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7

8 UNITED STATES BANKRUPTCY COURT
9 NORTHERN DISTRICT OF CALIFORNIA – OAKLAND DIVISION

| | |
|-------------------------------|-------------------------------|
| 10 In re: | Case No. 12-46534 |
| 11 Pacific Thomas Corporation | Chapter 11 |
| 12 Debtor. | |
| 13 | Date: October 17, 2013 |
| 14 | Time: 10:30 a.m. |
| 15 | Place: Courtroom 215 |
| 16 | Judge: Hon. M. Elaine Hammond |

17 **DEBTOR’S SECOND AMENDED DISCLOSURE STATEMENT IN SUPPORT OF**
18 **SECOND AMENDED PLAN OF REORGANIZATION, DATED OCTOBER 4, 2013**

19 **The Debtor is a corporation, tax id # xxx-xx-5859 The Debtor’s address is 1818 Mt.**
20 **Diablo Blvd., Suite D, Walnut Creek, CA**

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ARTICLE I.
INTRODUCTION

Pacific Thomas Corporation the Debtor (hereinafter referred to as “Debtor” in this Case¹), provides this Disclosure Statement to all of its Creditors, Equity Security Holders, and to other parties in interest in the Case.

The Debtor commenced its Bankruptcy case by filing a voluntary Chapter 11 petition under the United States Bankruptcy Code, (“Code”) Sections 101-1330, on August 6, 2012 (the “Petition Date”). The Debtor was continuing in the operation and management of its business pursuant to Bankruptcy Code Sections 1107 and 1108 until a Chapter 11 trustee was appointed on January 8, 2013.

Section 1125 of the Bankruptcy Code requires that, at the time when the Plan is delivered to Creditors, the Plan be accompanied by this Disclosure Statement². The purpose of this Disclosure Statement is to provide information of a kind, and in sufficient detail, so far as is reasonably practicable, in light of the nature and history of the Debtor and the condition of the Debtor’s books and records, to enable a typical Creditor or Equity Security Holder to make an informed judgment about the Plan and to enable such Creditor or Equity Security Holder to determine whether it is in his best interest to vote for (accept) or against (reject) the Plan.

Chapter 11 of the Bankruptcy Code allows Debtor, and under some circumstances, creditors and other parties in interest, to propose a plan of reorganization. The plan may provide for Debtor to reorganize by continuing to operate, to liquidate by selling assets of the estate, or a combination of both. The Debtor is the party proposing the Plan sent to you in the same envelope as this document. **THE DOCUMENT YOU ARE READING IS THE**

¹ The definitions of the capitalized terms used in this Disclosure Statement are contained in Section II. of this Disclosure Statement.

² Section 1125(b) provides, in pertinent part, as follows: An acceptance or rejection of a plan may not be solicited after the commencement of the case under this title from a holder of a claim or interest with respect to such claim or interest, unless, at the time of or before such solicitation, there is transmitted to such holder the plan or a summary of the plan, and a written disclosure statement approved, after notice and a hearing, by the court as containing adequate information. . . . 11 U.S.C. § 1125(b).

1 DISCLOSURE STATEMENT FOR THE ENCLOSED PLAN. This Disclosure Statement
2 contains a description of the Plan and other information relevant to the decision whether to
3 vote to accept or to reject the Plan. The Debtor urges you to read this Disclosure Statement
4 because it contains important information concerning the Debtor's history, business, assets,
5 and liabilities and sets forth a summary of the Plan.

6 The Debtor's Plan is a reorganizing plan accomplished through the continuation of
7 Debtor's primary business, the ownership, management, leasing, and or sale/refinance of
8 commercial real estate. In other words, the Plan Proponent (i.e., the Debtor) seeks to
9 accomplish payment under the Plan primarily from the net proceeds and revenues generated
10 through the sale or refinance of the Pacific Thomas Properties. The Plan may provide for the
11 Debtor to reorganize by continuing to operate, to liquidate by selling assets of the estate,
12 refinancing assets of the estate or a combination of all of the above. The Debtor, Pacific
13 Thomas Corporation, is the party proposing the Plan sent to you in the same envelope as this
14 document. THE DOCUMENT YOU ARE READING IS THE DISCLOSURE STATEMENT
15 FOR THE ENCLOSED PLAN.

16 This is a combination refinancing and restructuring plan. The refinancing portion is
17 through a proposed loan by Thorofare Capital under an Option A or Option B loan amount,
18 with the balance of the plan proposed with a restructuring financed by the cash flow of the
19 reorganized debtor within sixty months for all remaining allowed claims except for the
20 Alameda County taxes which shall be paid off in a restructuring financed under a forty-eight
21 month note. In other words, the Proponent seeks to refinance some secured claims under either
22 an Option A or Option B loan amount, as outlined below, and the balance of plan payments to
23 be accomplished by restructuring notes within sixty months. The secured creditors shall be
24 paid the present value of their secured claim at a market interest rate through proceeds from the
25 Thorofare Capital refinance loan and/or a sixty month restructured note payable from net
26 income generated by the Reorganized Debtor, or, with regard to Jacol and PMF, a stipulated
27 pay-off or pay-down amount, through the Thorofare Capital refinance loan. The unsecured

1 creditors 6A and 6B shall be paid the proposed plan amounts over sixty months. The Effective
2 Date of the proposed Plan is projected to be December 15, 2013. The first payment due under
3 the plan based upon the projected Effective Date is January 15, 2014; the pay-off and pay-
4 down payments will be due within Two (2) court days of the funding of Debtor's refinance
5 loan.

6 The Plan will be implemented through the following means:

- 7 • A senior financial executive or real estate professional will act as the
8 Reorganized Debtor's CEO, will provide oversight and will be the key-decision
9 maker with *final decision-making* authority for the Reorganized Debtor.
10 Randall Whitney will provide assistance in the operation of the Reorganized
11 Debtor's business and day-to-day management decisions. Loh Realty
12 (<http://www.lohrealty.com>) and the Oakland office of Collier's International
13 (<http://www.colliers.com/en-us/oakland>) shall serve as the Reorganized
14 Debtor's Property Manager and Leasing Agent.
- 15 • The Reorganized Debtor will work to maximize its income from
16 operations and further develop the Pacific Thomas Properties providing funds
17 for the payment of its creditors.
- 18 • Debtor will have sufficient cash on hand to pay administrative claims on
19 the Effective Date of the Plan; the source of this cash will be cash in Debtor's
20 DIP bank accounts, cash from third party funding sources (new value), and cash
21 from the Thorofare loan proceeds, subject to lender approval (see footnote 10).
- 22 • The funds from Debtor's refinance loan will be used to make pay-off /
23 pay-down payments to the Alameda County Treasurer and certain secured
24 creditors.
- 25 • The Reorganized Debtor will refinance the Thorofare loan before the
26 expiration of its loan term, as extended; if the Reorganized Debtor is not able to
27 refinance the Thorofare loan before the expiration of its loan term, as extended,

1 the Reorganized Debtor agrees to sell the safe storage parcels of the Pacific
2 Thomas Properties.

3 • The proceeds from net income resultant from the leasing, and/or the
4 refinance/sale of the Pacific Thomas Properties will be used to fund the monthly
5 payments to both Secured and Non-Insider Unsecured Creditors provided for
6 under the Plan. Secured Creditors Class 1, Summit Bank, and Class 4, Jacol,
7 shall also have alternative treatment outlined in this Disclosure Statement on the
8 basis of whether one, or both, creditor classes make an 1111b election. The
9 Class 1 and Class 4 treatment outlines both options. It is anticipated that there
10 will be sufficient funds from the above-referenced sources to pay all Allowed
11 Secured and 50% of all Allowed Non-Insider Unsecured Claims as follows:

12 • The Alameda County Treasurer, Class 5, will be paid either in full
13 upon the closing date of a refinance loan (Option B) or in parts at the closing of
14 the refinance loan (Option A) with the remaining balance being paid in full on
15 or before, but no later than, the sixtieth (60th) month following the Petition Date
16 (approximately in the forty-sixth (46th) month following the Effective Date).

17 • The allowed secured claim of Summit Bank, Class 1, will be paid
18 either in full on or before the earlier of the sixtieth (60th) month following the
19 Effective Date (Option A) or in parts upon the closing of a refinance loan, with
20 a pay-down of at least \$5,000,000 and the remaining balance being paid in full
21 on or before the sixtieth (60th) month following the Effective Date (Option B) if
22 no 1111(b) election is made. Alternative treatment is outlined in more detail
23 under Class 1 if an 1111(b) election is made for both Options A and B.

