors may have understood and accepted the priority system with respect to the distribution of proceeds from ordinary course of business assets and conduct, the Creditors' Committee and the Chapter 11 Trustee do not believe that same understanding and acceptance should fairly be assumed with respect to litigation recoveries, which would be based in large part on improprieties in DBSI's business practices.

No representation can be, or is being, made with respect to whether the percentage recoveries set forth in this Note/Bond/Fund Investor Disclosure Statement, the Master Disclosure

Statement or otherwise will be realized by Note/Bond/Fund Investors (or any other investors or creditor). **THERE IS NO GUARANTEED RECOVERY AND THERE ARE NO GUARANTEED AMOUNTS OF RECOVERY FOR ANY HOLDER OF A CLAIM OR INTEREST.**

In addition, the Plan provides for the establishment of reserves for claims that may be disputed. Interim distributions of cash may be made from time to time, with sufficient cash held in reserve to cover the disputed claims. As a result, the process of making distributions under the Plan will be completed over time and the timing and amount of such distributions is not yet known. See Exhibit “C” to the Master Disclosure Statement for distribution projections.

B. Establishment And Funding Of The DBSI Estate Litigation Trust And The Private Actions Trust

The practices of cash commingling, disregard for investment requirements and other irregularities revealed in the Examiner’s report strongly suggest that there are various litigation claims that can be asserted by the Plan Debtors’ estates for the benefit of creditors and investors. In addition, investors may hold their own claims against third parties relating to their DBSI investments.

However, prosecution of the estate causes of action is complicated by (i) the difficulty in determining which Debtor’s estate holds the cause of action (or if the cause of action is held by multiple Debtors’ estates), and (ii) the lack of cash or other liquid assets available in many of the Debtors’ estates to fund litigation. The prosecution of investor causes of action also has many challenges, particularly because there are thousands of investors who may have similar claims against the same parties, but who do not have the ability to organize themselves and/or the means to fund the litigation. The Plan address these challenges and complications by providing for the establishment and funding of the DBSI Estate Litigation Trust and the Private Actions Trust.

DBSI Estate Litigation Trust: Based on the substantive consolidation within each of the DBSI Liquidating Trust and the DBSI Real Estate Liquidating Trust, and based upon the Global Settlement (discussed below), the Plan is able to vest all of the potential litigation claims and causes of action of all of the Plan Debtors and Consolidated Non-Debtors in one single DBSI Estate Litigation Trust. This unified DBSI Estate Litigation Trust structure has several advantages, including:

- Allowing estate causes of action to be brought in an organized and coordinated fashion.
- Eliminating conflicts over which estate (and which investors/creditors) are entitled to the proceeds of a particular cause of action or claim.
- Allowing all investors and creditors to share in the proceeds of all estate litigation claims.

In addition, through partial substantive consolidation and the Global Settlement, the Plan is able to provide for initial funding of the DBSI Estate Litigation Trust via a loan from the DBSI Real Estate Liquidating Trust. The first dollars of any net litigation recoveries from the DBSI Estate Litigation Trust will be used to repay the loan to the DBSI Real Estate Liquidating Trust. After the loan repayment, the net litigation proceeds from the DBSI Estate Litigation Trust will be split 60% to the DBSI Real Estate Liquidating Trust and 40% of the DBSI Liquidating Trust. The DBSI Real Estate Liquidating Trust receives a higher percentage to compensate it for the use of its capital in making the loan to fund the DBSI Estate Litigation Trust.

Private Actions Trust: Similar benefits result from the Plan's establishment and funding of the Private Actions Trust, the purpose of which is to provide a means for the various investor litigation claims against parties other than DBSI to be asserted in an organized and well-equipped fashion. In connection with voting on the Plan, investors are given the option to contribute claims and causes of action against certain third parties that arise out of their Note/Bond/Fund Investment or TIC Investment. These claims could be against brokers, accountants, or other parties that are not part of the DBSI group of entities. All of the contributed claims will then be assessed, prosecuted (to the extent it is feasible and advisable to do so) and liquidated via settlement or judgment by the trustee for the Private Actions Trust.

The Plan also provides for the Private Actions Trust to be funded initially via a loan from the DBSI Real Estate Liquidating Trust. The first dollars of any net litigation recoveries from the Private Actions Trust will be used to repay the loan to the DBSI Real Estate Liquidating Trust. After the loan repayment, the net litigation proceeds from the DBSI Estate Litigation Trust will be divided 80% to the contributing investors (on a pro rata basis according to the amount of their allowed claims/interests), 15% to the DBSI Real Estate Liquidating Trust (to compensate it for the use of its capital in making the loan to fund the Private Actions Trust), and 5% to the DBSI Liquidating Trust (as part of the Global Claims Settlement).

