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UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

LOS ANGELES DIVISION

In re GATEWAY METRO CENTER, LLC, a California limited liability company, Debtor and Debtor in Possession.	Case No: 2:11-bk-47919-BR Chapter 11 **MOTION OF DEBTOR FOR ORDER AUTHORIZING AND APPROVING CONTINUED (A) USE OF CASH COLLATERAL (B) GRANT OF ADEQUATE PROTECTION TO CERTAIN SECURED CREDITORS AND (C) ADEQUATE PROTECTION PAYMENTS UNDER SECURED EQUIPMENT FINANCING AGREEMENT THROUGH JUNE 29, 2012; DECLARATION OF JOHN F. PIPIA IN SUPPORT** **HEARING** Date: TBD Time: TBD Place: Courtroom 1668 255 E. Temple Street, **Los Angeles, CA 90012**

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I.

INTRODUCTION

The Debtor owns two primary assets, including (1) an approximately 121,462 square foot – 11 story office building and land located in the City of Pasadena, California ("Gateway Metro Center" formerly known as Gateway Tower), including the rights to develop further the land on which Gateway Metro Center is located (the "Building"), and (2) an approximately 8,000 square foot parcel of land immediately abutting the office building (the "Land"). Because the office building is encumbered by a senior deed of trust asserted by Allstate Life Insurance Company ("Allstate," and, collectively with all successors in interest, including Road Bay Investments, LLC, "Road Bay") to secure a claim of approximately $21 million and a junior deed of trust asserted by Flying Tigers, LLC ("Flying Tigers," and collectively with Road Bay, the "Lenders"), to secure a claim of approximately $350,000, the Debtor will not be able to operate in chapter 11 unless it is authorized to use Lenders' alleged cash collateral.

On September 6, 2011, the Debtor filed an emergency motion to, among other things, allow the Debtor to use cash collateral [Docket No. 2] (the "Cash Collateral Motion"). On October 3, 2011, the Court entered the Final Agreed Order Authorizing and Approving (A) Use of Cash Collateral, (B) Grant of Adequate Protection to Certain Secured Creditors and (C) Adequate Protection Payments Under Secured Equipment Financing Agreement [Docket No.50] (the "October 3rd Order"). The October 3rd Order authorized the Debtor to use cash collateral through December 31, 2011 in accordance with the 17 week budget attached thereto.

On December 23, 2011, the Debtor, Road Bay and Flying Tigers entered into a stipulation [Docket No. 108] (the "December 23rd Stipulation") to allow the Debtor to continue to use cash collateral through January 27, 2012 in accordance with the budget attached thereto as Exhibit 1 (the "December 23 Budget"). On December 27, 2011, the Court entered an order approving the December 23rd Stipulation [Docket No. 111] (the "December 27 Order").

On January 4, 2012, the Debtor, Road Bay and Flying Tigers entered into a stipulation [Docket No. 114] (the "January 4 Stipulation") to allow the Debtor to continue to use cash collateral through March 30, 2012, including payment of certain tenant improvement costs and leasing commissions in

connection with the Debtor's leasing efforts in the Building. On January 19, 2012, the Court entered an order approving the January 4 Stipulation [Docket No. 125] (the "January 19 Order").

On February 13, 2012, the Debtor, Road Bay and Flying Tigers entered into a stipulation [Docket No. 135] (the "February 13 Stipulation") to allow the Debtor to use cash collateral to pay certain additional tenant improvement costs and leasing commissions in connection with an additional new lease in the Building. On February 14, 2012, the Court entered an order approving the February 13 Stipulation [Docket No. 136] (the "February 14 Order," and collectively with the January 19 Order, the "Leasing Cost Cash Collateral Orders").

The Debtor hereby requests an order extending the use of cash collateral from March 31, 2012 through June 29, 2012, in accordance with the budget attached to the accompanying Declaration of John F. Pipia (the "Pipia Declaration") as Exhibit A (the "Proposed Budget"). A copy of the proposed order, to which the Proposed Budget will be attached, is attached to the Pipia Declaration as Exhibit B (the "Proposed Order"). The Proposed Budget includes certain of the tenant improvement costs and leasing commissions to be paid during the period covered by the Proposed Budget and previously authorized by the Leasing Cost Cash Collateral Orders.

The Debtor anticipates that it will need to use approximately $562,838 in cash collateral between March 31, 2012 and June 29, 2012 to cover property taxes, utilities, property management expenses, building repair and maintenance expenses, limited liability company taxes and fees, leasing costs and other expenses related to the operation of the Building. If the Debtor cannot pay these expenses, there will be immediate and irreparable harm to the Building, the Estate, and the Debtor's creditors. During that time, the Debtor expects revenues of approximately $593,249 and will have cash on hand at the end of the 13 week period in the amount of approximately $788,962.

On March 6, 2011, the Debtor provided a proposed budget to Allstate. While the Debtor hopes that Allstate will consent to the continued use of cash collateral, in the event the Debtor and Allstate cannot come to agreement, the Debtor will need a hearing on the Motion to allow continued use of cash collateral beyond March 30, 2012. If Allstate consents to the continued use of cash collateral, the Debtor will inform the Court and file appropriate documents indicating that an agreement has been reached. Flying Tigers has consented to the use of cash collateral through June 29, 2012.

II.

JURISDICTION AND VENUE

This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This matter relates to the administration of the Debtor's bankruptcy estate (the "Estate") and is accordingly a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (M) and (O). Venue of the Case is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief requested herein are sections 105, 361, 363 and 503 of the Bankruptcy Code, and Rule 4001 of the Federal Rules of Bankruptcy Procedure ("FRBP").

III.

STATEMENT OF FACTS

A. Background And Events Leading To The Bankruptcy

In October, 2006, Allstate loaned the Debtor $20,500,000 to purchase Gateway Tower (the "Loan"). The Loan is secured by, among other things, a Deed of Trust and an Assignment of Leases, Rents and Contracts. Thereafter, the property was renamed Gateway Metro Center to sharpen and brand its identity, distinguish it from other property, and take advantage of its immediate proximity to Metro Light Rail and bus transportation modes. Gateway Metro Center performed well in 2007, its first full year of operation. It ended the year with improved revenue levels and revenue sources and closely managed expenses. It was 100% leased as of December 31, 2007.

Since its ownership in 2006, the Debtor instituted programs to upgrade substantially and establish the property as a premier Class A Pasadena office location. The various programs were designed to improve the office building's physical and market image, both exterior and interior, to maximize rents and other revenues as well as tenant retention and to attract new tenants. Each of these goals was accomplished. During this time, the Debtor also began to explore ways in which it could monetize and take advantage of the substantial, additional buildable area available on the site. In that regard, the Debtor submitted a proposal to the City of Pasadena for comments on a conceptual proposal to add approximately 166,000 additional square feet of space to rentable building space to the site.

Moreover, in November 21, 2007, the Debtor acquired the Land next to Gateway Metro Center from the California Department of Transportation. The purchase of the Land enables the Debtor to add an additional 16,000 buildable square feet and/or additional parking. With the acquisition of the Land and recalculation of the land area, the new additional building area would be about an incremental 202,000 square feet, potentially creating a total project of over 323,000 square feet.

In 2008, the Debtor's revenues began to decline due to the severe global economic recession and the corresponding reduction in consumer spending and collapse in the real estate and capital markets.

The Debtor firmly believed at that time that due to the location of Gateway Metro Center, and the improvements, excellent tenant relations, and substantial marketing efforts made by management, the Debtor would be able to maintain the very high tenant occupancy level that was previously achieved. That, unfortunately, was not the case. Substantial vacancies occurred prepetition for a variety of reasons mainly due to tenant consolidations, contractions, relocations, or tenant financial difficulties. Post-petition, the Debtor continues to market space in the property for lease responsibly and aggressively and, despite extraordinarily difficult economic conditions, has successfully closed approximately thirty separate lease transactions over the past 22 months including renewals, expansions, and new leases. The building is currently approximately 74% leased. The Debtor has also looked for creative ways to increase its monthly revenues by instituting paid parking, and has also closely managed property expenses.