24 • Secured Creditor Bank of the West, Class 2, shall be paid in full by
25 proceeds from the Thorofare Capital refinancing loan on the earlier of the
26 Effective Date or upon the closing of the Thorofare Capital refinance loan.
27

- 1 • The allowed secured claim of Private Mortgage Fund LLC, Class 3,
2 will be paid in a stipulated amount upon the closing of a refinance loan on the
3 earlier of the loan transaction closing or the Effective Date.
- 4 • The allowed secured claim of Jacol, Class 4, will be paid in parts, in a
5 stipulated amount, from the refinancing loan proceeds, on the earlier of the
6 Effective Date or upon the closing of the Thorofare Capital refinancing loan,
7 with the remaining balance being paid in full on or before the sixtieth (60th)
8 months following the Effective Date, if no 1111(b) election is made. Alternative
9 treatment is outlined in more detail under Class 4 if an 1111(b) election is made.
- 10 • Allowed Non-Insider Unsecured Creditors, Class 6A (Non-Insider
11 Trade Creditor Unsecured Claims) and Class 6B (Non-Insider Business
12 Unsecured Claims of Summit Bank and Jacol), will receive 50% of their
13 allowed claim on or before the sixtieth (60th) month following the Effective
14 Date.
- 15 • Allowed Class 6C Unsecured Claims of Insiders will not receive any
16 of their allowed claims.
- 17 • Class 7 insiders shall have their existing shares of Pacific Thomas
18 Corporation cancelled and shall be issued new shares in the Reorganized
19 Debtor, a newly organized entity, in exchange for a new value investment from
20 the sale of unrelated real estate property in Hawaii.

21 **A MORE COMPLETE DESCRIPTION OF THE PROVISIONS OF THE PLAN**
22 **AND THE MEANS OF EFFECTUATING THE PLAN ARE LOCATED AT SECTION**
23 **III BELOW.**

24 **1.01 Purpose of this Document.**

25 This Disclosure Statement summarizes what is in the Plan and tells you certain
26 information relating to the Plan and the process the Court follows in determining whether or
27 not to confirm the Plan. This Disclosure Statement does not purport to be a complete

1 description of the Plan, the financial data pertaining to the Debtor's business operations, the
2 applicable provisions of the Bankruptcy Code, or any other matter which may be deemed
3 significant by Creditors or Interest Holders. Out of practical necessity, this Disclosure
4 Statement represents an attempt to summarize extensive overall data, legal documents and
5 legal principles, including provisions of the Bankruptcy Code, and to set them forth in
6 understandable, readable form. Creditors are cautioned that the financial analysis of this
7 Disclosure Statement is an **estimated projection only**, and the actual payoff amounts will
8 likely change when claims become allowed or disallowed and the total amount of all allowed
9 claims is known.

10 **READ THIS DISCLOSURE STATEMENT CAREFULLY IF YOU WANT TO**
11 **KNOW ABOUT:**

- 12 1. **WHO CAN VOTE OR OBJECT;**
- 13 2. **WHAT THE TREATMENT OF YOUR CLAIM IS, (i.e., what your claim will**
14 **receive if the Plan is confirmed) AND HOW THIS TREATMENT COMPARES TO**
15 **WHAT YOUR CLAIM WOULD RECEIVE IN LIQUIDATION;**
- 16 3. **THE HISTORY OF THE DEBTOR AND SIGNIFICANT EVENTS DURING**
17 **THE BANKRUPTCY;**
- 18 4. **WHAT THINGS THE COURT WILL LOOK AT TO DECIDE WHETHER**
19 **OR NOT TO CONFIRM THE PLAN;**
- 20 5. **WHAT IS THE EFFECT OF CONFIRMATION; AND**
- 21 6. **WHETHER THE PLAN IS FEASIBLE.**

22 This Disclosure Statement cannot tell you everything about your rights. You should
23 consider consulting your own lawyer to obtain more specific advice on how the Plan will affect
24 you and what is the best course of action for you. Be sure to read the Plan as well as all of this
25 Disclosure Statement.

26 //

27

1 The Code requires a Disclosure Statement to contain "adequate information"
2 concerning the Plan. The Bankruptcy Court has conditionally approved this document as an
3 adequate Disclosure Statement, containing enough information to enable parties affected by the
4 Plan to make an informed judgment about the Plan. Any party can now solicit votes for or
5 against the Plan. However, the statements and conclusions set forth in this document are,
6 unless otherwise noted, those of the Proponent of the Plan. The accuracy has not yet been
7 determined by the Court, and the Court may determine such accuracy at the hearing regarding
8 whether or not to confirm the Plan.

9 **1.02 Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing.**

10 **THE COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS**
11 **DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN**
12 **ARE NOT YET BINDING ON ANYONE. HOWEVER, IF THE COURT LATER**
13 **CONFIRMS THE PLAN, THEN THE PLAN WILL BE BINDING ON ALL**
14 **CREDITORS AND INTEREST HOLDERS IN THE CASE.**

15 **1.02.1 Time and Place of the Confirmation Hearing**

16 The hearing where the Court will determine whether or not to confirm the Plan will
17 take place on _____, 2013, at _____ A.M., in the Courtroom of the
18 Honorable M. Elaine Hammond, Courtroom 215, 1300 Clay Street, Oakland, California.

19 **1.02.2 Deadline for Voting to Accept or Reject the Plan**

20 If you are entitled to vote to accept or reject the Plan, vote on the enclosed ballot and
21 return the ballot in the enclosed envelope to **Matlock Law Group, P.C.**, to the attention of
22 Anne-Leith Matlock, 1485 Treat Blvd., Suite 200, Walnut Creek, CA 94597 Telephone: (925)
23 944-7131, by _____, 2013, at 5:00 P.M. California time. See Article IV for a
24 discussion of voting eligibility requirements.

25 Your ballot must be received and served upon **Matlock Law Group, P.C.**, to the
26 attention of Anne-Leith Matlock, 1485 Treat Blvd., Suite 200, Walnut Creek, CA 94597
27 Telephone: (925) 944-7131, by _____, 2013, at 5:00 P.M. California time (the

1 “Voting Deadline”).

2 **IMPORTANT NOTICE; IF YOU ARE ELIGIBLE TO VOTE AND YOUR**
3 **COMPLETED BALLOT IS NOT RECEIVED AND SERVED UPON MATLOCK**
4 **LAW GROUP, P.C., TO ATTENTION OF ANNE-LEITH MATLOCK, 1485 TREAT**
5 **BLVD., SUITE 200, WALNUT CREEK, CA 94597 ON OR BEFORE THE VOTING**
6 **DEADLINE, YOU MAY LOSE YOUR RIGHT TO VOTE ON THE PLAN.**

7 **1.02.3 Deadline for Objecting to the Confirmation of the Plan**

8 Objections to the confirmation of the Plan must be filed with the Court and served upon
9 **Matlock Law Group, P.C.** to the attention of Anne-Leith Matlock, 1485 Treat Blvd., Suite
10 200, Walnut Creek, CA 94597 Telephone: (925) 944-7131, by _____, 2013, at 5:00
11 P.M. California time.

12 At the Confirmation Hearing, the Bankruptcy Court will determine, pursuant to
13 Section 1129 of the Bankruptcy Code, whether the Plan has been accepted by the necessary
14 Classes of Claims and Interests created under the Plan, and if not, whether the Bankruptcy
15 Court should nevertheless confirm the Plan. If at the Confirmation Hearing the Bankruptcy
16 Court determines that the Plan meets all of the requirements for confirmation prescribed by the
17 Bankruptcy Code, the Bankruptcy Court will enter a Confirmation Order. Pursuant to Section
18 1141 of the Bankruptcy Code, the effect of the Confirmation Order will be to make the
19 provisions of the Plan binding upon the Debtor and each of its Creditors and Interest Holders,
20 regardless of whether each Creditor or Interest Holder voted to accept the Plan.

21 **1.02.4 Identity of Person to Contact for More Information Regarding the**
22 **Plan**

23 Any interested party desiring further information about the Plan may contact Anne-
24 Leith Matlock at **Matlock Law Group, P.C.**, 1485 Treat Blvd., Suite 200, Walnut Creek, CA
25 94597, Telephone: (925) 944-7131

26 **1.03 Disclaimer**

27 The Plan involves the payment of Claims from available Cash on the Effective Date

1 and the Reorganized Debtor's post-confirmation net income. Additionally, Debtor
2 contemplates payment of Claims through a refinance or sale of one or more parcels of the
3 Pacific Thomas Properties within 60 months of the Effective Date. Based on Debtor's financial
4 projections, the Debtor projects that there will be sufficient funds available to make the
5 payments called for under the Plan. The Debtor's financial projections are filed in support of
6 the Plan (included in **Exhibit C** attached hereto) and were prepared by the Debtor.

7 THE PROJECTIONS SET FORTH IN THIS DISCLOSURE STATEMENT
8 REPRESENT A PREDICTION OF FUTURE EVENTS BASED UPON CERTAIN
9 ASSUMPTIONS SET FORTH WITH SUCH PROJECTIONS. THESE FUTURE EVENTS
10 MAY OR MAY NOT OCCUR, AND THE PROJECTIONS MAY NOT BE RELIED UPON
11 AS A GUARANTEE OR OTHER ASSURANCE OF THE ACTUAL RESULTS WHICH
12 WILL OCCUR. BECAUSE OF THE UNCERTAINTIES INHERENT IN PREDICTIONS OF
13 FUTURE EVENTS, THE DEBTOR'S ACTUAL CASH FLOW MAY WELL BE
14 DIFFERENT FROM THAT PREDICTED, AND SUCH DIFFERENCE MAY BE
15 MATERIAL AND ADVERSE TO THE INTERESTS OF THE CREDITORS.