In sum, all investors will share in the net proceeds of estate causes of action realized by the DBSI Estate Litigation Trust, and all contributing investors who elect to participate in the Private Actions Trust will share in its net litigation recoveries. Investors who choose not to participate in the Private Actions Trust will be free to pursue any litigation claims against third parties on their own.

The DBSI Estate Litigation Trust and the Private Actions Trust will be administered by one trustee, proposed under the Plan to be the current Chapter 11 Trustee, James R. Zazzali.

C. The Global Claims Settlement

The books and records of DBSI describe hundreds of millions of dollars in liquidated intercompany claims among the various DBSI entities. The liquidated intercompany claims run among the various Debtors and other entities involved with the Note/Bond/Fund Investments. The liquidated intercompany claims also run among the various Debtors and other entities involved with the TIC Investments and other DBSI business ventures. And the liquidated intercompany claims run between these two groups of DBSI entities.

In addition to these liquidated intercompany claims, the extensive cash commingling and frequent intercompany asset transfers made by DBSI could give rise to hundreds of millions of dollars in additional intercompany litigation claims, absent substantive consolidation and/or a global resolution of these claims. Moreover, various Note/Bond/Fund Investors and TIC Investors could assert various guaranty claims against DBSI, Inc., and the estates could assert claims against certain investors for the recovery of ordinary course payments made to such investors before the Petition Date (i.e. payments of interest to Note/Bond/Fund Investors or payments of TIC rent to TIC Investors).

The Chapter 11 Trustee and the Creditors' Committee do not believe it would be possible to effectively unwind all of the potential intercompany claims among the DBSI entities. The Chapter 11 Trustee and the Creditors' Committee also do not believe that attempting to do so, and/or asserting claims against investors for recovery of ordinary course payments would serve the interests of all investors and creditors. Accordingly, the Chapter 11 Trustee and the Creditors' Committee incorporated a Global Claims Settlement in the Plan to efficiently and equitably deal with these intercompany claims issues. The primary terms of the Global Claims Settlement are:

- The distributions under the Plan will not give effect to intercompany claims among the DBSI entities other than as provided in the Global Claims Settlement.
- The DBSI Liquidating Trust (and its corresponding Plan Debtors, Consolidated Non-Debtors and beneficiaries) will waive and release all claims against the DBSI Real Estate Liquidating Trust (and its corresponding Plan Debtors, beneficiaries and assets).
- The DBSI Real Estate Liquidating Trust (and its corresponding Plan Debtors and beneficiaries) will waive and release all claims against the DBSI Liquidating Trust (and its corresponding Plan Debtors, Consolidated Non-Debtors, beneficiaries and assets).
- The DBSI technology company assets and all future proceeds from the TICPM transaction will be vested in the DBSI Liquidating Trust (free of any claims from the DBSI Real Estate Liquidating Trust, its corresponding Plan Debtors and beneficiaries).
- If necessary, a loan will be made from the cash that would otherwise be vested in the DBSI Real Estate Liquidating Trust to ensure that all payments of expenses necessary for the Plan to become effective can be made, which borrowing shall be: (i) documented by a promissory note; (ii) carry a then market rate of interest; (iii) be payable as an expense of the DBSI Liquidating Trust when funds become available or as otherwise provided in the loan documents; and (iv) be secured by the DBSI Liquidating Trust Assets.
- The DBSI Real Estate Liquidating Trust will fund the DBSI Estate Litigation Trust and the Private Actions Trust with interest free loans in the amount of \$1,000,000 each.

- No claims will be asserted by DBSI entities or any trust created under the Plan against any Note/Bond/Fund Investor or any TIC Investor for recovery of (i) payments of principal or interest for any Bond/Note/Fund Investment, or (ii) payments of TIC rent under a Masterlease, and all such claims shall be waived and extinguished on the effective date of the Plan.

In addition to eliminating the need for extensive (and likely prohibitively expensive) investigation and litigation of intercompany claims, the Global Claims Settlement is what enables the Plan to (i) bifurcate the DBSI Real Estate Liquidating Trust and the DBSI Liquidating Trust, and (ii) establish and fund the DBSI Estate Litigation Trust and the Private Actions Trust.

D. Claim Protocols

Several thousands of claims totaling billions of dollars were filed in the Chapter 11 Cases. The vast majority in number of these claims were filed by Note/Bond/Fund Investors and TIC Investors. In order to avoid expending millions of dollars reconciling these thousands of investor claims, the Plan implements certain protocols for the liquidation and allowance of the various kinds of investor claims.

The Note/Fund Claims Protocol governs the allowability of Note/Bond/Fund Investment claims, including Note Claims, Bond Claims, Preferred Interest Claims, Non-Preferred Interest Claims and Sharing Unit Interest Claims. Upon the Effective Date, any Scheduled or timely Filed Note Claims, Bond Claims, Preferred Interest Claims and Non-Preferred Interest Claims shall automatically be Allowed or Disallowed in accordance with this protocol in the amounts set forth in Schedule 4 to the Master Disclosure Statement without any further notice, filing, objection or Order of the Bankruptcy Court. Upon the Effective Date, any Scheduled or timely Filed Sharing Unit Interest Claims shall automatically be Allowed or Disallowed in accordance with this protocol in the amounts set forth in Schedule 12 to the Master Disclosure Statement without any further notice, filing, objection or Order of the Bankruptcy Court, solely for purposes of sharing in the estate litigation recoveries.

