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UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MONTANA

IN RE
PROVIDENT FINANCIAL, INC.,
Debtor.

Case No. 09-61756-11

DISCLOSURE STATEMENT

**INTRODUCTION: THE PURPOSE OF THIS DISCLOSURE STATEMENT AND THE
CHAPTER 11 PROCESS**

Purpose of this Disclosure Statement

On September 2, 2009, Provident Financial, Inc., ("Provident" or "Debtor") filed a voluntary petitions for reorganization pursuant to Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the District of Montana. This statement is provided to its creditors to disclose information deemed by Debtor to be material, important and necessary for creditors to arrive at a reasonably informed decision in exercising their right to

vote on the Plan of Orderly Liquidation (hereafter the Plan) presently on file with the Bankruptcy Court. A copy of the Plan accompanies this statement.

Approval of the Plan will be by vote on a ballot provided by the court. Votes must be received by the last day set by the court for voting on the Plan. For the Plan to be accepted, more than one-half by number and at least two-thirds by amount of each class must vote to accept the Plan. If the required acceptances are not obtained, the court may nevertheless confirm the plan if the court finds that it accords fair and equitable treatment to the class or classes rejecting it, provided that at least one "impaired" class of claims accepts the plan. There are several technical legal requirements that must be complied with in order for a plan to be confirmed over the objection of a class of creditors. Creditors who have questions regarding this "cram down" process should consult competent legal advice.

No representations concerning Debtor, particularly as to future business operations, value of property, other than as set forth in this statement, are authorized by the Debtor. Any representations or inducements made to secure your acceptance which are other than as contained in this statement should not be relied on by you in arriving at your decision, and any such additional representations and inducements should be reported to counsel for Debtor who shall deliver the information to the court for action as may be deemed appropriate.

Under the Plan, the claims of creditors, will be paid as much as possible over a period of two or more years from the orderly liquidation of Debtor's assets. If the Plan is confirmed, Debtor will continue to administer its estate until such time as the procedures necessary for

implementation have been completed, including the disposition of property and the distribution of funds.

To the best of Debtor's knowledge, it has no secured creditors other than certain disputed construction lien claims on repossessed real estate and no priority claims. However, the Plan does make provision for such claims in the event that such claims are allowed.

Approval of the Disclosure Statement

This Disclosure Statement is intended to assist creditors and parties of interest in evaluating the Plan and in determining whether to accept the Plan. Under the Bankruptcy Code, acceptance of the Plan may not be solicited unless a copy of the approved Disclosure Statement is received prior to or concurrently with such solicitation.

This Disclosure Statement was approved by Order of the Bankruptcy Court dated [insert date] The Court has set [insert date and time] for hearing on the acceptance of the Plan.

Creditors Entitled to Vote on the Plan

Only the votes of classes of claimants which are impaired by the Plan or are unsecured are counted in connection with confirmation of the Plan. An "impaired" claim is the claim of a creditor whose contractual, legal or equitable rights are altered by the plan. In the present case all creditors are impaired and all creditors entitled to vote on the plan.

Determining Acceptance of the Plan

In determining the acceptance of the Plan, votes will only be counted if submitted by a claimant whose claim is duly scheduled by Debtor as undisputed, non-contingent and liquidated, or who, prior to the hearing approving the Disclosure Statement, has filed with the Court a Proof

of Claim, which has not been disallowed or suspended prior to the computation of the vote on the Plan. The ballot form does not constitute a Proof of Claim. Creditors who have any questions as to how their claims are schedules should check the Debtor's schedules which are on file in the office of the Clerk of the United States Bankruptcy Court, Butte, Montana or which can be accessed through Debtor's web site *www.providentfinancialmt.com*.

Hearing on Confirmation of the Plan

The Court will set a hearing date to determine whether the Plan has been accepted by the requisite number of creditors and whether the other requirements for confirmation have been satisfied. Each claimant will receive either with this Disclosure Statement or separately, the Bankruptcy Court's Notice of Hearing on Confirmation of Plan. Presence of creditors at the confirmation hearing is invited, but not required, in order for their ballots to be considered.

Acceptance Necessary to Confirm the Plan

At the scheduled hearing, the Bankruptcy Court must determine, among other things, whether the Plan was accepted by each impaired class. Under the Bankruptcy Code, 11 U.S.C. § 1126, an impaired class is deemed to have accepted the Plan if at least two-thirds in amount and more than one-half the number of the allowed claims of class members who have voted to accept or reject the Plan have voted for acceptance of the Plan. Further, unless there is unanimous acceptance of the Plan by an impaired class, the Bankruptcy Court must also determine whether class members will receive property of a value, as of the effective date of the Plan, that is not less than the amount that such class members would receive or retain if Debtor was liquidated on the effective date of the Plan as set forth in 11 U.S.C. § 1129(a)(7)(A)(ii).