Most recently, the Debtor leased the entire ninth floor of the building and about 10,000 square feet of space on other floors. This lease activity already achieves nearly the amount of newly leased space projected for the first year following the effective date of the Plan (as defined below).

Foreseeing a deep and extended economic decline and with increased vacancy and resulting reduction in cash flow, in early 2008 the Debtor proactively contacted Allstate and requested that Allstate negotiate an extension or refinance of the Loan that is due in September 2011. The Debtor was informed, through Allstate's loan servicer, that Allstate would not consider such a proposal. Over the course of the next three years, the Debtor and its representatives made numerous and repeated

attempts to engage Allstate in a negotiation over the Allstate Loan. FTI Consulting, Inc., a well-known real estate restructuring expert, was engaged to act as financial advisor to advise the Debtor regarding alternatives and to contact Allstate in a further attempt to negotiate with Allstate. During this time, the Debtor made several restructuring proposals to Allstate in writing. All of these proactive efforts proved to be fruitless.

As a result, in May, 2011, the Debtor decided to stop making loan payments to Allstate with the intention to engage Allstate in a discussion. The Debtor delivered a letter to Allstate to evidence its intention. Instead of engaging in a dialogue with the Debtor, on June 20, 2011, Allstate sent the Debtor a letter stating that the Debtor is in default and that Allstate was reserving its rights under the Loan documents. Thereafter, on June 29, 2011, the Debtor received a letter from counsel for Allstate stating that the Debtor is in default and that Allstate may seek the appointment of a state court receiver. Additional attempts to establish a dialogue with Allstate were rejected and on July, 15, 2011, Allstate publicly recorded a notice of default. The notice of default has affected the Debtor's marketing efforts.

In August, 2011, Flying Tigers, LLC loaned the Debtor $350,000 to cover certain expenses incurred by the Debtor and for the potential costs associated with a bankruptcy filing (the "Flying Tigers Loan"). The Flying Tigers Loan is secured by a junior lien on Gateway Metro Center including an interest in all rents, issues and profits thereof and a senior lien on the Land.

The Debtor filed for chapter 11 bankruptcy protection on September 6, 2011 to utilize the chapter 11 process to maximize the value of its assets, including: (1) a continued effort to lease office space in Gateway Metro Center; and (2) a refinancing or restructuring of the Loan. The Loan documents provide that the Loan matured on September 6, 2011.

B. <u>The Proposed Plan</u>

On September 23, 2011, two and a half weeks after filing for chapter 11 protection, the Debtor filed the Debtor's Chapter 11 Plan (as amended, the "Plan") and Disclosure Statement Describing Debtor's Chapter 11 Plan (as amended, the "Disclosure Statement"). The Plan provides for the vesting of substantially all of the Debtor's Assets in the Reorganized Debtor, a restructuring of certain of the

Debtor's debts, and payment to all creditors, in full, on the Effective Date or over time, as set forth in the Plan.

On November 1, 2011, the Court held a hearing to approve the Disclosure Statement, and on November 7, the Debtor distributed the Plan, Disclosure Statement and voting package on creditors entitled to vote on the Plan. The deadline to submit ballots was December 12, 2011. All Classes that voted, voted to accept the Plan. Class 1, comprised of Road Bay's secured claim against the Debtor, was not entitled to vote and, therefore, Class 1 did not accept the Plan. Road Bay is the only creditor that filed an objection to the Plan. Road Bay objected to, among other things, the feasibility of the Plan. Road Bay argues that the Debtor's Plan is premised on an overly aggressive projection of newly leased space after the effective date of the Plan.

On December 19, 2011 (the "December 19 Hearing"), the Court held a status conference on Plan confirmation. At the December 19 Hearing, the Court ordered the Debtor and Road Bay to participate in a non-binding mediation to resolve the issues raised in the Road Bay Objection. On January 12, 2012, the Debtor and Road Bay participated in an all-day mediation with Judge Mitchel Goldberg. Following the mediation, the Debtor and Road Bay have been working on a potential settlement, including a consensual amended Plan. The hearing on confirmation of the Plan is currently scheduled for March 12, 2012. The Debtor needs authority to use cash collateral through June 29, 2012 to make all payments necessary to confirm and make effective the Plan and to operate the Building during the confirmation process.

IV.

THE DEBTOR'S NEED TO USE CASH COLLATERAL

The Debtor currently owes approximately $20.5 million in principal to Allstate, which Allstate alleges is secured by Gateway Metro Center and substantially all of the Debtor's operating assets. The Debtor currently owes approximately $350,000 in principal to Flying Tigers. As the owner of a tenant-filled, office building whose operation is dependent on cash flow, the Debtor must continue to operate the Building to maintain and preserve the Debtor's value and the Lenders' collateral.

The Proposed Budget sets forth the Debtor's anticipated cash needs from March 31, 2012 through June 29, 2012. As set forth in the Proposed Budget, the Debtor requires cash for the primary

purposes of paying: (1) property taxes, (2) utilities, (3) property management costs, (4) building maintenance and repairs, (5) leasing costs, (6) capital expenditures, and (7) nominal adequate protection payments to M-Theory Financial, Inc. in connection with the financing of a computer. As reflected in the Proposed Budget, the Debtor projects that its cash balance will increase from approximately $758,551 on March 31, 2012 to approximately $788,962 on June 29, 2012.

Because projections are forward-looking, they can never be entirely accurate. Thus, as set forth in the October 3rd Order, to protect the Debtor from timing differences and fluctuations in expenses and costs, the Debtor requests that it be permitted to have the flexibility to increase expenditures by up to 15% for any particular line item in the Budget, and 15% in the aggregate. Moreover, except as specifically set forth in the Leasing Cost Cash Collateral Orders, amounts not spent on expenses in any one month may be spent in any of the subsequent two (2) months; *provided, however*, that the sum of any unpaid postpetition expenses in any one line item and the cash expended in that line item does not exceed the aggregate budgeted amount in that line item during the entire period covered by the Proposed Budget. Under this structure, the Debtor will have the flexibility to operate Gateway Metro Center without disruption.

V.

THE LENDERS ARE ADEQUATELY PROTECTED

Section 363(c)(2) of the Bankruptcy Code provides that a debtor may not use cash collateral without either the consent of the secured party or an order of the court. Section 363(e) provides that a court may condition the debtor's use of cash collateral on the debtor providing "adequate protection" of the secured party's interest in the collateral being used. The protection for the secured creditor is against diminution in the value of the cash collateral used by the debtor. The type of adequate protection that is appropriate in a particular case will depend on the nature of the case. Indeed, "[a]dequate protection [is] a concept which is to be decided flexibly on the proverbial case-by-case basis." *In re O'Connor*, 808 F.2d 1393, 1396-97 (10th Cir. 1987). *See* section 361 of the Bankruptcy Code.

A. The Lenders Are Adequately Protected Because There Is No Projected Diminution In The Value Of Their Collateral.

As reflected in the Proposed Budget, the Debtor is profitable and the continued operation of Gateway Metro Center through June 29, 2012 will result in an increase in the Debtor's cash from $758,551 to $788,962. The Debtor is moving expeditiously toward confirmation and effectiveness of the Plan notwithstanding continued opposition by Allstate. It is black-letter law that where, as here, a secured creditor is adequately protected if there is no projected diminution in the collateral, the debtor is projected to operate profitably and the cash collateral is used to maintain and preserve the creditor's collateral. *See, e.g., In re Pursuit Athletic Footwear, Inc.*, 193 B.R. 713 (Bankr. D. Del. 1996); *see also, In re Constable Plaza Associates, L.P.*, 125 B.R. 98 (Bankr. S.D.N.Y. 1991) (secured creditor adequately protected where cash collateral used to preserve value of assets.