1. Note Claims and Bond Claims

Note Claims and Bond Claims shall be allowable in the aggregate amount of (1) the principal amount of such Claims, plus (2) accrued and unpaid interest on such Claim as of the Petition Date.

2. Preferred Interest Claims

Preferred Interest Claims shall be allowable in the aggregate amount of: (1) the fixed percentage annual return payable and calculated as of the Petition Date to Holders of Preferred Units that is senior to any payment to Holders of Non-Preferred Units or Sharing Units in accordance with the priority provisions of the offering materials (“Waterfall Rights”); (2) the additional fixed percentage annual return payable and calculated as of the Petition Date to Holders of Preferred Units issued by DBSI STDF only that is senior to any return of investment to Holders of Non-Preferred Units issued by DBSI STDF in accordance with the Waterfall

Rights and (3) the return of investment payable to holders of Preferred Units in accordance with the Waterfall Rights.

3. Non-Preferred Interest Claims

Non-Preferred Interest Claims shall be allowable in the amount of fixed percentage annual return payable and calculated as of the Petition Date to Holders of Non-Preferred Units or Sharing Units that is senior to any return of investment payable to holders of Preferred Units in accordance with the Waterfall Rights.

4. Sharing Unit Interest Claims

Holders of Sharing Unit Interest Claims listed in the Schedule of Participation Amounts attached to the Master Disclosure Statement as Schedule 12 shall have an Allowed Sharing Unit Interest Claim in the applicable Participation Amount solely for purposes of sharing in the estate litigation recoveries.

Except for Note Claims, Bond Claims, Preferred Interest Claims, Non-Preferred Interest Claims and Sharing Unit Interest Claims, all other Claims asserted by the Holders of Note Claims, Bond Claims, Preferred Interest Claims, Non-Preferred Interest Claims and Sharing Unit Interest Claims shall be deemed Disallowed and expunged on the Effective Date.

(I) HOLDERS OF NOTE CLAIMS, BOND CLAIMS, PREFERRED INTEREST CLAIMS AND NON-PREFERRED INTEREST CLAIMS SHOULD REFER TO SCHEDULE 4 TO THE MASTER DISCLOSURE STATEMENT FOR DETAILS REGARDING THE APPLICATION OF THE NOTE/FUND CLAIMS PROTOCOL AND THE DEEMED ALLOWED AMOUNT OF THEIR CLAIMS; AND (II) HOLDERS OF SHARING UNIT INTEREST CLAIMS SHOULD REFER TO SCHEDULE 12 TO THE MASTER DISCLOSURE STATEMENT FOR DETAILS REGARDING THE PARTICIPATION AMOUNT OF THEIR CLAIMS.

5. Cost Allocation and Professional Fees Protocol

From the beginning, the issue of how to pay for the administrative costs and professionals fees incurred as a result of the DBSI Chapter 11 Cases has been an extremely contentious issue. Chapter 11 Apportionment Costs for TIC Properties were the subject of extensive discussion and negotiation in the early stages of the cases. The Bankruptcy Court then approved a preliminary allocation of costs and professional fees after an evidentiary hearing in early 2009. The Bankruptcy Court later approved a further allocation of costs after another evidentiary hearing in early 2010. However, both of the prior allocations were subject to further revision, and none of the costs or fees after May 31, 2009 have been allocated.

The Chapter 11 Trustee and the Creditors' Committee do not believe it is feasible (or even possible) to allocate chapter 11 costs and professional fees on a task-by-task, entity-by-entity basis. Accordingly, the Plan incorporates a global protocol for allocating these costs and fees, which is primarily based on (i) adjusting the existing allocation through May 31, 2009 to a ratio of 70% for the DBSI Liquidating Trust and 30% for the DBSI Real Estate Liquidating Trust, which more accurately reflects the level of activity related to TIC Investments in the

spring of 2009, and (ii) pro rata allocation based on the estimated realizable liquidation values of the respective assets to be placed in the DBSI Liquidating Trust (20%) and the DBSI Real Estate Liquidating Trust (80%), respectively, for the period from June 1, 2009 to the confirmation date of the Plan.

ARTICLE III GUIDE TO FURTHER EVALUATION

In addition to background information and a summary of plan terms, a disclosure statement typically contains certain additional information to assist creditors in their evaluation of plan. This additional information often includes a list of risks factors for the plan and an explanation of the Bankruptcy Code requirements that the plan must satisfy in order to be confirmed (i.e. approved) by the Bankruptcy Court. Set forth below are: (1) an outline of the Plan's risk factors; (2) an outline of the Bankruptcy Code requirements to confirm the Plan; (3) a list of sources of additional information that may be helpful for evaluation of the Plan; and (4) important disclaimers regarding this Note/Bond/Fund Investor Disclosure Statement.