16 The projections are intended to assess the future cash flow available to the
17 Debtor for making the distributions required by the Plan. Significant assumptions underlying
18 the financial projections include the following:

19 1. Effective Date of the Plan

20 For the purpose of the Projections, the Debtor estimates that the Confirmation
21 Date will occur in or about December 5, 2013 and hence, that the Effective Date will occur in
22 or about December 15, 2013.

23 2. Earnings Generated by Pacific Thomas Properties.

24 The Debtor's projection of the future earnings which will be generated by the
25 Pacific Thomas Properties through rental revenues and or the refinance or sale of Pacific
26 Thomas Properties is derived from Debtor's estimate of the revenue which the Pacific Thomas
27 Properties will generate after the Confirmation Date.

1 3. Expenses of the Debtor

2 The Debtor has assumed, for the purpose of the Projections, that its expenses
3 will not increase by any significant amount, except as specifically set forth in the Projections,
4 during the term of the Plan.

5 The information contained in this Disclosure Statement is provided by the Debtor. The
6 Plan Proponent represents that everything stated in the Disclosure Statement is true to the
7 Proponent's best knowledge. The Court has not yet determined whether or not the Plan is
8 confirmable and makes no recommendation as to whether or not you should support or oppose
9 the Plan.

10 The financial data relied upon in formulating the Plan is based on the Debtor's post-
11 petition financial projections, the Debtor's Bankruptcy Schedules, and the financial
12 information contained in pleadings filed with the Bankruptcy Court. This information was not
13 audited or reviewed by an independent accountant and the Debtor is unable to warrant or
14 represent that such financial information is without any inaccuracies, although Debtor believes
15 it has made reasonable efforts under the circumstances to present such financial information
16 fairly and accurately. The Debtor represents that everything stated in the Disclosure Statement
17 is true to the best of Debtor's knowledge. The Court has not yet determined whether or not the
18 Plan is confirmable and makes no recommendation as to whether or not you should support or
19 oppose the Plan.

20 **THIS IS A SOLICITATION BY THE DEBTOR. THE REPRESENTATIONS**
21 **HEREIN ARE THOSE OF THE DEBTOR AND NOT OF ITS ATTORNEYS OR**
22 **CONSULTANTS. NO REPRESENTATIONS CONCERNING THE DEBTOR OR**
23 **POST-CONFIRMATION DEBTOR, INCLUDING, BUT NOT LIMITED TO,**
24 **REPRESENTATIONS AS TO THE POST-CONFIRMATION DEBTOR'S FUTURE**
25 **ACTIVITIES, THE VALUE OF ITS PROPERTY, THE AMOUNT OF CLAIMS**
26 **AGAINST THE DEBTOR'S ESTATE, OR ANY TAX EFFECT OF THE**
27 **TRANSACTIONS PROPOSED UNDER THE PLAN, ARE AUTHORIZED BY THE**

1 DEBTOR, OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.
2 ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE
3 ACCEPTANCE OF THE PLAN THAT ARE IN ADDITION TO OR DIFFERENT
4 FROM THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT
5 SHOULD NOT BE RELIED UPON BY ANY PARTY IN INTEREST. ANY SUCH
6 ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED
7 TO THE DEBTOR'S ATTORNEYS WHO, IN TURN, WILL DELIVER THE
8 INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS THE
9 BANKRUPTCY COURT MAY DEEM TO BE APPROPRIATE.

10 UNLESS SPECIFICALLY SET FORTH HEREIN TO THE CONTRARY, THE
11 INFORMATION CONTAINED OR REFERRED TO IN THIS DISCLOSURE
12 STATEMENT REGARDING THE DEBTOR HAS NOT BEEN SUBJECT TO
13 CERTIFIED AUDIT. RECORDS KEPT BY THE DEBTOR RELY FOR THEIR
14 ACCURACY ON BOOKKEEPING PERFORMED INTERNALLY BY THE DEBTOR.
15 THE DEBTOR BELIEVES THAT EVERY REASONABLE EFFORT HAS BEEN
16 MADE TO PRESENT FINANCIAL INFORMATION AS ACCURATELY AS IS
17 REASONABLY PRACTICABLE GIVEN THE NATURE AND HISTORY OF THE
18 DEBTOR'S BUSINESS AND THE CONDITION OF THE DEBTOR'S BOOKS AND
19 RECORDS. HOWEVER, THE FINANCIAL INFORMATION CONTAINED HEREIN
20 REGARDING THE DEBTOR IS NEITHER WARRANTED NOR REPRESENTED TO
21 BE FREE OF INACCURACY. COUNSEL FOR THE DEBTOR HAS NOT
22 INDEPENDENTLY VERIFIED THE INFORMATION CONTAINED HEREIN AND
23 MAKES NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE
24 ACCURACY THEREOF.

25 ALL PARTIES ENTITLED TO VOTE ON THE PLAN ARE URGED TO
26 REVIEW CAREFULLY THE PLAN AND THIS DISCLOSURE STATEMENT PRIOR
27 TO VOTING ON THE PLAN. THE CONTENTS OF THIS DISCLOSURE

1 STATEMENT SHOULD NOT BE CONSTRUED IN ANY MANNER TO BE LEGAL,
2 BUSINESS, OR TAX ADVICE. EACH CREDITOR AND OTHER PARTY IN
3 INTEREST SHOULD CONSULT WITH HIS OWN LEGAL COUNSEL, BUSINESS
4 ADVISOR, CONSULTANT, AND/OR ACCOUNTANT PRIOR TO VOTING TO
5 ENSURE A COMPLETE UNDERSTANDING OF THE TERMS OF THE PLAN. THIS
6 DISCLOSURE STATEMENT IS INTENDED FOR THE SOLE USE OF THE
7 CREDITORS AND INTEREST HOLDERS OF THE DEBTOR TO ENABLE THEM
8 TO MAKE AN INFORMED DECISION REGARDING THE PLAN.
9 THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT
10 INDICATES ONLY THAT THE DISCLOSURE STATEMENT CONTAINS
11 ADEQUATE INFORMATION FOR THE PURPOSE OF SOLICITATION OF
12 ACCEPTANCES TO THE PLAN BY THE DEBTOR, ASSUMING IT IS ACCURATE.
13 HOWEVER, THE BANKRUPTCY COURT HAS NOT YET DETERMINED THE
14 ACCURACY OF SUCH INFORMATION. IT MAY DO SO AT THE CONFIRMATION
15 HEARING.

16 **1.04 Definitions, Interpretations and Rules of Construction**

17 **1.04.1 Definitions**

18 1. **“Administrative Claim”** means a Claim for costs and expenses of the
19 administration of the Case under Sections 503(b) or 507(b) of the Bankruptcy Code, including,
20 without limitation: (a) the actual and necessary costs and expenses incurred after the Petition
21 Date of preserving the Estate and operating the business of the Debtor (such as wages, salaries,
22 or commissions for services); (b) all Claims of professionals employed at the expense of the
23 Estate; and (c) any fees or charges assessed against the Estate under 28 U.S.C. § 1930.

24 2. **“Allowed Administrative Claim”** means an Administrative Claim allowed
25 pursuant to Sections 503(b) or 507(b) of the Bankruptcy Code.

26 3. **“Allowed Amount”** means the amount of any Claim against the Debtor
27 determined in accordance with Sections 502 and 506(a) of the Bankruptcy Code and any other

1 applicable Section of the Bankruptcy Code, and recognized by the Debtor as value or allowed
2 by Final Order of the Court, except to the extent described or defined otherwise herein.

3 4. **“Allowed Claim”** means a Claim: (a) with respect to which a Proof of Claim
4 has not been filed but the Claim has been listed in the Schedules filed with the Bankruptcy
5 Court by the Debtor and not listed as disputed, contingent, or unliquidated as to amount and as
6 to which no objection is filed within the time period fixed by the Bankruptcy Court, or as to
7 which any such objection has been determined by a Final Order; or (b) with respect to which a
8 Proof of Claim has been filed within the time period fixed by the Bankruptcy Court, and as to
9 which no objection is filed within the time period fixed by the Bankruptcy Court, or as to
10 which any such objection has been determined by a Final Order. **Class __ Claim** means an
11 Allowed Claim in the particular Class described.

12 5. **“Allowed Class __ Claim”** means an Allowed Claim in the particular Class
13 described.

14 6. **“Allowed Class Interest”** means an Allowed Interest in the particular Class
15 described

16 7. **“Allowed General Unsecured Claim”** means an unsecured Allowed Claim
17 against the Debtor, however arising, not entitled to priority under Section 507(a) of the
18 Bankruptcy Code, including, without limitation, an Allowed Claim based on the rejection of an
19 executory contract or unexpired lease.

20 8. **“Allowed Priority Claim”** means an Allowed Administrative Claim, Allowed
21 Priority Tax Claim, or Allowed Priority Unsecured Claim.