For the Debtor to continue to maintain and preserve the value of its assets, it will need to use the cash collateral, in part, to operate and enhance the Lenders' collateral. The most appropriate form of adequate protection the Debtor can provide to the Lenders is to grant the Lenders replacement liens, to the extent of cash collateral used, on all postpetition property of the same type and character as the property to which the Lender's valid, perfected and unavoidable prepetition liens, if any, extended. The grant of a replacement lien more than adequately protects the Lenders' security interests in the Debtor's secured assets.

B. Lenders Are Adequately Protected By An Equity Cushion.

The Debtor believes that Gateway Metro Center has a value of approximately $30.5 million (including the Land), while the principal amount of secured claims is less than $21 million, which is an equity cushion of 31%. It is well-established that the existence of an equity cushion alone can constitute adequate protection to secured creditors when a debtor seeks to use cash collateral. *See, e.g., In re Mellor*, 734 F.2d 1396 (9th Cir. 1984). In *Mellor*, the Ninth Circuit held that a 20% equity cushion constituted adequate protection as a matter of law. *Id.* at 1404. The Ninth Circuit indicated that a cushion of less than 20% could also constitute adequate protection and cited with approval decisions holding that equity cushions of between 10% to 20% constituted adequate protection. *Id.*

(citing *In re McGowan*, 6 B.R. 241, 243 (Bankr. E.D. Pa. 1980) (holding that a 10% cushion is adequate protection); *In re Rogers Development Corp.*, 2 B.R. 679, 685 (Bankr. E.D. Va. 1980) (equity cushion of approximately 15% to 20% was adequate protection notwithstanding that the debtors had no equity in the property). *See also, In re Boulders on the River, Inc.*, 164 B.R. 99 (9th Cir. BAP 1994) (creditor was adequately protected with an equity cushion of 11.45%); *In re Hawaiian Pacific Industries*, 17 B.R. 670, 673 (Bankr. D. Hawaii 1982) (15% cushion constituted adequate protection)).

C. Reports Will Be Provided to the Lenders.

As required in the October 3rd Order, the Debtor will continue to provide the Lenders with (i) a written accounting of all expenses and receipts on a monthly basis, (ii) reports and information specified in the prepetition agreements between the parties at the times such reports and information are required to be provided, (iii) copies of all public information, (iv) all documents submitted to the U.S. Trustee, and (v) such other information and documents as the Lenders may reasonably request. In exchange for this information, Road Bay and Flying Tigers shall keep certain of the information confidential, as set forth in more detail in the October 3rd Order and the Proposed Order.

VI.

THE COURT SHOULD GRANT THE DEBTOR THE CONTINUED AUTHORITY TO MAKE NOMINAL ADEQUATE PROTECTION PAYMENTS TO M-THEORY FINANCIAL GROUP, LLC FOR THE FINANCING OF A COMPUTER

Prior to the petition date, the Debtor entered into a financing agreement with M-Theory Financial Group LLC ("M-Theory") to finance the purchase of a computer (the "Finance Agreement"). The computer is used to assist the Debtor with its day-to-day business operations. Pursuant to the Finance Agreement, the Debtor agreed to pay monthly payments of $117, including principal, tax and interest, towards the purchase of the computer. Over the course of eighteen months, the Debtor will pay off the value and financing costs of the computer. In exchange for the financing arrangement, M-Theory was granted a security interest in the computer and filed a UCC-1 Financing Statement with the California Secretary of State.

Following the Petition Date, and in accordance with the terms of the October 3rd Order, the Debtor has made all monthly payments to M-Theory in a timely manner. The Debtor requests that it

be authorized to continue to honor its obligations pursuant to the Finance Agreement, pursuant to sections 361 and 363 of the Bankruptcy Code, and make payments thereunder in order to adequately protect M-Theory's security interest. The Debtor's continued use of the computer decreases and depreciates the value of the personal property collateral. This loss can only be replaced through the Debtor's continued payment of the relatively small finance charges under the Finance Agreement, in the amount of $117.

In addition, use of estate assets to pay monthly installments under the Finance Agreement constitutes a use of estate property that should be authorized under section 363(b) of the Bankruptcy Code so long as a sound business purpose exists for doing so. *See, e.g. 240 North Brand Partners, Ltd. V. Colony GFP Partners, L.P.*, 200 B.R. 653, 656 (9th Cir. B.A.P. 1996); *Walter v. Sunwest Bank*, 83 B.R. 14, 17 (9th Cir. B.A.P. 1988)(citations omitted). The Debtor has determined, in the exercise of its business judgment, that paying for the computer pursuant to the Finance Agreement postpetition will enable the Debtor to perform daily administerial tasks fundamental to the operation of the building. Doing so is in the best interests of the estate and its creditors, and this request should be approved.

VII.

CONCLUSION

WHEREFORE, the Debtor requests that the Bankruptcy Court enter the Proposed Order:

A. Approving the use of cash collateral in accordance with the Proposed Budget;

B. Granting the Lenders, to the extent necessary, replacement liens in the assets in which Lenders assert liens as adequate protection for any diminution of cash collateral arising from the use of cash collateral, with the same validity, enforceability, and priority as existed prepetition; and

C. Granting such other and further relief as may be appropriate under the circumstances.

Dated: March 8, 2012

PEITZMAN WEG LLP

By: /s/ Lorie A. Ball
Howard J. Weg
Lorie A. Ball
Counsel for the Debtor and Debtor in Possession

DECLARATION OF JOHN F. PIPIA

I, John F. Pipia, hereby declare:

1. I am over 18 years of age and I am the President and Authorized Representative of the above-captioned debtor (the "Debtor"). Each of the facts contained in this declaration is based upon my personal knowledge and, if called as a witness to do so, I could competently testify thereto. I make this declaration in support of the Motion Of Debtor For Continued Order Authorizing And Approving (A) Use Of Cash Collateral (B) Grant Of Adequate Protection To Certain Secured Creditors And (C) Adequate Protection Payments Under Secured Equipment Financing Agreement Through June 29, 2012 (the "Motion"). Terms not otherwise defined herein are used as defined in the Motion.

2. The Debtor owns two primary assets, including (1) an approximately 121,462 square foot – 11 story office building and land located in the City of Pasadena, California ("Gateway Metro Center" formerly known as Gateway Tower), including the rights to develop further the land on which Gateway Metro Center is located (the "Building"), and (2) an approximately 8,000 square foot parcel of land immediately abutting the office building (the "Land"). Because the office building is encumbered by a senior deed of trust asserted by Allstate Life Insurance Company ("Allstate," and, collectively with all successors in interest, including Road Bay Investments, LLC, "Road Bay") to secure a claim of approximately $21 million and a junior deed of trust asserted by Flying Tigers, LLC ("Flying Tigers," and collectively with Road Bay, the "Lenders"), to secure a claim of approximately $350,000, the Debtor will not be able to operate in chapter 11 unless it is authorized to use Lenders' alleged cash collateral.

3. On September 6, 2011, the Debtor filed an emergency motion to, among other things, allow the Debtor to use cash collateral [Docket No. 2] (the "Cash Collateral Motion"). On October 3, 2011, the Court entered the Final Agreed Order Authorizing and Approving (A) Use of Cash Collateral, (B) Grant of Adequate Protection to Certain Secured Creditors and (C) Adequate Protection Payments Under Secured Equipment Financing Agreement [Docket No.50] (the "October

3rd Order"). The October 3rd Order authorized the Debtor to use cash collateral through December 31, 2011 in accordance with the 17 week budget attached thereto.