A. Risk Factors

Note/Bond/Fund Investors should read and consider carefully the factors set forth below, as well as the other information set forth in this Note/Bond/Fund Investor Disclosure Statement, prior to voting to accept or reject the Plan. These risk factors should not, however, be regarded as constituting the only risks involved in connection with the Plan and its implementation.

Non-Confirmation of the Plan. Even if sufficient investors and creditors in the various classes vote to accept the Plan, the Court may not confirm the Plan if it does not satisfy all of the Bankruptcy Code requirements. Although the Chapter 11 Trustee and the Creditors' Committee believe that the Plan will meet all applicable tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion. If objections are asserted to the Plan, the resolution of any such objection through litigation or otherwise may require delay and additional expense of a degree that cannot be predicted at this time.

Non-Occurrence or Delayed Occurrence of the Effective Date. Even if the Plan is confirmed, it might not become effective or its effectiveness might be delayed. Delay could result in additional administrative costs.

B. Bankruptcy Code Requirements

The Bankruptcy Code requires that, in order to confirm the Plan, the Bankruptcy Court must make a series of findings concerning the Plan and its proponents, including that (i) the Plan has classified claims in a permissible manner; (ii) the Plan complies with applicable provisions of the Bankruptcy Code; (iii) the Plan proponents have complied with applicable provisions of the Bankruptcy Code; (iv) the Plan proponents have proposed the Plan in good faith and not by any means forbidden by law; (v) the disclosure required by Section 1125 of the Bankruptcy Code has been made; (vi) the Plan has been accepted by the requisite votes of creditors or interest holders in each class (except to the extent that cramdown is available under Section 1129(b) of the Bankruptcy Code); (vii) the Plan is feasible and confirmation is not likely to be followed by

further financial restructuring of the Plan Debtors; (viii) the Plan is in the “best interests” of all holders of claims or interests in an impaired class; and (ix) all fees and expenses payable under 28 U.S.C. Section 1930, as determined by the Bankruptcy Court at the hearing on confirmation, have been paid or the Plan provides for the payment of such fees on the Effective Date. The Chapter 11 Trustee and the Creditors’ Committee believe that the Plan satisfies all the requirements for confirmation. A few of the confirmation requirements that are most often the focus of discussion regarding a chapter 11 plan are discussed below.

1. Best Interests Test

As the holder of a claim or interest in an impaired class, each Note/Bond/Fund Investor must either (i) accept the Plan or (ii) receive or retain under the Plan cash or property of a value, as of the Effective Date of the Plan, that is not less than the value such Note/Bond/Fund Investor would receive or retain if the Plan Debtors were liquidated under chapter 7 of the Bankruptcy Code. The Bankruptcy Court will determine whether the cash and property issued under the Plan to Note/Bond/Fund Investors equals or exceeds the value that would be allocated to the Note/Bond/Fund Investors in a liquidation under chapter 7 of the Bankruptcy Code (the “Best Interests Test”).

To determine the value that Note/Bond/Fund Investors would receive if the Plan Debtors were liquidated under chapter 7, the Bankruptcy Court must determine the aggregate dollar amount that would be generated from the liquidation of the assets available to satisfy Note/Bond/Fund Investor claims if the Plan Debtors’ Chapter 11 Cases had been converted to a chapter 7 liquidation case and the Plan Debtors’ assets were liquidated by a chapter 7 trustee (the “Liquidation Value”). The Liquidation Value would consist of the net proceeds from distribution of the Plan Debtors’ assets, augmented by cash held by the estates and reduced by certain increased costs and claims that arise in a chapter 7 liquidation case that do not arise in a chapter 11 case.

As illustrated in the hypothetical chapter 7 liquidation analysis (the “Liquidation Analysis”) attached to the Master Disclosure Statement as Exhibit D, the Liquidation Value available for Note/Bond/Fund Investors would be reduced by: (a) the costs, fees and expenses of the liquidation under chapter 7, which would include disposition expenses and the compensation of one or more trustees and their counsel and other retained professionals, (b) the fees of the chapter 7 trustee(s) and (c) certain other costs arising from conversion of the Chapter 11 Cases to chapter 7.