22 9. **“Allowed Priority Tax Claim”** means an Allowed Claim entitled to priority
23 pursuant to Section 507(a)(8) of the Bankruptcy Code.

24 10. **“Allowed Priority Unsecured Claim”** means an Allowed Claim entitled to
25 priority pursuant to Sections 507(a)(3), 507(a)(4), or 507(a)(6) of the Bankruptcy Code.

26 11. **“Allowed Secured Claim”** means an Allowed Claim secured by a lien, security
27 interest or other charge against property in which the Estate has an interest, or which is subject

1 to setoff under Section 553 of the Bankruptcy Code, to the extent of the value, determined in
2 accordance with Section 506(a) of the Bankruptcy Code, of the interest of the holder of such
3 Allowed Secured Claim in the Estate's interest in such property, or to the extent of the amount
4 subject to any setoff, as the case may be.

5 12. **"Amended Bank of the West Note 1 Security Documents"** means the Bank
6 of the West Note 1 Security Documents as they relate to the Bank of the West Note 1
7 Collateral securing the Bank of the West Note 1, as amended pursuant to the Plan.

8 13. **"Amended Jacol Note 1 Security Documents"** means the Jacol Note 1
9 Security Documents as they relate to the Jacol Note 1 Collateral securing the Jacol Note 1, as
10 amended pursuant to the Plan.

11 14. **"Amended Private Mortgage Fund LLC Security Documents"** means the
12 Private Mortgage Fund LLC Note 1 Security Documents as they relate to the Private Mortgage
13 Fund LLC Note 1 Collateral securing the Private Mortgage Fund LLC Note 1, as amended
14 pursuant to the Plan.

15 15. **"Amended Summit Bank Note 1 Security Documents"** means Summit Bank
16 Note 1 Security Documents as they relate to the Summit Bank Note 1 Collateral securing the
17 Summit Bank Note 1, as amended pursuant to the Plan.

18 16. **"Approved Date"** means the date on which an Order approving the Disclosure
19 Statement, or an amended version thereof, is entered by the clerk on the Court's docket.

20 17. **"Avoidance Action"** means any action which is filed or which may be filed
21 pursuant to the provisions of Sections 510, 542, 543, 544, 545, 547, 548, 549, or 550 of the
22 Bankruptcy Code, any actions based on applicable non Bankruptcy law that may be
23 incorporated or brought under the foregoing sections of the Bankruptcy Code, or any other
24 similar action or proceeding filed to recover property for or on behalf of the Estate or to avoid
25 a lien or transfer.

26 18. **"Ballot"** means the form distributed to holders of claims and interests on which
27 is to be stated an acceptance or rejection of the Plan.

1 19. “**Bankruptcy Code**” means Title 11 of the United States Code, as now in
2 effect or hereafter amended. All citations in the Plan to section numbers are to the Bankruptcy
3 Code unless otherwise expressly indicated.

4 20. “**Bankruptcy Court**” means the United States Bankruptcy Court for the
5 Northern District of California, Oakland Division which has jurisdiction over the Case and the
6 Estate of the Debtor, or such successor court or tribunal as may hereafter be confirmed or
7 created by lawful authority with power to confirm reorganization plans under Chapter 11 of the
8 Bankruptcy Code and all applicable statutes, rules, and regulations pertaining thereto.

9 21. “**Bankruptcy Rules**” means the Federal Rules of Bankruptcy Procedure and the
10 Local Bankruptcy Rules for use in the Bankruptcy Court, as now in effect or hereafter
11 amended.

12 22. “**Bank of the West**” means Bank of the West, the holder of the beneficial
13 interest in the 1st deed of trust encumbering the Bank of the West Note 1 Collateral.

14 23. “**Bank of the West Note 1**” means that certain Promissory Note secured by a ^{1st}
15 deed of trust encumbering the Bank of the West Note 1 Collateral

16 24. “**Bank of the West Note 1 Collateral**” means the ^{1st} deed of trust encumbering
17 the property located at 2615 East 12th Oakland, CA, on APN 25-701-6-4, and Bank of the
18 West’s UCC-1 Financing Statement encumbering any and all rights, title and interest of Debtor
19 in, under, and to any Swap Contract.

20 25. “**Bank of the West First Note 1**” means that certain Promissory Note which
21 amends the Bank of the West Note 1 and is to be executed by the Reorganized Debtor and
22 Bank of the West pursuant to the Plan.

23 26. “**Bar Date**” means the last date for filing Proofs of Claim other than
24 Administrative Claims or Claims based upon the rejection of any executory contracts or
25 unexpired leases. The Bar Date for filing Proofs of Claim for all creditors except a
26 governmental unit was set by the Bankruptcy Court as December 10, 2012.

27

1 27. **“Business Day”** means any day other than a Saturday, Sunday, or “legal
2 holiday” (as defined in Bankruptcy Rule 9006(a)).

3 28. **“Case”** means the Debtor’s Chapter 11 case which was filed in the Bankruptcy
4 Court, as 12-46534

5 29. **“Cash”** means cash and cash equivalents, including, but not limited to, checks
6 or similar forms of payment or exchange.

7 30. **“Claim”** means: (a) a right to payment from the Debtor, whether or not such
8 right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured,
9 disputed, undisputed, legal, equitable, secured, or unsecured, or (b) a right to an equitable
10 remedy for breach of performance if such breach gives rise to a right to payment from the
11 Debtor, whether or not such right to an equitable remedy is reduced to judgment, liquidated,
12 unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or
13 unsecured.

14 31. **“Claimant”** means the holder of a Claim.

15 32. **“Class”** means a grouping into which Claims or Interests which are
16 substantially similar to other Claims or Interests have been classified pursuant to Article IV of
17 the Plan.

18 33. **“Confirmation”** means the entry of the Confirmation Order by the Bankruptcy
19 Court.

20 34. **“Confirmation Date”** means the date on which the Confirmation Order is
21 entered by the Bankruptcy Court.

22 35. **“Confirmation Hearing”** means the hearing, including any continued or
23 postponed session thereof, at which time the Bankruptcy Court will consider and determine
24 whether to confirm the Plan.

25 36. **“Confirmation Order”** means the order, as entered, of the Bankruptcy Court
26 confirming the Plan pursuant to Section 1129 of the Bankruptcy Code.

27 37. **“Creditor”** means the holder of an Allowed Claim.

1 38. “**Debtor**” means Pacific Thomas Corporation, the debtor in the Case.

2 39. “**Disallowed Claim**” means a Claim against the Debtor, which Claim is
3 disallowed pursuant to an order of the Bankruptcy Court as to which eleven (11) calendar days
4 have passed following entry of such order and no stay pending an appeal of such order is
5 obtained during such period

6 40. “**Disbursing Agent**” means the person or entity charged with making
7 Distributions pursuant to the terms of the Plan. Pursuant to the Plan, the Court shall appoint a
8 neutral person or entity to serve as the Disbursing Agent under the Plan.

9 41. “**Disclosure Statement**” means the Disclosure Statement (and all exhibits or
10 schedules annexed thereto or referenced therein) which accompanies the Plan, as the
11 Disclosure Statement may be amended, modified, or supplemented from time to time in
12 accordance with the Bankruptcy Code and Bankruptcy Rules.

13 42. “**Disputed Claim**” means any Claim: (a) listed on the Debtor’s Schedules as
14 unliquidated, disputed, or contingent; or (b) as to which the Debtor, or any other party in
15 interest, has interposed a timely objection or request for estimation or subordination in
16 accordance with the Bankruptcy Code and the Bankruptcy Rules, which objection or request
17 for estimation or subordination has not been withdrawn or determined by a Final Order. A
18 Claim will be considered a Disputed Claim in its entirety if an objection is timely filed to any
19 portion of such Claim.

20 43. “**Disputed Claims Reserve Account**” means the segregated account to be
21 created for holding the pro-rata share of any Disputed Claims pending final resolution of the
22 Disputed Claim.

23 44. “**Distribution**” means the Cash which is required to be distributed under the
24 Plan to the holders of Allowed Claims.

25 45. “**Effective Date**” means the date not later than ninety (90) days following the
26 date upon which the Confirmation Order becomes a Final Order; provided, however, that, if an
27 appeal of the Confirmation Order is timely filed, the Debtor may elect to cause the Plan to

1 become effective, notwithstanding the pendency of such appeal, so long as no stay of the
2 Confirmation Order is in effect, by filing with the Bankruptcy Court a notice of such election,
3 in which event the Plan will become effective as provided herein.

4 46. **“Equity Security Holder”** means the holder of an Interest in the Debtor.

5 47. **“Estate”** means the estate created under Section 541 of the Bankruptcy Code in
6 the Case.

7 48. **“Exhibits”** means those exhibits annexed to the Plan or Disclosure Statement or
8 incorporated by reference in the Plan or Disclosure Statement.

9 49. **“File,” “Filed,” or “Filing”** means filed with the Bankruptcy Court having
10 jurisdiction over the Case.