4. On December 23, 2011, the Debtor, Road Bay and Flying Tigers entered into a stipulation [Docket No. 108] (the "December 23rd Stipulation") to allow the Debtor to continue to use cash collateral through January 27, 2012 in accordance with the budget attached thereto as Exhibit 1 (the "December 23 Budget"). On December 27, 2011, the Court entered an order approving the December 23rd Stipulation [Docket No. 111] (the "December 27 Order").

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6. On February 13, 2012, the Debtor, Road Bay and Flying Tigers entered into a stipulation [Docket No. 135] (the "February 13 Stipulation") to allow the Debtor to use cash collateral to pay certain additional tenant improvement costs and leasing commissions in connection with an additional new lease in the Building. On February 14, 2012, the Court entered an order approving the February 13 Stipulation [Docket No. 136] (the "February 14 Order," and collectively with the January 19 Order, the "Leasing Cost Cash Collateral Orders").

7. The Debtor hereby requests an order extending the use of cash collateral from March 31, 2012 through June 29, 2012, in accordance with the budget attached hereto as Exhibit A (the "Proposed Budget"). A copy of the proposed order, to which the Proposed Budget will be attached, is attached hereto as Exhibit B (the "Proposed Order"). The Proposed Budget includes certain of the tenant improvement costs and leasing commissions to be paid during the period covered by the Proposed Budget and previously authorized by the Leasing Cost Cash Collateral Orders.

8. The Debtor anticipates that it will need to use approximately $562,838 in cash collateral between March 31, 2012 and June 29, 2012 to cover property taxes, utilities, property

management expenses, building repair and maintenance expenses, limited liability company taxes and fees, leasing costs and other expenses related to the operation of the Building. If the Debtor cannot pay these expenses, there will be immediate and irreparable harm to the Building, the Estate, and the Debtor's creditors. During that time, the Debtor expects revenues of approximately $593,249 and will have cash on hand at the end of the 13 week period in the amount of approximately $788,962.

9. On March 6, 2011, the Debtor provided a proposed budget to Allstate. While the Debtor hopes that Allstate will consent to the continued use of cash collateral, in the event the Debtor and Allstate cannot come to agreement, the Debtor will need a hearing on the Motion to allow continued use of cash collateral beyond March 30, 2012. If Allstate consents to the continued use of cash collateral, the Debtor will inform the Court and file appropriate documents indicating that an agreement has been reached. Flying Tigers has consented to the use of cash collateral through June 29, 2012.

10. In October, 2006, Allstate loaned the Debtor $20,500,000 to purchase Gateway Tower (the "Loan"). The Loan is secured by, among other things, a Deed of Trust and an Assignment of Leases, Rents and Contracts. Thereafter, the property was renamed Gateway Metro Center to sharpen and brand its identity, distinguish it from other property, and take advantage of its immediate proximity to Metro Light Rail and bus transportation modes. Gateway Metro Center performed well in 2007, its first full year of operation. It ended the year with improved revenue levels and revenue sources and closely managed expenses. It was 100% leased as of December 31, 2007.

11. Since its ownership in 2006, the Debtor instituted programs to upgrade substantially and establish the property as a premier Class A Pasadena office location. The various programs were designed to improve the office building's physical and market image, both exterior and interior, to maximize rents and other revenues as well as tenant retention and to attract new tenants. Each of these goals was accomplished. During this time, the Debtor also began to explore ways in which it could monetize and take advantage of the substantial, additional buildable area available on the site. In that regard, the Debtor submitted a proposal to the City of Pasadena for comments on a conceptual

proposal to add approximately 166,000 additional square feet of space to rentable building space to the site.

12. Moreover, in November 21, 2007, the Debtor acquired the Land next to Gateway Metro Center from the California Department of Transportation. The purchase of the Land enables the Debtor to add an additional 16,000 buildable square feet and/or additional parking. With the acquisition of the Land and recalculation of the land area, the new additional building area would be about an incremental 202,000 square feet, potentially creating a total project of over 323,000 square feet.

13. In 2008, the Debtor's revenues began to decline due to the severe global economic recession and the corresponding reduction in consumer spending and collapse in the real estate and capital markets.

14. The Debtor firmly believed at that time that due to the location of Gateway Metro Center, and the improvements, excellent tenant relations, and substantial marketing efforts made by management, the Debtor would be able to maintain the very high tenant occupancy level that was previously achieved. That, unfortunately, was not the case. Substantial vacancies occurred prepetition for a variety of reasons mainly due to tenant consolidations, contractions, relocations, or tenant financial difficulties. Post-petition, the Debtor continues to market space in the property for lease responsibly and aggressively and, despite extraordinarily difficult economic conditions, has successfully closed approximately thirty separate lease transactions over the past 22 months including renewals, expansions, and new leases. The building is currently approximately 74% leased. The Debtor has also looked for creative ways to increase its monthly revenues by instituting paid parking, and has also closely managed property expenses.

15. Most recently, the Debtor leased the entire ninth floor of the building and about 10,000 square feet of space on other floors. This lease activity already achieves nearly the amount of newly leased space projected for the first year following the effective date of the Plan (as defined below).

16. Foreseeing a deep and extended economic decline and with increased vacancy and resulting reduction in cash flow, in early 2008 the Debtor proactively contacted Allstate and requested that Allstate negotiate an extension or refinance of the Loan that is due in September 2011. The Debtor was informed, through Allstate's loan servicer, that Allstate would not consider such a proposal. Over the course of the next three years, the Debtor and its representatives made numerous and repeated attempts to engage Allstate in a negotiation over the Allstate Loan. FTI Consulting, Inc., a well-known real estate restructuring expert, was engaged to act as financial advisor to advise the Debtor regarding alternatives and to contact Allstate in a further attempt to negotiate with Allstate. During this time, the Debtor made several restructuring proposals to Allstate in writing. All of these proactive efforts proved to be fruitless.

17. As a result, in May, 2011, the Debtor decided to stop making loan payments to Allstate with the intention to engage Allstate in a discussion. The Debtor delivered a letter to Allstate to evidence its intention. Instead of engaging in a dialogue with the Debtor, on June 20, 2011, Allstate sent the Debtor a letter stating that the Debtor is in default and that Allstate was reserving its rights under the Loan documents. Thereafter, on June 29, 2011, the Debtor received a letter from counsel for Allstate stating that the Debtor is in default and that Allstate may seek the appointment of a state court receiver. Additional attempts to establish a dialogue with Allstate were rejected and on July, 15, 2011, Allstate publicly recorded a notice of default. The notice of default has affected the Debtor's marketing efforts.

18. In August, 2011, Flying Tigers, LLC loaned the Debtor $350,000 to cover certain expenses incurred by the Debtor and for the potential costs associated with a bankruptcy filing (the "Flying Tigers Loan"). The Flying Tigers Loan is secured by a junior lien on Gateway Metro Center including an interest in all rents, issues and profits thereof and a senior lien on the Land.

19. The Debtor filed for chapter 11 bankruptcy protection on September 6, 2011 to utilize the chapter 11 process to maximize the value of its assets, including: (1) a continued effort to lease

office space in Gateway Metro Center; and (2) a refinancing or restructuring of the Loan. The Loan documents provide that the Loan matured on September 6, 2011.

20. On September 23, 2011, two and a half weeks after filing for chapter 11 protection, the Debtor filed the Debtor's Chapter 11 Plan (as amended, the "Plan") and Disclosure Statement Describing Debtor's Chapter 11 Plan (as amended, the "Disclosure Statement"). The Plan provides for the vesting of substantially all of the Debtor's Assets in the Reorganized Debtor, a restructuring of certain of the Debtor's debts, and payment to all creditors, in full, on the Effective Date or over time, as set forth in the Plan.