For the reasons set forth in the Liquidation Analysis, the Chapter 11 Trustee and the Creditors’ Committee believe that the Plan provides a superior recovery for the Holders of Claims, and the Plan meets the requirements of the Best Interests Test. **Indeed, the Chapter 11 Trustee and the Creditors’ Committee believe that certain Note/Bond/Fund Investors may not receive ANY distribution in a conversion of the Plan Debtors’ cases to a chapter 7 liquidation.**

2. Financial Feasibility Test

In order to confirm a plan, the Bankruptcy Code requires the Bankruptcy Court to find that confirmation of the plan is not likely to be followed by liquidation or the need for further financial reorganization of the debtors (the “Feasibility Test”), unless such liquidation or further financial reorganization is proposed in the plan. Because a form of liquidation is proposed in the Plan and no further financial reorganization of the Plan Debtors will be possible, and because the estates will be able to satisfy all secured, administrative and priority claims in accordance with the requirements of the Bankruptcy Code, the Chapter 11 Trustee and the Creditors’ Committee believe that the Plan meets the feasibility requirement.

3. Classification

In accordance with Section 1122 of the Bankruptcy Code, the Plan provides for the classification of claims. Section 1122(a) permits a plan to place a claim or equity interest in a particular class only if the claim or equity interest is substantially similar to the other claims or interests in that class. The Chapter 11 Trustee and the Creditors’ Committee believe that the classification of claims and interests under the Plan is appropriate and consistent with applicable law.

4. Acceptance by Impaired Classes

Section 1129(a) of the Bankruptcy Code requires that each class of claims or interests that is impaired under a plan accept the plan (subject to the “cramdown” exception contained in Section 1129(b) of the Bankruptcy Code. Under Section 1129(b) of the Bankruptcy Code, if any one (but not all) impaired class does not accept the Plan, the Bankruptcy Court may nonetheless confirm the Plan if the non-accepting classes are treated in the manner required by the Bankruptcy Code. The process by which non-accepting classes are forced to be bound by the terms of the Plan is commonly referred to as “cramdown.” The Bankruptcy Code allows the Plan to be “crammed down” on non-accepting classes of claims or interests if (i) the Plan meets all confirmation requirements except the requirement of Section 1129(a)(8) of the Bankruptcy Code that the Plan be accepted by each class of claims or interests that is impaired and (ii) the Plan does not “discriminate unfairly” and is “fair and equitable” toward each impaired class that has not voted to accept the Plan, as referred to in Section 1129(b) of the Bankruptcy Code and applicable case law.

A class of claims under a plan “accepts” the plan if the plan is accepted by creditors that hold at least two-thirds in amount and more than one-half in number of the allowed claims in the class that actually vote on the plan. A class of interests accepts the plan if the plan is accepted by holders of interests that hold at least two-thirds in amount of the allowed interests in the class that actually vote on a plan.

A class that is not “impaired” under a plan is conclusively presumed to have accepted the plan. Solicitation of acceptances from such a class is not required. A class is “impaired” unless (i) the legal, equitable and contractual rights to which a claim or interest in the class entitles the holder are not modified or (ii) the effect of any default is cured and the original terms of the

obligation are reinstated. Under the Plan, the claims of Note/Bond/Fund Investors are impaired, and Note/Bond/Fund Investors are entitled to vote to accept or reject the Plan.

The Plan provides fair and equitable treatment of Note/Bond/Fund Investor claims because no holder of a claim or interest junior to the claims of Note/Bond/Fund Investors receives or retains any property under the Plan.

If any impaired class fails to accept the Plan, the Chapter 11 Trustee and the Creditors' Committee intend to request that the Bankruptcy Code confirm the Plan pursuant to Section 1129(b) of the Bankruptcy Code with respect to those classes.

C. Additional Information.

In addition to this Note/Bond/Fund Investor Disclosure Statement, the Chapter 11 Trustee and the Creditors' Committee prepared the Master Disclosure Statement, which contains a great deal of additional detail and information regarding the Plan and the DBSI enterprise. The Master Disclosure Statement is available at www.kccllc.net/DBSI. The Master Disclosure Statement has several schedules and exhibits attached.

A complete copy of the Plan is available at www.kccllc.net/DBSI. The Plan contains detailed provisions for how the DBSI assets will be liquidated for the benefit of investors and creditors.

Copies of certain supplemental documents related to the Plan, including the Trust Agreements for the four trusts to be formed pursuant to the Plan, will be filed no later than September 13, 2010 and made available at www.kccllc.net/DBSI.

Copies of the Examiner's reports are available at www.kccllc.net/DBSI. The Examiner's reports contain a great deal of information about the commingling of cash, disregard of investment requirements, manipulations of value and other irregularities in DBSI's business practices.

Copies of the Chapter 11 Trustee's Sub Con Motion and the supporting evidence filed by the Chapter 11 Trustee is available at www.kccllc.net/DBSI. The Sub Con Motion and supporting evidence set forth in great detail the factual and legal basis for substantive consolidation of the DBSI estates.

You may also contact Kurtzman Carson Consultants LLC at (888) 830-4648 to obtain copies of these documents.