11 50. **“Final Distribution”** means, for each Class, the last Distribution to be made to
12 holders of Allowed Claims in that Class

13 51. **“Final Order”** means an order or judgment of the Bankruptcy Court, or of any
14 court of competent jurisdiction where there is pending an action in which the Debtor is a party,
15 which has not been reversed, stayed, modified, or amended, and as to which: (a) the time to
16 appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which
17 no appeal, petition for certiorari, or other proceeding for reargument or rehearing shall then be
18 pending; or (b) any right to appeal, petition for certiorari, reargument, or rehearing shall have
19 been waived in writing in form and substance satisfactory to the Debtor; or (c) any appeal,
20 petition for certiorari, reargument or rehearing has been resolved by the highest court to which
21 the order or judgment was appealed timely or from which certiorari, reargument, or rehearing
22 was sought.

23 52. **“Financial Projections”** means the financial statements prepared by the
24 Debtor which sets forth, among other things, the Debtor's cash flow projections, and which is
25 attached as Exhibit "C" hereto.

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27 //

1 53. **“General Unsecured Claim”** means an unsecured Claim against the Debtor
2 that is not entitled to priority under Section 507(a) of the Bankruptcy Code, including, without
3 limitation, a Claim based on the rejection of an executory contract or unexpired lease.

4 54. **“Interest”** means a membership interest in the Debtor.

5 55. **“Jacol”** means the group of individuals and entities that holds the beneficial
6 interest in the 2nd deed of trust encumbering the Jacol Note 1 Collateral; said group is
7 comprised of Jacol LLC, as to an undivided 48.43% interest, Robert Petersen, as to an
8 undivided 21.43% interest, Pensco Trust Company Custodian FBO Emily Williams, IRA, as to
9 an undivided 12.29% interest, Kenneth Hill, as to an undivided 10.71% interest, Shirley
10 Meloy, as to an undivided 7.14% interest.

11 56. **“Jacol Note 1”** means that certain Promissory Note secured by a second deed
12 of trust encumbering Jacol Note 1 Collateral.

13 57. **“Jacol First Note 1”** means that certain Promissory Note which amends the
14 Jacol Note 1 and is to be executed by the Reorganized Debtor and Jacol pursuant to the Plan.

15 58. **“Jacol Note 1 Collateral”** means the 2nd deed of trust encumbering the
16 Property located in Oakland, CA on APNs 25-697-2-4, 25-697-3-6, 25-697-7-14.

17 59. **“Net Sales Proceeds”** means all of the Cash proceeds from the sale of the assets
18 of the Estate minus all costs of sale and administrative expenses of the Estate including, but not
19 limited to, the fees and expenses of the Disbursing Agent and Professionals employed by the
20 Estate, income taxes and payments pursuant to the Plan to creditors holding Allowed
21 Administrative Claims, Allowed Priority Claims and/or Allowed Secured Claims.

22 60. **“Order”** means an order or judgment of the Bankruptcy Court as entered on
23 the Court's docket.

24 61. **“Pacific Thomas Properties”** means the Properties located on APNs 25-697-2-4,
25 25-697-3-6, 25-697-7-14, APN 25-701-6-4, and APNs 25-693-8, 19-102-4, 25-701-11, 25-
26 697-7-15, 25-707-14-2.

27 //

1 62. “**Person**” means any individual, corporation, general partnership, limited
2 partnership, association, joint stock company, joint venture, estate, trust, government or any
3 political subdivision, governmental unit (as defined in the Bankruptcy Code) or official
4 committee appointed by the United States Trustee.

5 63. “**Petition Date**” means August 6, 2012, the date on which the Debtor filed its
6 voluntary petition under Chapter 11 of the Bankruptcy Code, commencing the Case.

7 64. “**Plan**” means the Debtor’s Chapter 11 Plan of Reorganization, as the Plan may
8 be amended, modified, or supplemented from time to time in accordance with the Bankruptcy
9 Code and Bankruptcy Rules.

10 65. “**Post-Confirmation Estate Claims**” means any and all claims and causes of
11 action which constitute property of the Estate including, but not limited to, any Avoidance
12 Actions, whether or not such claims or causes of action are the subject of litigation pending as
13 of the Effective Date.

14 66. “**Post-Petition Earnings**” means any funds received by Debtor since the
15 Petition Date.

16 67. “**Priority Claim**” means an Administrative Claim, Priority Tax Claim, or
17 Priority Unsecured Claim.

18 68. “**Priority Tax Claim**” means a Claim asserted to have priority under Section
19 507(a)(8) of the Bankruptcy Code.

20 69. “**Priority Unsecured Claim**” means a Claim asserted to have priority under
21 Sections 507(a)(3), 507(a)(4), or 507(a)(6) of the Bankruptcy Code.

22 70. “**Private Mortgage Fund**” means Private Mortgage Fund, LLC, the holder of
23 the beneficial interest in the 1st deed of trust encumbering the Private Mortgage Fund Note 1
24 Collateral

25 71. “**Private Mortgage Fund Note 1**” means that certain Promissory Note secured
26 by a 1st deed of trust encumbering the Private Mortgage Fund Note 1 Collateral.

27 //

1 72. **“Private Mortgage Fund First Note 1”** means that certain Promissory Note
2 which amends the Private Mortgage Fund Note 1 and is to be executed by the Reorganized
3 Debtor and Private Mortgage Fund pursuant to the Plan.

4 73. **“Private Mortgage Fund Note 1 Collateral”** means the 1st deed of trust
5 encumbering the Property located at 1111 29th Ave, 2783 East 12th Avenue and the, 2801 East
6 12th Street parking lot in Oakland, CA on APNs 25-697-2-4, 25-697-3-6, 25-697-7-14.

7 74. **“Professionals”** means professionals, such as attorneys, consultants or
8 accountants employed by the Debtor in this case after the confirmation of the Plan, including
9 but not limited to, Matlock Law Group, P.C.

10 75. **“Pro Rata”** means the proportional amount of any one Claim or Equity Interest
11 in a Class or a group of Claims to the aggregate amount of all Claims or Equity Interests in the
12 same Class or group, including Disputed Claims until disallowed.

13 76. **“Proof of Claim”** means a statement under oath filed in the Case by a Claimant
14 in which the Claimant sets forth the amount claimed to be owed to it and sufficient detail to
15 identify the basis for the Claim, in accordance with Federal Rule of Bankruptcy Procedure
16 3001.

17 77. **“PTC”** means Pacific Thomas Corporation.

18 78. **“Reorganized Debtor”** means the Debtor, Pacific Thomas Corporation and its
19 successor in interest, Safe Storage Oakland, Inc., on and after the Effective Date, who shall
20 assume all of the rights and obligations of the Debtor together with title to and control of the
21 Debtor's assets and liabilities upon Confirmation of the Plan, as such rights, obligations, assets
22 and liabilities are modified in the Plan.

23 79. **“Schedules”** means the Schedules of Assets and Liabilities and Statement of
24 Financial Affairs filed by the Debtor in the Case, as amended, modified, or supplemented from
25 time to time.

26 80. **“Secured Claim”** means a Claim secured by a lien, security interest or other
27 charge against property in which the Estate has an interest, or which is subject to setoff under

1 Section 553 of the Bankruptcy Code, to the extent of the value, determined in accordance with
2 Section 506(a) of the Bankruptcy Code, of the interest of the holder of such Secured Claim in
3 the Estate's interest in such property, or to the extent of the amount subject to any setoff, as the
4 case may be.

5 81. **"Secured Creditor"** shall mean the holder of an Allowed Secured Claim.

6 82. **"Summit Bank"** means Summit Bank, the holder of the beneficial interest in
7 the 1st deed of trust encumbering the Summit Bank Note 1 Collateral.

8 83. **"Summit Bank Note 1"** means that certain Promissory Note for loan number
9 ending 8144, which is secured by a 1st deed of trust encumbering the Summit Bank Note 1
10 Collateral.

11 84. **"Summit Bank Note 1 Collateral"** means the 1st deed of trust encumbering
12 the properties located at 1113-1115 29th Ave, the 23rd Ave Cul de sac parking area, and the
13 2901 East 12th Street Parking Lot(s) located in Oakland, CA on APNs 25-693-8, 19-102-4, 25-
14 701-11, 25-697-7-15, 25-707-14-2, 25-693-3-3, as well as Summit Bank's UCC-1 Financing
15 Statement encumbering Debtor's Inventory, Chattel Paper, Accounts, Equipment, and General
16 Intangibles. The terms "Inventory", "Chattel Paper", "Accounts", "Equipment", and "General
17 Intangibles", in the context of Summit Bank's UCC-1 Financing Statement, shall have the
18 meaning set forth in the respective subsections of UCC §9-102 that define such term(s).

19 85. **"Summit Bank First Note 1"** means that certain Promissory Note which
20 amends the Summit Bank Note 1 and is to be executed by the Reorganized Debtor and Summit
21 Bank pursuant to the Plan.