The Plan may be confirmed even if it is not accepted by one or all of the impaired classes if the Bankruptcy Court finds that the Plan does not discriminate unfairly and is fair and equitable as to a class of classes.

BACKGROUND INFORMATION CONCERNING DEBTOR

Identity and History of Debtor

Provident was formed on January 20, 1989 for the purpose of making short-term real estate loans primarily in Montana and insurance premium finance. Provident's business model was to act as a "non-bank bank" by borrowing funds from investors and loaning these funds to persons or entities requiring short-term real estate loans for construction financing, bridge loans the like. Provident also maintains a separate insurance premium finance division that provides short-term financing of insurance premiums.

Provident successfully operated for years but was undone by the "great recession" that began in 2007 and the financial collapse of 2008. Investors, concerned about risk, withdrew funds or did not renew their notes. At the same time, the market for new loans shrank due to the general collapse of the real estate market in Montana. Finally, the default rate on loans increased and Provident had difficulty in liquidating repossessed real estate. These factors combined to create a severe liquidity crisis. Because Provident was not a bank it did not have access to FDIC funds; TARP monies or other "bailouts" made available to banks or other financial institutions judged "too big to fail."

In the summer of 2009, it became clear to Provident that its business model was not sustainable and that it would eventually default on its obligations to investors. It concluded

that it would be in the best interest of all investors to file a preemptive Chapter 11 and propose an orderly liquidation of its assets.

Since filing, Provident has work diligently to negotiate an Operational Plan for the orderly liquidation of its assets. The Operational Plan is attached to and incorporated into the Plan. The Operational Plan give the “nuts and bolts” of the liquidation process.

ANTICIPATED LEGAL PROCEEDINGS

None other than possible legal proceedings incident to plan confirmation and objections to claims.

THE PLAN

Debtor proposes to liquidate its assets and pay investors as much as possible. It is contemplated that the initial liquidation effort would take two years after which time the liquidation process would be reevaluated. Debtors’ projections made on a “optimistic but realistic” basis is that all but about \$500,000 of its assets could be liquidated in that time frame.

Details of the liquidation process are set forth in the Operational Plan which was negotiated by Debtor and the official Unsecured Creditors Committee (the “Committee”). The Operational Plan is attached to the Plan of Orderly Liquidation. Creditors should definitely read the Operational Plan in full but the following are highlights:

- Debtor’s board of directors will be under the control of investors. A voting majority of the board will come from members of the Committee.
- The initial plan term will be for two years after which the status of the matter will be reviewed. A change in direction of the liquidation effort at that time (for example to

sell assets at auction or in bulk) will require the approval of a majority of investors voting based on the amount of dollars outstanding.

- Debtor will continue to operate its premium finance division and maintain its rental properties until near the end of the liquidation process as these furnish income to offset administrative expenses.
- On a case by case basis, Debtor may offer up repossessed real estate to investors on a sealed credit bid basis.
- Distribution to investors will be made quarterly on a pro rata basis.

OTHER FACTORS CONSIDERED IN EVALUATING THE PLAN

Tax Considerations

Debtor does not anticipate any adverse tax consequences to it as a result of the plan as it projects that it will be operating at a loss. Investors would have to wait until the liquidation is completed to take any capital loss deduction (this would be true as well for Chapter 7 liquidation).

Administrative Expenses

It is projected that attorneys fees and costs for Dye & Moe, PLLP, counsel for Provident as debtor in possession will be approximately \$30,000.00. Special counsel Measure, Robbin and Wilson are projected to incur fees and costs of \$5,000.00. Repossessed real estate is listed for sale through real estate agents at a typical commission of six percent of sales price.

COMPARISON WITH CHAPTER 7

Attached to this disclosure statement is a liquidation analysis. Because Debtor has no substantial secured debt, a Chapter 7 trustee would liquidate its assets. Debtor projects that investors will recover nearly 50 percent less through Chapter 7 liquidation than from the proposed orderly liquidation.

RISK FACTORS

Debtor does not believe that there are significant risk factors from the point of view of unsecured creditors. Debtor is not viable as a operating business on a go forward basis and must be liquidated. The question is should that liquidation be through the Chapter 7 process or an orderly liquidation under the supervision of investors.

ATTACHMENTS TO DISCLOSURE STATEMENT

The following documents are attached to and part of this Disclosure Statement:

Exhibit #	Description
A	Most recent balance sheet and income statement from Monthly Operating Report
B	Quarterly post-confirmation cash flow projections
C	Liquidation analysis

Dated: December 11, 2009.

DYE & MOE, P.L.L.P.

/s/ Harold V. Dye
Harold V. Dye