PLEASE NOTE-- THERE ARE SIGNIFICANT TAX CONSEQUENCES OF THE PLAN. THE MASTER DISCLOSURE STATEMENT CONTAINS EXTENSIVE DISCUSSION OF THESE TAX CONSEQUENCES. THE TAX CONSEQUENCES DISCUSSION IN THE MASTER DISCLOSURE STATEMENT IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE DISCUSSION THEREIN IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN

MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A NOTE/BOND/FUND INVESTOR'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, EACH NOTE/BOND/FUND INVESTOR IS STRONGLY URGED TO CONSULT ITS TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, AND LOCAL INCOME TAX CONSEQUENCES, AND NON-U.S. INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

D. Important Disclaimers

THIS NOTE/BOND/FUND INVESTOR DISCLOSURE STATEMENT IS PRESENTED TO NOTE/BOND/FUND INVESTORS IN ACCORDANCE WITH THE REQUIREMENTS OF SECTION 1125 OF THE BANKRUPTCY CODE. SECTION 1125 OF THE BANKRUPTCY CODE REQUIRES THAT A DISCLOSURE STATEMENT PROVIDE INFORMATION SUFFICIENT TO ENABLE A HYPOTHETICAL AND REASONABLE INVESTOR, TYPICAL OF A PLAN DEBTOR'S CREDITORS AND EQUITY HOLDERS, TO MAKE AN INFORMED JUDGMENT WHETHER TO ACCEPT OR REJECT A PLAN. THIS NOTE/BOND/FUND INVESTOR DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN THAT DESCRIBED ABOVE. THIS NOTE/BOND/FUND INVESTOR DISCLOSURE STATEMENT DOES NOT CONSTITUTE FINANCIAL OR LEGAL ADVICE. NOTE/BOND/FUND INVESTORS SHOULD CONSULT THEIR OWN ADVISORS IF THEY HAVE QUESTIONS ABOUT THE PLAN OR THIS NOTE/BOND/FUND INVESTOR DISCLOSURE STATEMENT.

WHILE THIS NOTE/BOND/FUND INVESTOR DISCLOSURE STATEMENT DESCRIBES CERTAIN BACKGROUND MATTERS AND THE MATERIAL TERMS OF THE PLAN, IT IS INTENDED AS A SUMMARY DOCUMENT ONLY AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN AND THE EXHIBITS ATTACHED TO THE PLAN, AND THE MASTER DISCLOSURE STATEMENT. SIMILARLY, DESCRIPTIONS IN THIS NOTE/BOND/FUND INVESTOR DISCLOSURE STATEMENT OF PLEADINGS, ORDERS, AND PROCEEDINGS IN THE CHAPTER 11 CASES ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE RELEVANT DOCKET ITEMS. YOU SHOULD READ THE PLAN AND THE EXHIBITS TO OBTAIN A FULL UNDERSTANDING OF THEIR PROVISIONS. ADDITIONAL COPIES OF THIS NOTE/BOND/FUND INVESTOR DISCLOSURE STATEMENT, THE MASTER DISCLOSURE STATEMENT AND THE EXHIBITS ATTACHED TO THE MASTER DISCLOSURE STATEMENT, AS WELL AS ANY DOCKET ITEMS FROM THE CHAPTER 11 CASES, ARE AVAILABLE FOR INSPECTION DURING REGULAR BUSINESS HOURS AT THE OFFICE OF THE CLERK OF THE BANKRUPTCY COURT, UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE, 5TH FLOOR, 824 MARKET STREET, WILMINGTON, DELAWARE 19801. IN ADDITION, COPIES MAY BE OBTAINED FOR A CHARGE THROUGH DELAWARE DOCUMENT RETRIEVAL, 230 NORTH MARKET STREET, P.O. BOX 27, WILMINGTON, DELAWARE 19801, (302) 658-9971, OR VIEWED ON THE INTERNET AT THE BANKRUPTCY COURT'S WEBSITE ([HTTP://WWW.DEB.USCOURTS.GOV/](http://www.deb.uscourts.gov)) BY FOLLOWING THE DIRECTIONS FOR ACCESSING THE ECF SYSTEM ON SUCH WEBSITE. COPIES ARE ALSO AVAILABLE FREE OF CHARGE ON KURTZMAN CARSON CONSULTANTS' DEDICATED WEB PAGE RELATED TO THESE CASES ([HTTP://WWW.KCCLLC.NET/DBSI](http://www.kccllc.net/dbsi)).

THE STATEMENTS AND INFORMATION CONCERNING THE PLAN DEBTORS AND THE PLAN SET FORTH IN THIS NOTE/BOND/FUND INVESTOR DISCLOSURE STATEMENT AND OTHER COURT APPROVED DISCLOSURE STATEMENTS CONSTITUTE THE ONLY STATEMENTS OR INFORMATION CONCERNING SUCH MATTERS THAT HAVE BEEN APPROVED BY THE BANKRUPTCY COURT FOR THE PURPOSE OF SOLICITING ACCEPTANCES OR REJECTIONS OF THE PLAN.