22 86. **"Swap Agreement"** means the Interest Rate Protection Agreement that was
23 entered into by and between Debtor and Bank of the West on or around December 18, 2008;
24 pursuant to the Swap Agreement, Debtor is obliged to pay 6.25% interest for a day count
25 fraction of "Actual/360" for the Notional Amount each month minus the Floating Rate Amount
26 payable by Bank of the West until the termination date of December 5, 2013. The Floating
27

1 Rate Amount shall mean a rate of One (1) month Libor USD plus 3.59% for a day count
2 fraction of “Actual/360”.

3 87. **“Swap Contract”** means (a) any rate swap transactions, basis swaps, credit
4 derivative transactions, forward rate transactions, commodity swaps, commodity options,
5 forward commodity contracts, equity or equity index swaps or options, bond or bond price or
6 bond index swaps or options or forward bond or forward bond price or forward bond index
7 transactions, interest rate options, forward foreign exchange transactions, cap transactions,
8 floor transactions, collar transactions, currency swap transactions, cross-currency rate swap
9 transactions, currency options, spot contracts, or any other similar transactions or any
10 combination of any of the foregoing, and (b) any and all transactions of any kind, and the
11 related confirmations, which are subject to the terms and conditions of, or governed by, any
12 form of master agreement.

13 88. **“Tax Collector”** means the County Treasurer/Tax Collector or its successors-
14 in-interest

15 89. **“Unclaimed Distribution”** means any Distribution which is unclaimed as a
16 result of any of the following: (a) checks which have been returned as undeliverable without a
17 proper forwarding address; (b) checks which were not mailed or delivered because of the
18 absence of a proper address to which to mail or deliver the same; (c) checks which remain un-
19 negotiated for a period of ninety (90) days after the date of issuance.

20 90. **“Unclassified Claims”** means the Allowed Amount of all Administrative
21 Claims of the Debtor's Case, allowed pursuant to Section 503(b) of the Bankruptcy Code; and
22 (ii) all Priority Tax Claims entitled to priority pursuant to Section 507(a)(8) of the Bankruptcy
23 Code.

24 91. **“Unsecured Creditors”** means Creditors holding Allowed Unsecured Claims
25 against the Debtor for which there are no assets of the Debtor serving as a security, but not
26 including Priority Claims.

27 //

1 92. **“Wage Claimant”** means a Claimant asserting a Claim pursuant to Section
2 507(a)(3) or (a)(4) of the Bankruptcy Code.

3 **1.04.2 Undefined Terms**

4 Any term used in the Disclosure Statement that is not defined in the Disclosure
5 Statement, either in Section 1.03.1 (Definitions) or elsewhere, but that is used in the
6 Bankruptcy Code or the Bankruptcy Rules has the meaning assigned to that term in the
7 Bankruptcy Code or the Bankruptcy Rules.

8 **1.05 Interpretations, Computation of Time and Governing Law**

9 **1.05.1 Rules of Interpretation**

10 For the purposes of the Disclosure Statement:

11 1. Whenever, from the context, it is appropriate, each term, whether stated in the
12 singular or the plural, shall include both the singular and the plural.

13 2. Any reference in the Plan to a contract, instrument, release or other agreement
14 or document being in a particular form or on particular terms and conditions means that such
15 document shall be substantially in such form or substantially on such terms and conditions.

16 3. Any reference in the Plan to an existing document or Exhibit Filed or to be
17 Filed means such document or Exhibit, as it may have been or may be amended, modified, or
18 supplemented as of the Confirmation Date.

19 4. Unless otherwise specified in a particular reference in the Plan, all references in
20 the Plan to Sections, Articles or Exhibits are references to Sections, Articles and Exhibits of or
21 to the Plan.

22 5. Unless otherwise specified in a particular reference in the Plan, the words
23 "herein," "hereof," "hereto," "hereunder," and others of similar import refer to the Plan in its
24 entirety rather than only to a particular paragraph, subparagraph, or clause contained in the
25 Plan.

26 6. Captions and headings to Articles and Sections are inserted for convenience of
27 reference only and are not intended to be a part of or to affect the interpretation of the Plan.

1 7. The rules of construction set forth in Bankruptcy Code Section 102 shall apply.

2 8. The provisions of the Plan will control over any description thereof contained in
3 the Disclosure Statement.

4 9. Any term used in the Plan that is not defined in the Plan, but that is used in the
5 Bankruptcy Code or in the Bankruptcy Rules shall have the meaning assigned to that term in
6 (and shall be construed in accordance with the rules of construction under) the Bankruptcy
7 Code or the Bankruptcy Rules. Without limiting the foregoing, the rules of construction set
8 forth in Section 102 of the Bankruptcy Code shall apply hereto. The definitions and rules of
9 construction contained herein do not apply to the Disclosure Statement or to the exhibits to the
10 Plan except to the extent expressly so stated in the Disclosure Statement or in each exhibit to
11 the Plan.

12 10. Except to the extent that federal law, including the Bankruptcy Code or the
13 Bankruptcy Rules are applicable, the rights and obligations arising under the Plan shall be
14 governed by, and construed and enforced for all purposes in accordance with, the laws of the
15 state of California, without giving effect to any principles of conflict of laws thereof.
16 All exhibits to the Plan are incorporated into the Plan and will be deemed to be included in the
17 Plan, regardless of when they are filed.

18 **1.05.2 Computing Time Periods**

19 In computing any period of time prescribed or allowed by the Plan, the provisions of
20 Bankruptcy Rule 9006(a) shall apply.

21 **1.05.3 Section Numbers**

22 References in the Plan and Disclosure Statement to a Code section are references to the
23 United States Bankruptcy Code (Title 11 of the United States Code) except as otherwise
24 indicated.

25 **1.05.4 Notices and Delivery of Documents**

26 All notices, correspondence, and other deliveries under this Disclosure Statement must
27 be directed as follows:

| | |
|---|---|
| <p>1 To the Debtor or 2 Reorganized Debtor:</p> | <p>Pacific Thomas Corporation Attn: Randall Whitney 1818 Mt. Diablo Blvd., Suite D, Walnut Creek, CA</p> |
| <p>3 4 With a Copy to:</p> | <p>Matlock Law Group, P.C. Anne-Leith Matlock 1485 Treat Blvd., Suite 200, Walnut Creek, CA 94597 Telephone: (925) 944-7131</p> |

5
6 **ARTICLE II.**

7 **BACKGROUND**

8 **2.01 Description and History of the Debtor's Business**

9 The Debtor Pacific Thomas Corporation (PTC) is a real estate investment and
10 development company doing business since 1992 in California and, previously, also Hawaii.
11 PTC currently controls an approximate ten (10) acre site next door to Fruitvale BART station
12 in Oakland California, which is assembled with nine (9) legal and contiguous parcels. The
13 portfolio is anchored by the company-owned self-storage facility "Safe Storage" that is
14 currently leased to Pacific Trading Ventures.

15 This lease between Debtor and PTV has been in place since January 1, 2005, was
16 renewed on January 1, 2010, and amended and modified on August 1, 2012 to reflect current
17 market rates. Apparently in an effort to market the Self Storage properties, the Chapter 11
18 Trustee has given a termination notice to Pacific Trading Ventures in or around April 2013.

19 PTC's property portfolio comprises a total of 10 acres of transit-oriented site area in
20 Oakland California adjacent to the Fruitvale BART station. The properties are situated within
21 Oakland's Coliseum/Airport redevelopment project area.

22 A significant part of PTC's Oakland portfolio property is master leased by the Pacific
23 Trading Ventures, the Safe Storage Management Company business. See **Exhibit G**. The Safe
24 Storage/Safe Parking business operation occupies approximately 210,000 SF site area, and
25 consists of approximately 100,000 SF of net rentable square feet spanning 11 self storage
26 buildings and 80 parking stalls for RV & Boat storage.

1 Next to the Safe Storage self storage operation are two commercial buildings, primarily
2 consisting of (1) 7200 SF commercial building on a 25,000 SF lot and (2) a 10,000 commercial
3 building on a 12,500 SF lot. Both buildings have adjacent parking, as well, both share a corner
4 lot (approx 13,500 SF) which provides parking to either building. These buildings and corner
5 parking lot comprise entire corner property at busy intersection of East 12th Street and 29th
6 Avenue, Oakland Ca. This intersection is one of three primary entries into the entire
7 community from the major 880 Interstate highway.

8 The first building is located at 1111 29th Avenue, Oakland CA 94601 (APN#: 25-697-
9 3-6) also referred to as the “Tuffy Building”. The subject property houses a commercial, retail-
10 grade building, which sits immediately adjacent to the Safe Storage facility. The building has
11 approximately 7,200 square feet of lease space and a total land size of 24,882 square feet. This
12 building will need tenant improvements as required by the current lease agreement with
13 PPM group, but is also ideal for a similar commercial lease with another tenant, given the
14 proximity to the Fruitvale BART station and commercial retail developments in the area.

15 The second building is located at 2783 East 12th Street, Oakland, CA (APN #: 25- 697-
16 02-04), also referred to as the “Morse Building”. This subject property is currently the main
17 offices for the Safe Storage Management Company (using approximately 1450 SF for offices
18 and retail lobby space). Additionally, Clark Construction is leasing approximately 3,000 SF of
19 commercial space in this building since approximately January 2013. The building has
20 approximately 10,000 SF of gross leasable area and total land size of 12,669 SF. The building
21 will need additional tenant improvements as required by the lease agreement. Currently, the
22 building has tenants in both Safe Storage Management Co., Clark Construction, and a group
23 called MUA Group which utilizes approximately 2000 SF of the mezzanine floor.