21. On November 1, 2011, the Court held a hearing to approve the Disclosure Statement, and on November 7, the Debtor distributed the Plan, Disclosure Statement and voting package on creditors entitled to vote on the Plan. The deadline to submit ballots was December 12, 2011. All Classes that voted, voted to accept the Plan. Class 1, comprised of Road Bay's secured claim against the Debtor, was not entitled to vote and, therefore, Class 1 did not accept the Plan. Road Bay is the only creditor that filed an objection to the Plan. Road Bay objected to, among other things, the feasibility of the Plan. Road Bay argues that the Debtor's Plan is premised on an overly aggressive projection of newly leased space after the effective date of the Plan.

22. On December 19, 2011 (the "December 19 Hearing"), the Court held a status conference on Plan confirmation. At the December 19 Hearing, the Court ordered the Debtor and Road Bay to participate in a non-binding mediation to resolve the issues raised in the Road Bay Objection. On January 12, 2012, the Debtor and Road Bay participated in an all-day mediation with Judge Mitchel Goldberg. Following the mediation, the Debtor and Road Bay have been working on a potential settlement, including a consensual amended Plan. The hearing on confirmation of the Plan is currently scheduled for March 12, 2012. The Debtor needs authority to use cash collateral through June 29, 2012 to make all payments necessary to confirm and make effective the Plan and to operate the Building during the confirmation process.

23. The Debtor currently owes approximately $20.5 million in principal to Allstate, which Allstate alleges is secured by Gateway Metro Center and substantially all of the Debtor's

operating assets. The Debtor currently owes approximately $350,000 in principal to Flying Tigers. As the owner of a tenant-filled, office building whose operation is dependent on cash flow, the Debtor must continue to operate the Building to maintain and preserve the Debtor's value and the Lenders' collateral.

24. The Proposed Budget sets forth the Debtor's anticipated cash needs from March 31, 2012 through June 29, 2012. As set forth in the Proposed Budget, the Debtor requires cash for the primary purposes of paying: (1) property taxes, (2) utilities, (3) property management costs, (4) building maintenance and repairs, (5) leasing costs, (6) capital expenditures, and (7) nominal adequate protection payments to M-Theory Financial, Inc. in connection with the financing of a computer. As reflected in the Proposed Budget, the Debtor projects that its cash balance will increase from approximately $758,551 on March 31, 2012 to approximately $788,962 on June 29, 2012.

25. Because projections are forward-looking, they can never be entirely accurate. Thus, as set forth in the October 3rd Order, to protect the Debtor from timing differences and fluctuations in expenses and costs, the Debtor requests that it be permitted to have the flexibility to increase expenditures by up to 15% for any particular line item in the Budget, and 15% in the aggregate. Moreover, except as specifically set forth in the Leasing Cost Cash Collateral Orders, amounts not spent on expenses in any one month may be spent in any of the subsequent two (2) months; *provided, however,* that the sum of any unpaid postpetition expenses in any one line item and the cash expended in that line item does not exceed the aggregate budgeted amount in that line item during the entire period covered by the Proposed Budget. Under this structure, the Debtor will have the flexibility to operate Gateway Metro Center without disruption.

26. As reflected in the Proposed Budget, the Debtor is profitable and the continued operation of Gateway Metro Center through June 29, 2012 will result in an increase in the Debtor's cash from $758,551 to $788,962. The Debtor is moving expeditiously toward confirmation and effectiveness of the Plan notwithstanding continued opposition by Allstate

27. The Debtor believes that Gateway Metro Center has a value of approximately $30.5 million (including the Land), while the principal amount of secured claims is less than $21 million, which is an equity cushion of 31%.

28. As required in the October 3rd Order, the Debtor will continue to provide the Lenders with (i) a written accounting of all expenses and receipts on a monthly basis, (ii) reports and information specified in the prepetition agreements between the parties at the times such reports and information are required to be provided, (iii) copies of all public information, (iv) all documents submitted to the U.S. Trustee, and (v) such other information and documents as the Lenders may reasonably request. In exchange for this information, Road Bay and Flying Tigers shall keep certain of the information confidential, as set forth in more detail in the October 3rd Order and the Proposed Order.

29. Prior to the petition date, the Debtor entered into a financing agreement with M-Theory Financial Group LLC ("M-Theory") to finance the purchase of a computer (the "Finance Agreement"). The computer is used to assist the Debtor with its day-to-day business operations. Pursuant to the Finance Agreement, the Debtor agreed to pay monthly payments of $117, including principal, tax and interest, towards the purchase of the computer. Over the course of eighteen months, the Debtor will pay off the value and financing costs of the computer. In exchange for the financing arrangement, M-Theory was granted a security interest in the computer and filed a UCC-1 Financing Statement with the California Secretary of State.

30. Following the Petition Date, and in accordance with the terms of the October 3rd Order, the Debtor has made all monthly payments to M-Theory in a timely manner. The Debtor's continued use of the computer decreases and depreciates the value of the personal property collateral. This loss can only be replaced through the Debtor's continued payment of the relatively small finance charges under the Finance Agreement, in the amount of $117.

31. The Debtor has determined, in the exercise of its business judgment, that paying for the computer pursuant to the Finance Agreement postpetition will enable the Debtor to perform daily

administerial tasks fundamental to the operation of the building. Doing so is in the best interests of the estate and its creditors, and this request should be approved.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 7th day of March, 2012 at Pasadena, CA