THE STATEMENTS CONTAINED IN THIS NOTE/BOND/FUND INVESTOR DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN. NEITHER DELIVERY OF THIS NOTE/BOND/FUND INVESTOR DISCLOSURE

STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE IN CONNECTION WITH THE PLAN WILL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH HEREIN SINCE THE DATE THIS NOTE/BOND/FUND INVESTOR DISCLOSURE STATEMENT AND THE MATERIALS RELIED UPON IN PREPARATION OF THIS NOTE/BOND/FUND INVESTOR DISCLOSURE STATEMENT WERE COMPILED. THE PLAN PROPONENTS ASSUME NO DUTY TO UPDATE OR SUPPLEMENT THE DISCLOSURES CONTAINED HEREIN AND DO NOT INTEND TO UPDATE OR SUPPLEMENT THE DISCLOSURES, EXCEPT TO THE EXTENT, IF ANY, NECESSARY AT THE HEARING ON CONFIRMATION OF THE PLAN.

THIS NOTE/BOND/FUND INVESTOR DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO VOTE IN FAVOR OF OR AGAINST THE PLAN. CERTAIN OF THE INFORMATION CONTAINED IN THIS NOTE/BOND/FUND INVESTOR DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD-LOOKING AND CONTAINS ESTIMATES, ASSUMPTIONS AND PROJECTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL FUTURE RESULTS. THERE CAN BE NO ASSURANCE THAT ANY FORECASTED OR PROJECTED RESULTS CONTAINED HEREIN WILL BE REALIZED, AND ACTUAL RESULTS MAY VARY FROM THOSE SHOWN HEREIN, POSSIBLY BY MATERIAL AMOUNTS.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THIS NOTE/BOND/FUND INVESTOR DISCLOSURE STATEMENT. PURSUANT TO THE PLAN, ANY SECURITIES ISSUED TO ANY PARTY UNDER, PURSUANT TO, OR IN EFFECTUATING THE PLAN, AND THE OFFERING AND ISSUANCE THEREOF BY ANY PARTY, ARE EXEMPT FROM SECTION 5 OF THE SECURITIES ACT OF 1933, IF APPLICABLE, AND FROM ANY STATE OR FEDERAL SECURITIES LAWS REQUIRING REGISTRATION FOR THE OFFER OR SALE OF A SECURITY OR REGISTRATION OR LICENSING OF AN ISSUER OR UNDERWRITER OF, OR BROKER OR DEALER IN, A SECURITY, AND OTHERWISE ENJOY ALL EXEMPTIONS AVAILABLE FOR DISTRIBUTIONS OF SECURITIES UNDER A PLAN IN ACCORDANCE WITH ALL APPLICABLE LAW, INCLUDING, WITHOUT LIMITATION, SECTION 1145 OF THE BANKRUPTCY CODE.

THE INFORMATION CONTAINED IN THIS NOTE/BOND/FUND INVESTOR DISCLOSURE STATEMENT AND ANY OTHER DISCLOSURE STATEMENT, INCLUDING ANY EXHIBITS CONCERNING THE FINANCIAL CONDITION OF THE PLAN DEBTORS AND THE OTHER INFORMATION CONTAINED HEREIN, OR IN THE EXHIBITS, HAVE NOT BEEN SUBJECT TO AN AUDIT OR INDEPENDENT REVIEW EXCEPT AS EXPRESSLY SET FORTH HEREIN.

THIS NOTE/BOND/FUND INVESTOR DISCLOSURE STATEMENT IS NOT INTENDED TO BE AND SHOULD NOT BE CONSTRUED TO BE ADVICE ON THE TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE PLAN. EACH CREDITOR AND INTEREST HOLDER SHOULD, THEREFORE, CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL AND TAX ADVISORS AS TO ANY SUCH MATTERS CONCERNING THIS SOLICITATION, THE PLAN OR THE TRANSACTIONS CONTEMPLATED THEREBY.

THE PLAN AND THE GLOBAL CLAIMS SETTLEMENT EMBODIED IN THE PLAN REPRESENT A PROPOSED COMPROMISE RESOLUTION OF THE RELIEF SOUGHT BY THE CHAPTER 11 TRUSTEE OUTSIDE THE CONTEXT OF THE PLAN IN THE SUB CON MOTION. BOTH THE TRUSTEE'S PROPOSAL OF THE PLAN AND THE GLOBAL CLAIMS SETTLEMENT ARE MADE IN THEIR ENTIRETY WITHOUT PREJUDICE TO THE TRUSTEE'S POSITION, AND ANY POSITION THE CREDITORS' COMMITTEE MAY CHOOSE TO TAKE, IN CONNECTION WITH THE SUB CON MOTION IN THE EVENT THE PLAN IS NOT CONFIRMED.