24 The remainder of the property consists of the parking lot area next to the Fruitvale
25 BART station – this site is comprised of approximately 60,000 SF of gross leasable square
26 feet. This subject site has adjacent proximity to existing BART parking facilities and is best
27 suited for parking support to the congested BART station. As of October 2010, BART sold off

1 the last 600 stall parking lot to private development for future housing/mixed use, which will
2 continue to provide a high demand for parking availability within the neighborhood.

3 Another 18,646 SF exists on the opposite side of the Safe Storage site and is currently
4 being utilized to support the SAFE PARKING and BUDGET Truck Rental operations.

5 All of Debtor's leases but the Master Lease, **Exhibit G**, are currently managed by
6 Pacific Trading Ventures.

7 **2.02 Insiders of Debtor's Business**

8 The Debtor Pacific Thomas Corporation consists of 5 shareholders, Edwin Thomas
9 Revocable Living Trust, Randall Whitney, Jill Worsley, Roger W. Worsley, Stephen T.
10 Worsley. Other family members and related entities are listed as creditors including, Richard
11 Douglas Worsely, Thomas Koolaupoko Inv. c/o Darow/Whitney, Buhla R. Darrow Trust,
12 Thomas Capital Investments, and Darrow Family Partners.

13 **2.03 Management of the Debtor Before and After the Bankruptcy**

14 Management of the Debtor both before and after the filing of the Bankruptcy has been
15 provided by the Debtor's officers, Randall Whitney and Jill Worsley, with management of all
16 Pacific Thomas Properties but the Pacific Thomas Properties that are subject to the Master
17 Lease, **Exhibit G**, both before and after the filing of the Bankruptcy, by Pacific Trading
18 Ventures.

19 Post-Confirmation, the Reorganized Debtor's business operations will be managed by
20 Randall Whitney and a senior financial executive or real estate professional. The latter
21 individual will act as Debtor's CEO, will have final decision making authority for the term of
22 the Plan. He or she will receive an hourly compensation of approximately \$250 for his/her
23 management services; Debtor estimates his/her monthly compensation at \$3,000 per month as
24 shown in **Exhibit C**. The Debtor is currently in the process of interviewing prospective
25 candidates and will submit a complete bio of the individual who is eventually selected (and,
26 upon court approval, engaged) prior to the hearing on the disclosure statement. Randall
27

1 Whitney and any and all officers and directors besides the Reorganized Debtor's CEO will not
2 be paid any compensation for their services.

3 Loh Realty (<http://www.lohrealty.com>) and the Oakland office of Collier's
4 International (<http://www.colliers.com/en-us/oakland>) will be retained as Debtor's post-
5 confirmation property management company and leasing agent.

6 **2.04 Events Leading to Chapter 11 Filing**

7 Here is a brief summary of the circumstances that led to the filing of this Chapter 11
8 case:

9 The Debtor's loan with Summit Bank matured in March 2011, and its loans with the
10 remaining secured creditors were set to mature in November 1, 2014 (Private Mortgage Fund)
11 and December 2013 (Bank of the West). The Debtor commenced discussions and negotiations
12 with Summit Bank to pay off its loan. Summit Bank, however, consistently refused to provide
13 the Debtor with an actual payoff amount resulting in the Debtor losing various refinance
14 opportunities as Summit Bank never provided its payoff amount. Instead, Summit Bank
15 commenced an action for specific performance to appoint a receiver in Alameda Superior
16 Court, RG11574626, approximately 30 days after it received a \$2,150,000 down-payment from
17 Debtor's refinance with Jacol and PMF. On numerous occasions before and during the receiver
18 action, counsel for Summit failed to respond to informal requests via fax or in writing from
19 Debtor, the title company, potential lenders, and Debtor's counsel, for updated payoff amounts,
20 insisting that said requests were not made pursuant to a statutory payoff demand. However,
21 more than once, such statutory payoff demands were made directly by a title company or
22 potential lender and were met with silence from Summit's counsel. The Superior Court
23 appointed a receiver on January 20, 2012, who attempted to collect rents from parcels that
24 did/do not serve as Summit's collateral; Bank of the West filed a complaint in intervention in
25 said action and Debtor repeatedly objected to the receiver overstepping its authority. On July
26 20, 2012, however, the Superior Court modified its January 20, 2012 order, *nunc pro tunc*, to
27 purportedly authorize the receiver to collect rents from parcels that were not collateralized by

1 Summit, which Debtor believes was in violation of applicable law. Also on July 20, 2012, the
2 Superior Court entered a judgment that purported to be based on a violation of the January 20,
3 2012 order, but in effect, Whitney was held in contempt of the modified order that had just
4 issued *nunc pro tunc*.

5 Unable to refinance due to the Summit Bank intransigence, battling Summit against its
6 unreasonable attempts to collect all of PTC's rents and its foreclosing efforts regarding (parts
7 of) Debtor's properties that were no longer collateralized by Summit's security agreements,
8 and with the Summit Bank loan due, on August 6, 2012, the Debtor had to file for protection
9 under Chapter 11 of the federal bankruptcy code. Summit disputes that Debtor made any
10 payoff demands.

11 **Significant Events During the Bankruptcy**

12 **i. Bankruptcy Proceedings**

13 The following is a chronological list of significant events which have occurred during
14 this case:³

15 This case was commenced by Debtor's filing of a voluntary petition for relief under
16 Chapter 11 on August 6, 2012. Subsequent to the filing of the case, Matlock Law Group, P.C.
17 filed its application for employment on August 15, 2012. See Court Docket No. 16-18. On
18 September 10, 2012, the First Meeting of Creditors under section 341 of the Bankruptcy Code
19 was held and concluded. On October 4, 2012, the Court issued an order approving the
20 employment of Matlock Law Group, P.C. as Debtor and Debtor-In-Possession's general
21 insolvency counsel. Court Docket No. 106. On November 21, 2012, Matlock Law Group, P.C.
22 filed an interim fee application, Court Docket No. 152 and 153, and the Court granted an
23 interim fee award on December 18, 2012. Court Docket No 180. On September 20, 2013, the
24 Court approved on an interim basis the cash collateral stipulations Debtor had negotiated and

25
26
27 ³ This is only a summary of the docket and the Orders described above. The docket and the Orders should be consulted for an exact description of their contents and terms. In the event of any discrepancy between this summary and the docket or the Orders, the terms of the docket and the Orders shall control.

1 entered into with Private Mortgage Fund, Private Capital Investments, and Summit Bank,
2 respectively, on an interim basis, pending final hearing. Court Docket No. 90, 91, 92. After a
3 final hearing, the Court approved the afore-mentioned stipulations. Court Docket No. 122, 127,
4 127⁴. On November 2, 2012, the Court approved the cash collateral stipulation by and between
5 Debtor and Bank of the West Court Docket No. 137.

6 The Court found that the decision whether cause exists to appoint a trustee pursuant to
7 §1104(a)(1) is a “close call”, but that the appointment of a Chapter 11 trustee was warranted
8 pursuant to the best interest standard, which requires a broad view. Consequently, on January
9 8, 2013, an order approving the appointment of Chapter 11 Trustee was entered, Pacific
10 Thomas Corporation was no longer the debtor-in-possession and was ordered to not make any
11 disbursements. On April 26, 2013, the Court approved the cash collateral stipulations entered
12 into by the Chapter 11 Trustee and Bank of the West, Summit Bank, Private Mortgage Fund
13 and Private Capital Investments, respectively. On April 11, 2013 an Emergency Motion for
14 Issuance of Temporary Restraining Order was filed by the Chapter 11 Trustee. Also on April
15 11, 2013, the Chapter 11 Trustee filed a complaint against Randall Whitney, Pacific Trading
16 Ventures, Pacific Trading Ventures, Ltd., and Jill Worsley, Adv. Case No. 13-04079 alleging
17 that no lease exists between Debtor and Pacific Trading Ventures and that Trustee is entitled to
18 the difference between the rents Pacific Trading Ventures collects from its tenants and the rent
19 it pays to Debtor under the master lease (**Exhibit G**). These funds are used by Pacific Trading
20 Ventures to pay for its operating expenses and, whatever remains after expenses, constitutes
21 the net profits of Pacific Trading Ventures.

22 On May 30, 2013, the Chapter 11 Trustee filed a motion to sell certain real real
23 property free and clear of Pacific Trading Ventures’ leasehold interest, based on the allegation
24 that the 2007 Promissory Note between Debtor and Summit includes an ambiguous clause that
25 states, and that the Debtor allegedly signed, that there are no tenants as of July 16, 2007 except

26 _____
27 ⁴ An amended order after final hearing was entered by the Court on October 23, 2012. Court Docket
No. 131.