John F. Pipia,
President of Gateway Metro Center, LLC

EXHIBIT A

Schedule Of Prospective Cash Flow to Weeks Ending 4/6/12 to 6/29/12

For the Week Ending Date	4/6/12	4/13/12	4/20/12	4/27/12	Month 4 APR-2012	5/4/12	5/11/12	5/18/12	5/25/12	Month 5 May-2012	6/1/12	6/8/12	6/15/12	6/22/12	6/29/12	Month 6 JUNE-2012	Total
Revenue																	
Total Base Rental Revenue	159,552		-	11,761	171,313	161,793		-	11,761	173,554	179,716		-	11,761	-	191,477	536,344
Total Reimbursement Revenue	864	-	-	-	864	864	-	-	-	864	864	-	-	-	-	864	2,592
Miscellaneous Revenue																	
Parking & Other Income	-	20,548	425	125	21,098	-	15,255	650	125	16,030	-	-	16,735	325	125	17,185	54,313
Total Miscellaneous Revenue	-	20,548	425	125	21,098	-	15,255	650	125	16,030	-	-	16,735	325	125	17,185	54,313
Total Revenue	160,416	20,548	425	11,886	193,275	162,657	15,255	650	11,886	190,448	180,580	-	16,735	12,086	125	209,526	593,249
Operating Expenses																	
Janitorial/Repairs&Maint./Landscape	791	1,144	14,785	12,827	29,547	791	1,374	17,275	13,350	32,790	791	1,144	585	12,797	3,500	18,817	81,154
Electrical/Plumbing/Elevator	-	-	4,100	2,930	7,030	-	-	650	1,240	1,890	-	-	400	400	-	800	9,720
HVAC	-	450	1,450	-	1,900	-	450	1,119	-	1,569	-	450	975	-	-	1,425	4,894
Architectural	-	-	200	-	200	-	-	200	-	200	-	-	200	-	-	200	600
Utilities	-	21,035	3,471	-	24,506	-	29,681	2,252	-	31,933	-	26,158	2,660	-	-	28,818	85,257
Fire Protection	120	365	-	-	485		365	-	-	365	-	365	-	1,100	-	1,465	2,315
Marketing	-	-	-	250	250	-	-	-	250	250	-	-	-	250		250	750
Computer Equipment Loan	-	117	-	-	117	-	117	-	-	117	-	117	-	-	-	117	351
Property Management	-	5,731	500	9,500	15,731	-	5,731	500	9,590	15,821	-	-	6,231	-	10,795	17,026	48,577
Miscellaneous Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property Taxes*	156,919	-	-	-	156,919	-	-	-	-	-	-	-	-	-	-	-	156,919
Insurance	-	-	-	-	-	11,001	-	-	-	11,001	-	-	2,800	-	-	2,800	13,801
Parking	-	95	3,787	-	3,882	-	95	3,737	-	3,832	-	95	3,737	-	-	3,832	11,546
LLC Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LLC Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PSGII Admin Fee	-		-	-	-	-		-	-	-	-		-	-	-	-	-
Expense Reimbursement	675	700	-	-	1,375	675	700	-	-	1,375	675	700	-	-	-	1,375	4,125
Total Operating Expenses	158,505	29,637	28,293	25,507	241,942	12,467	38,513	25,733	24,430	101,143	1,466	29,029	17,588	14,547	14,295	76,925	420,010
Net Operating Income	1,911	(9,089)	(27,868)	(13,621)	(48,667)	150,190	(23,258)	(25,083)	(12,544)	89,305	179,114	(29,029)	(853)	(2,461)	(14,170)	132,601	173,239
Leasing & Capital Costs																	
Tenant Improvements **	-	25,000	-	24,000	49,000	-	-	23,000	-	23,000	-	-	-	-	-	-	72,000
Leasing Commissions **	45,260	-	-	-	45,260	-	-	-	-	-	-	15,243	-	-	-	15,243	60,502
Deposit/Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General Capital Expenditures	-	-	-	1,517	1,517	-	-	-	1,517	1,517	-	-	-	1,517		1,517	4,551
Security Deposits Received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security Deposits Refunded	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Leasing & Capital Costs	45,260	25,000	-	25,517	95,777	-	-	23,000	1,517	24,517	-	15,243	-	1,517	-	16,760	137,053
Non-Operating Expenses																	
U.S.Trustee	-	4,875	-	-	4,875	-	-	-	-	-	-	-	-	-	-	-	4,875
Skeehan & Company	900	-	-	-	900	-	-	-	-	-	-	-	-	-	-	-	900
Total Other Non-Operating Expense	900	4,875	-	-	5,775	-	-	-	-	-	-	-	-	-	-	-	5,775
NET CASH FLOW	**(44,249)**	**(38,964)**	**(27,868)**	**(39,138)**	**(150,219)**	**150,190**	**(23,258)**	**(48,083)**	**(14,061)**	**64,788**	**179,114**	**(44,272)**	**(853)**	**(3,978)**	**(14,170)**	**115,842**	**30,411**
BEGINNING CASH	**758,551**	**714,302**	**675,338**	**647,470**	**758,551**	**608,333**	**758,522**	**735,264**	**687,181**	**608,333**	**673,121**	**852,235**	**807,963**	**807,110**	**803,132**	**673,121**	**758,551**
ENDING CASH	**714,302**	**675,338**	**647,470**	**608,333**	**608,333**	**758,522**	**735,264**	**687,181**	**673,121**	**673,121**	**852,235**	**807,963**	**807,110**	**803,132**	**788,962**	**788,962**	**788,962**
Est. Accrued & Unpaid Prof. Fees																	
Professional Fees																	
Legal - PWK	10,000	10,000	10,000	10,000	40,000	10,000	10,000	10,000	10,000	40,000	10,000	10,000	10,000	10,000	10,000	50,000	130,000
Legal - Real Estate	500	500	500	500	2,000	500	500	500	500	2,000	500	500	500	500	500	2,500	6,500
Financial Advisor	7,500	7,500	7,500	7,500	30,000	7,500	7,500	7,500	7,500	30,000	7,500	7,500	7,500	7,500	7,500	37,500	97,500
Accounting	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Est. Accrued&Unpaid Prof. Fees	18,000	18,000	18,000	18,000	72,000	18,000	18,000	18,000	18,000	72,000	18,000	18,000	18,000	18,000	18,000	90,000	234,000

*** Property Taxes - Total Tax Payment of $156,919.22 due 4/10/2012.**

**** As Approved in Order Approving and Authorizing Debtor to Use Cash Collateral to Pay Additional Tenant Improvement Costs and Leasing Commissions Filed and Entered on 1/19/12 AND As Approved in Order Approving Authorizing Debtor to Use Cash Collateral to Pay Additional Tenant Improvement Costs and Leasing Commissions Filed and Entered on 2/14/12.**

EXHIBIT B

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UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

LOS ANGELES DIVISION

In re GATEWAY METRO CENTER, LLC, a California limited liability company, Debtor and Debtor in Possession.	Case No: 2:11-bk-47919-BR Chapter 11 **ORDER AUTHORIZING AND APPROVING (A) USE OF CASH COLLATERAL, (B) GRANT OF ADEQUATE PROTECTION TO CERTAIN SECURED CREDITORS AND (C) ADEQUATE PROTECTION PAYMENTS UNDER SECURED EQUIPMENT FINANCING AGREEMENT THROUGH JUNE 29, 2012** Hearing: Date: TBD Time: TBD Place: Courtroom 1668 255 East Temple Street Los Angeles, CA 90012

The *Motion Of Debtor For Order Authorizing And Approving Continued (A) Use Of Cash Collateral, (B) Grant Of Adequate Protection To Certain Secured Creditors And (C) Adequate Protection Payments Under Secured Equipment Financing Agreement Through June 29, 2012* (the "Motion"), filed by the above-captioned debtor (the "Debtor"), came on for hearing before the Honorable Barry Russell, United States Bankruptcy Judge, on [March] 2012, at [ ] [a.m./p.m.] (the

"Hearing"). Appearances were made as reflected in the Bankruptcy Court's record. Capitalized terms used herein shall have the meaning ascribed to them in the Motion, unless otherwise defined.

After consideration of the Motion and accompanying supporting papers, the arguments of counsel, the files and records in this chapter 11 case, and sufficient cause appearing;

THE BANKRUPTCY COURT HEREBY MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:

1. Petition. On September 6, 2011, the Debtor filed its voluntary petition (the "Petition Date") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtor is a debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

2. Jurisdiction. The Bankruptcy Court has jurisdiction of this proceeding and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334. The Motion is a "core" proceeding as defined in 28 U.S.C. § 157(b)(2)(A), (D), and (M). Venue of this case and the Motion in this Bankruptcy Court is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

3. Notice. Under the circumstances, the notice given by the Debtor of the Motion and this hearing constitutes appropriate, due and sufficient notice thereof and complies with Bankruptcy Rule 4001(c).

4. Road Bay's Asserted Secured Interest. Road Bay Investments, LLC ("Road Bay") asserts that it is the holder of security interests, liens and mortgages in all or substantially all of the Debtor's property, including, but not limited to: (i) Gateway Metro Center and improvements thereon; (ii) all of the Debtor's rights, title and interests in all accounts, escrow funds, deposits and reserves that relate to, are derived from or are used in connection with the property of the Debtor; (iii) all of the Debtor's rights, title and interests in all machinery, equipment, fittings, furniture, furnishings, and fixtures; and (iv) all contracts, leases, documents and agreements to which the Debtor is a party. Road Bay asserts that all of the Debtor's proceeds from Road Bay's collateral are cash collateral of Road Bay within the meaning of section 363(a) of the Bankruptcy Code. The Debtor's indebtedness to Road Bay is evidenced by, among other things, that certain Mortgage Note, dated October 3, 2006, by and between Pacific Starr Pasadena, LLC and Allstate Life Insurance Company (the "Note").