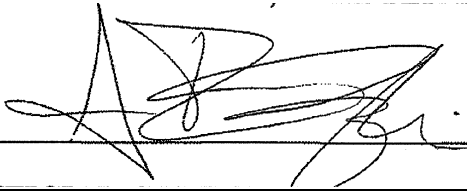
**ARTICLE IV
RECOMMENDATION AND CONCLUSION**

The Chapter 11 Trustee and the Creditors' Committee believe that confirmation and consummation of the Plan is in the best interests of Note/Bond/Fund Investors and that the Plan should be confirmed. The Chapter 11 Trustee and the Creditors' Committee strongly recommend that all Note/Bond/Fund Investors vote in favor of the Plan.

Respectfully submitted,

Dated: August 17, 2010

JAMES R. ZAZZALI, CHAPTER 11 TRUSTEE



**OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF DBSI, INC. ET AL.**

BY: *Russell Firkin (by permission NTS)*
NAME: Russell Firkins
TITLE: Member of the Committee

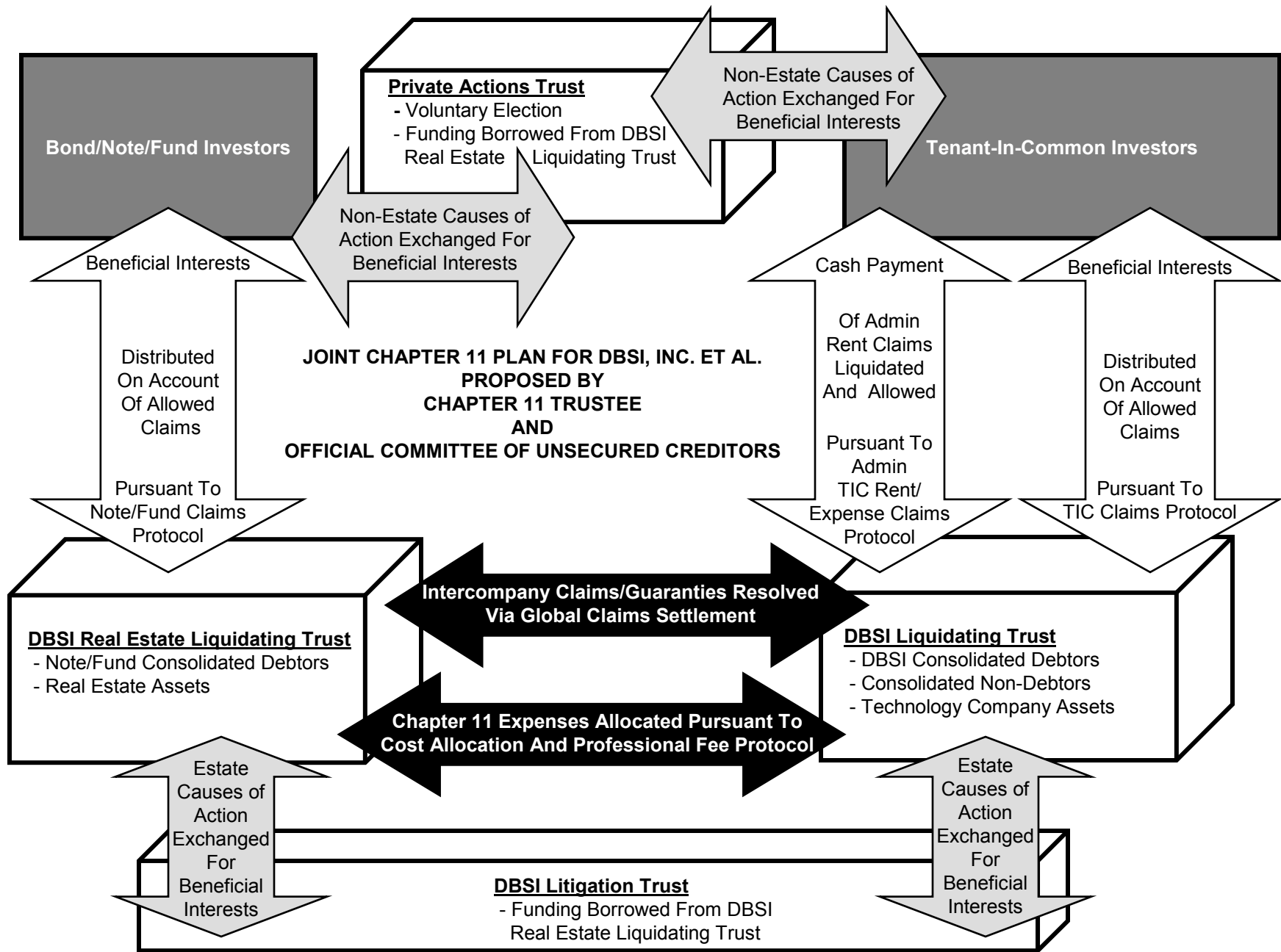


Exhibit "1"