5. Flying Tigers, LLC Asserted Secured Interest. Flying Tigers, LLC ("Flying Tigers", together with Road Bay, the "Lenders") asserts that it is the holder of security interests and liens in (i) Gateway Metro Center and the Land and improvements thereon; and (ii) rents, issues and profits thereof. Flying Tigers asserts that all of the Debtor's proceeds from Flying Tigers' collateral are cash collateral of Flying Tigers within the meaning of section 363(a) of the Bankruptcy Code. Road Bay disputes Flying Tigers' asserted security interest in Gateway Metro Center and the rents, issues and profits thereof. Road Bay further asserts that Flying Tigers is an insider of the Debtor whose asserted lien arose fewer than ninety days before the Petition Date. Flying Tigers asserts that its liens arose in consideration for and concurrently with a prepetition advance of $350,000 to the Debtor.

6. The Debtor's Assertions. The Debtor asserts that the Lenders are adequately protected based on the following: (a) as reflected in the Budget, the Debtor is profitable, cash flow is projected to increase during the Bankruptcy Case, cash collateral is used to maintain and preserve the Lenders' collateral, and therefore, there is no projected diminution in the collateral; (b) the Lenders are being provided with Replacement Liens (as defined herein), to the extent of cash collateral used, on all postpetition property of the same type and character as the property to which the Lenders' valid, perfected and unavoidable prepetition liens, if any, extended; (c) the Lenders are protected by an equity cushion; and (d) the Debtor will provide Lenders with reasonable reports and information during the pendency of the Bankruptcy Case. The Debtor further asserts that Road Bay does not hold a security interest in the Land.

7. Immediate Entry. Sufficient cause exists for immediate entry of this order (the "Order") pursuant to Bankruptcy Rules 4001(b)(2). No party appearing in this case has filed or made an objection to the relief sought in the Motion and the entry of this Order, or any objections that were made are hereby overruled, or have been resolved by agreement.

Based upon the foregoing, and after due consideration and good cause appearing therefor;

IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

I. AUTHORIZATION AND CONDITIONS TO USE OF CASH COLLATERAL

A. Motion Granted. Except as modified herein, the Motion is granted pursuant to Bankruptcy Rule 4001(b)(2) to the extent that the Debtor is authorized to use cash collateral to pay

actual expenses in accordance with Exhibit "A" attached hereto (the "Budget"). On a monthly basis, the expenses of the Debtor shall not exceed 15% per line item, and 15% in the aggregate, absent the written consent of the Lenders, which consent shall not be unreasonably withheld, conditioned or delayed. Except as specifically set forth in the Leasing Cost Cash Collateral Orders, and subject to the preceding sentence, amounts not spent on expenses in any one month may be spent in any of the subsequent two (2) months of any cash collateral budget; provided, however, that the sum of any unpaid postpetition expenses in any one line item and the cash expended in that line item does not exceed the aggregate budgeted amount in that line item during the entire period covered by the Budget. This Order, together with the Leasing Cost Cash Collateral Orders, shall govern the Debtor's use of cash collateral until entry of a subsequent order. This Order does not authorize the Debtor to pay any prepetition obligations. Except as set forth in this Order and the Budget, the Debtor is not entitled to make any payments to "insiders" as such term is defined by section 101(31) of the Bankruptcy Code. The Debtor shall have the right to seek further authority to use cash collateral on an expedited basis from the Bankruptcy Court, including for any period beyond the period set forth in the Budget.

B. Leasing Commissions/Tenant Improvements. In addition to the expenses set forth in the Leasing Cost Cash Collateral Orders, in order to procure new tenants for Gateway Metro Center, the Debtor shall be allowed to pay leasing commissions and/or tenant improvement costs up to $10,000 per month in the aggregate. Leasing commissions shall not exceed six (6%) of the total gross rental income under each new lease and shall comply with all requirements for leases under the Deed of Trust, Assignment of Leases, Rent And Contracts, Security Agreement And Fixture Filing between the Debtor and Allstate Life Insurance Company[1] dated October 3, 2006. To the extent that any new lease is for greater than 10,652 square feet, Debtor shall provide Lenders with a copy of the proposed lease at least seventy-two (72) hours prior to executing and entering into the lease.

C. Reporting Requirements. The Debtor shall provide the Lenders a written accounting of all expenses and receipts on a monthly basis. Such accounting shall be provided no later than fifteen (15)

[1] Road Bay is successor in interest to Allstate Life Insurance Company pursuant to that certain Assignment of Security and Mortgage Agreement dated June 30, 2011 and recorded on July 14, 2011 as document number 20110944579 in the Recorders Office of Los Angeles County, California.

days following the relevant month. For example, no later than April 15, 2012, the Debtor shall provide an accounting for the month of March.

During the term of this Order, the Debtor shall provide to the Lenders, (1) the reports and information specified in the prepetition agreements between the parties at the times such reports and information are required to be provided; (2) copies of all public information; (3) all documents submitted to the U.S Trustee; and (4) such other information and documents as the Lenders may reasonably request.

Road Bay shall keep confidential all information and documents provided by the Debtor that are not publicly available (the "Confidential Information") and shall not disclose, disseminate or share the Confidential Information except to its lawyers, appraisers, financial advisors or expert witnesses or the employees, lawyers, appraisers, financial advisors, or expert witnesses of Allstate Life Insurance Company (such parties, the "Restricted Parties"). The Confidential Information shall not be disclosed or disseminated to or shared with any other persons or entities except the Restricted Parties unless such party agrees to be bound by the confidentiality provisions contained herein; provided, however, that under no circumstances shall Confidential Information be provided to any sales, note or leasing brokers. Within five days of providing Confidential Information to any person or entity that is not a Restricted Party, Road Bay shall provide the Debtor with the identity of any such person or entity receiving Confidential Information under the terms of this Order.

II. POSTPETITION LIEN; ADEQUATE PROTECTION

A. Postpetition Lien of the Lenders. As adequate protection for any diminution in the value of the Lenders' interest in collateral caused by the Debtor's use of cash collateral, the Lenders are hereby granted valid, perfected, and enforceable replacement security interests in and liens and mortgages (the "Replacement Liens") upon all property of the Debtor and its estate, whether now existing or hereafter acquired or arising, upon which the Lenders held valid, perfected and enforceable prepetition liens, security interests and mortgages, and all proceeds, rents, issues, products or profits thereof, including, without limitation, the collateral owned by the Debtor as of the Petition Date (collectively, the "Postpetition Collateral"). The Replacement Liens shall at all times be senior to the rights of the Debtor and any successor trustees in this or any subsequent proceedings under the Bankruptcy Code to the extent the Lenders' prepetition security interests, liens and mortgages are senior

to the rights of the Debtor. The Replacement Liens herein granted (i) are and shall be in addition to all security interests, liens, mortgages and rights to set off, if any, existing in favor of the Lenders on the Petition Date; (ii) are in the same priority as prepetition to the extent that prepetition liens, security interests and mortgages are valid, perfected, enforceable and nonavoidable; (iii) shall be senior to any liens and security interests granted to secure post-petition financing pursuant to section 364 of the Bankruptcy Code; and (iv) are and shall be valid, perfected, enforceable and effective as of the Petition Date without any further action by the Debtor or the Lenders and without the execution, filing or recordation of any financing statements, security agreements, mortgages or other documents.

Nothing in this Order shall limit the Lenders' rights to assert postpetition liens under section 552 of the Bankruptcy Code. The Lenders shall not be afforded a lien in any Chapter 5 causes of action. To the extent that the Replacement Liens are insufficient to adequately protect any interest of the Lenders, the Lenders are hereby granted a superpriority administrative expense claim and all of the benefits and protections allowable under section 507(b) of the Bankruptcy Code; provided however, that the superpriority administrative expense claim granted to Flying Tigers in this Order shall be subordinated to the superpriority administrative expense claim of Road Bay. To the extent that any applicable non-bankruptcy law otherwise would restrict the granting, scope, enforceability, attachment or perfection of the Replacement Liens, or otherwise would impose filing or registration requirements with respect to the Replacement Liens, such law is hereby preempted to the maximum extent permitted by the Bankruptcy Code, other applicable federal law, and the judicial power of the Bankruptcy Court.

B. Postpetition Lien Perfection. This Order shall be sufficient and conclusive evidence of the priority, perfection and validity of the liens granted herein, effective as of the date and time of entry of this Order, without any further act and without regard to any other federal, state or local requirements or law requiring notice, filing, registration, recording or possession of the collateral or other act to validate or perfect such security interest or lien. If the Lenders hereafter request that the Debtor execute and deliver to the Lenders financing statements, mortgages or other instruments or documents considered by the Lenders to be necessary or desirable to further evidence the perfection of the Replacement Liens and security interests granted in this Order, the Debtor is authorized and directed to execute and deliver those financing statements, instruments and documents. Nothing in this Order shall in any way restrict the scope of the Lenders' prepetition liens, security interests, mortgages, rights of set-

off or claims with respect to its collateral, and all liens, security interests, and mortgages on the Lenders' collateral shall extend to the fullest extent permitted by, and subject to, section 552(b) of the Bankruptcy Code.

C. Lien On Postpetition Collateral Subordinated to Trustee's Fees. The liens on the Postpetition Collateral are subordinated to fees payable to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6).

D. Challenge to Prepetition Liens. All parties in interest had until December 12, 2011 to challenge the perfection of Lenders' prepetition liens in prepetition collateral, except that any official committee appointed by the U.S. Trustee shall have ninety days to challenge the perfection of such liens from the date of their formation. Upon the expiration of such ninety days, the Lenders' prepetition liens in the collateral shall not be subject to challenge for lack of perfection by the Debtor or any other party in interest. Notwithstanding the foregoing, to the extent Road Bay asserts a secured interest in the Land, the foregoing time limits shall not apply to challenging the perfection of any prepetition liens asserted by Road Bay in the Land.

E. Carve Out. All liens and claims of the Lenders, irrespective of their nature or priority, shall be subject to the Carve Out (as defined herein). As used herein, the term "Carve Out" shall mean quarterly fees required to be paid pursuant to 28 U.S.C. §1930(a)(6) and any fees payable to the Clerk of the Bankruptcy Court.

F. No Finding of Adequate Protection. Nothing contained in this Order shall be deemed a finding with respect to the adequate protection (as that term is defined in section 361 of the Bankruptcy Code) of the interest of the Lenders other than the adequate protection set forth in section II.A. above. Without limiting the foregoing in any respect, the Lenders may, at any time, request the Bankruptcy Court increase the payments to or other protections for the benefit of the Lenders as a condition to the continued use by the Debtor of the cash collateral. Moreover, nothing herein shall prejudice the Lenders' rights to seek relief from the automatic stay or as a dismissal of the Debtor's bankruptcy case. Nothing in this Order shall limit the Debtor's right, at any time, to assert that the Lenders are adequately protected, to object to any requests for additional adequate protection, including payments to the Lenders, or to oppose relief from the automatic stay.

G. Maintenance of Property. The Debtor shall use its best efforts, to the extent funds are

available, to maintain and keep the property and all other property constituting the collateral in good repair and condition, make all necessary replacements thereof, operate the property safely, efficiently, and in compliance with all applicable laws, codes and ordinances, and not commit any waste in connection with any collateral or operation of the property.

H. Payments to M-Theory. The Debtor is authorized to pay adequate protection payments to M-Theory in the amount of $117 per month in accordance with the Budget.

I. Payments to John F. Pipia and Betty W. Ma For Reimbursement of Expenses. The Debtor is authorized to reimburse John F. Pipia, President, and Betty W. Ma, Senior Vice President and Secretary, for reasonable, actual out-of-pocket expenses of up to $500 per month and in accordance with the Budget and the Order.

J. Payments to Pacific Starr Group, LLC For Reimbursement of Expenses. The Debtor is authorized to reimburse Pacific Starr Group, LLC up to $875 per month for (a) allocated overhead expenses, and (2) reasonable, actual out-of-pocket expenses of up to $875 per month in accordance with the Budget and this Order.

K. Payments to Skeehan & Company, Accountant For the Debtor. As set forth in the Order (1) Authorizing Debtor To Employ Skeehan & Company ("Skeehan") As Its Accountant Pursuant To 11 U.S.C. §§ 327 and 328 And (2) Approving Procedure For Payment of Compensation (the "Skeehan Application"), the Debtor is authorized to use cash collateral to pay Skeehan the amount of $900 during the term of the Budget in accordance with the Budget and the Order. Any Additional Fees (as that term is used in the Skeehan Application) incurred during the term of the Budget, if any, shall accrue and be subject to further approval of the Bankruptcy Court.

L. Lenders' Reservation of Rights. Notwithstanding anything to the contrary in this Order: (i) entry of this Order is without prejudice to any and all rights, remedies and claims that Lenders may have against the Debtor or third parties, and does not bar or limit the Lenders from seeking further or additional relief, including without limitation, seeking additional adequate protection and seeking to terminate or modify the automatic stay; and (ii) no act committed or action taken by the Lenders under this Order shall be used, construed or deemed to hold the Lenders to be in control of the Debtor, or the governance, management or operations of the Debtor's business for any purpose. The Lenders shall

not be held as a "responsible person" or "owner or operator" or a person in "control" with respect to the governance, management or operation of the Debtor's business (as such terms, or any similar terms, are used in the Internal Revenue Code, Comprehensive Environmental Response, Compensation and Liability Act, Bankruptcy Code, each as may be amended from time to time, or any other federal or state statute at law, in equity, or otherwise) by virtue of the interests, rights and remedies granted to or conferred upon the Lenders under this Order, including, without limitation, such rights and remedies as may be exercisable by the Lenders in connection with this Order.

M. Debtor's Reservation of Rights. Notwithstanding anything to the contrary in this Order, entry of this Order is without prejudice to any and all rights, remedies and claims that Debtor may have against Lenders or third parties, and does not bar or limit the Debtor from seeking further or additional relief, except as provided in section II. D above.

N. Defaults Under the Order. Unless specifically waived in writing by the Lenders (which waiver shall not be implied from any action, inaction, course of conduct or acquiescence by the Lenders), the Debtor's right and authority to use cash collateral shall immediately terminate upon the occurrence of any of the following (each, a "Default"): (i) five (5) business days following delivery of a notice (either written or via email) of a breach by the Debtor of any obligation under this Order which breach remains uncured or otherwise continues to exist at the end of such five business day notice period; (ii) conversion of the Debtor's chapter 11 case to a case under chapter 7 of the Bankruptcy Code; (iii) the entry of any order, other than a subsequent interim or final cash collateral order or any other order authorizing the use of cash collateral, modifying, reversing, revoking, staying, rescinding, vacating or amending this Order without the express prior written consent of the Lenders (and no such consent shall be implied from any action, inaction, course of conduct or acquiescence by the Lenders) (iv) the lifting of the automatic stay for any party other than the Lenders and/or any party foreclosing or otherwise seeking to enforce any lien or other right such other party may have in and to

any property of the Debtor's estate upon which the Lenders hold or assert a lien or security interest; and (v) termination or expiration of this Order, unless a subsequent cash collateral order has been entered by the Bankruptcy Court.

END OF ORDER # #