1 Self Storage tenants. On July 1, 2013, the Court authorized the Chapter 11 trustee to market
2 and sell the Self Storage facility free and clear of Pacific Trading Venture's Interests.

3 The trustee has not yet obtained court approval of any sale of any of Debtor's assets
4 free and clear of the secured creditors' interests.

5 See Court's Docket for a detailed list of orders and proceedings in Debtor's Chapter 11
6 case.

7 **ii. Other Legal Proceedings**

8 In addition to the proceedings discussed above, the Debtor is/was involved in the
9 following non-Bankruptcy legal proceedings in the State of California Superior Court for the
10 County of Alameda:

- 11 a) Summit Bank vs. Pacific Thomas (RG11) Case # RG11574626,
12 b) Pacific Thomas vs. Summit Bank (RG12) Case # RG12624629 (dismissed).

13 Additionally, Randall Whitney filed an appeal regarding the Order Granting Chapter 11
14 Trustee Kyle Everett's Motion to Sell Real Property Free and Clear of Certain Interests, #NC-
15 13-1354, which is currently pending in the U.S. Bankruptcy Appellate Panel of the Ninth
16 Circuit.

17 **iii. Procedures Implemented to Resolve Financial Problems**

18 To attempt to fix the problems that led to the Bankruptcy filing, Debtor has
19 implemented the following procedures:

20 The Debtor has recently obtained a Conditional Loan Commitment and a letter re
21 Prospective Loan to Pacific Thomas Corporation from Thorofare Capital, see **Exhibit F**, for
22 the funding of a loan to refinance some secured claims encumbering the Pacific Thomas
23 Properties under either an Option A or Option B loan amount . Debtor will work to close the
24 refinance loan and seek respective Court approval as quickly as possible. The Thorofare
25 Capital conditional loan commitment makes provision for an *interest reserve* so that on any
26 given month as revenues fluctuate, the mortgage payment and payments to the unsecured
27 creditors under the plan continue to be made. See **Exhibit F**, p.2, and **Exhibit C**. As described

1 in Section 3.03.1 below, the allowed secured claims of Classes 1-5(ix) shall be paid in parts/in
2 full from the refinance funds upon the Effective Date with the balance being paid within sixty
3 months from the Effective Date⁵ from net income resultant from the leasing, and or the sale of
4 the Pacific Thomas Properties.

5 **2.05 Actual and Projected Recovery of Avoidable Transfers**

6 After a diligent review of its general ledger and its corporate books and records, the
7 Debtor believes there are no voidable preferential transfers, fraudulent conveyances, or other
8 avoidance actions to pursue. With regards to **Claims 6, 7, 18, 20, 22, 27, 28,** and **32,** which
9 Debtor intends to object to as these claims are not secured by property of Debtor's bankruptcy
10 estate and as these purported creditors have no valid, contractual relations with the Debtor and
11 no valid claims against the Debtor, the Debtor reserves the right to proceed in actions against
12 the respective third party borrowers' fraudulently recorded grant deeds on such unrelated real
13 properties.

14 **2.06 Claims Objections**

15 Except to the extent that a claim is already allowed pursuant to a final non-appealable
16 order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed
17 for voting purposes, you may not be entitled to a distribution if an objection to your claim is
18 allowed for voting purposes, you may not be entitled to a distribution if an objection to your
19 claim is later upheld. The procedures for resolving disputing disputed claims are set forth in
20 Article VI of the Plan.

21 The deadline for filing objections to claims is 90 days after the Confirmation Date, or 90 days
22 after the applicable claims deadline, whichever is later.

23 //

24 //

25 _____
26
27 ⁵ The Alameda County Treasurer will be paid either in full at the closing date of the refinance loan (Option B) or in parts upon the closing of a refinance loan (Option A) with the remaining balance being paid in full on or before, but no later than, the sixtieth (60th) month following the Petition Date.

1 **2.07 Current and Historical Financial Conditions**

2 Prior to the appointment of the Trustee in this case, PTC was in the midst of converting
3 two commercial buildings into a newly modernized, medical corner plaza to better serve the
4 surrounding community. Pursuant to those plans and upon confirmation of its Second
5 Amended Plan of Reorganization, PTC will be converting this historical industrial corner into a
6 new dual purpose medical clinic base. PTC expects to sign leases with the following groups
7 within 90 days of the Confirmation Date (each of the below has signed a Letter of Intent to
8 lease space)⁶:

- 9 • NorCal Imaging aka Norcal Imaging – 3000 SF (www.radnet.com)
- 10 • APMC Highland Hospital – offsite parking and logistics(www.acmedctr.org)

11 RADNET aka NorCal Imaging (www.radnet.com) is currently considering 3600 SF,
12 with monthly rental income targeted at approximately \$7,000 NNN. NorCal Imaging is the
13 dominant service provider of medical diagnostic imaging services, such as XRay, CatScan,
14 MRI and Mammography. NorCal Imaging would draw customers from Oakland’s Fruitvale
15 and Chinatown/East Lake Merritt districts, as well as, Alameda medical community.

16 Norcal Imaging (www.radnet.com) would provide the diagnostic imaging component
17 that would create a more comprehensive specialized clinic. The expansion to our market is the
18 result of the increasing demands for health care services in the Fruitvale neighborhood.

19 Additionally, Debtor had an executed lease with Planned Parenthood. Debtor will seek
20 a like tenant at market rates to lease the available 7200 SF commercial unit, and will set aside
21 funds in an amount of \$100,000 - \$350,000 in order to complete tenant improvements, if any
22 should be necessary. See **Exhibit F**, p.6 (Tuffy Building CapEx). Debtor estimates that it will
23 be able to collect \$12,000 or more starting no later than three months after the Effective Date

24

25

26

27

⁶ Debtor has not entertained any lease negotiations with potential tenants. However, Debtor has been approached by potential tenants with whom Debtor had negotiated leases prior to the appointment of the Chapter 11 trustee, who expressed and confirmed that they are still interested in leasing commercial space from Debtor, and who expressed frustration about not having received any feedback from the Chapter 11 trustee in response to their inquiries.

1 as various companies have already/previously expressed interest in the available rental space.
2 See **Exhibit C**, p.9 (Projected Income Statement - Tuffys).

3 From rental income generated by the Pacific Thomas Properties, the Chapter 11 Trustee
4 currently makes adequate protection payments to Debtor's secured creditors. Even though the
5 Chapter 11 Trustee's operating reports show that the Debtor is generating a net profit, it
6 appears that he is not current on said payments. Prior to the Chapter 11 Trustee's appointment,
7 Debtor made adequate protection payments to the secured creditors pursuant to the negotiated
8 and stipulated cash collateral budgets that had been approved by the court. See Section 2.04
9 *supra*.

10 The Debtor estimates as of the writing of this disclosure Statement that it will meet its
11 debt service obligations on the Pacific Thomas Properties on the Effective Date and through
12 the term of the Plan through cash flow generated by the net rental proceeds. Additionally,
13 Debtor contemplates to meet its debt service obligations on the Pacific Thomas Properties
14 through a refinance or sale of the Pacific Thomas Properties upon confirmation of its Second
15 Amended Plan and as of the Effective Date and subsequent closing of its proposed Motion to
16 Approve Refinancing with Thorofare Capital pursuant to the Amended Conditional
17 Commitment Letter.

18 The identity and the estimated fair market value of the estate's assets are listed in
19 **Exhibit A**, pursuant to lender Thorofare Capital's underwriting valuation review and recent
20 appraisals from CBRE, Integra Realty Resources, and Cushman Wakefield. Further, Debtor
21 and its counsel continues to more thoroughly evaluate any actual or projected value that can be
22 obtained from voidable preferential transfers, fraudulent conveyances, or other avoidance
23 actions. Debtor's counsel intends to confer closely with Trustee's counsel for input from the
24 Trustee on these issues. Debtor is committed to utilizing the forensic accounting skills of the
25 Trustee to get to the bottom of any transactions that fail to comport to arms-length, market
26 transactions or that were in any way unfair to Debtor and its creditors but at this time believes
27 that no single action merits litigation costs when compared to the benefits available to the

1 bankruptcy estate unless new information is uncovered through the Trustee's office. Debtor
 2 provides the following detailed responses in regard to certain, previously identified
 3 transactions for the purposes of the Second Amended Disclosure Statement and Plan of
 4 Reorganization.

5 A summary of Debtor's projected monthly income and expenses is attached hereto as
 6 **Exhibit C**. A summary of the Debtors' periodic operating reports filed since the
 7 commencement of the Debtors' bankruptcy case is set forth in the following table:

| | Gross Income | Expenses | Net Income | Ct. Docket # |
|-----------------|--------------|------------------------|-------------|--------------|
| August 2012 | \$45,649 | \$45,100 | \$7,686 | 125 |
| September 2012 | \$71,800 | \$49,366 | \$22,434 | 132 |
| October 2012 | \$58,000 | \$55,249 | \$2,751 | 160 |
| November 2012 | \$114,113 | \$148,558 | (\$3,445) | 201 |
| December 2012 | \$78,728 | \$155,055 | (\$76,328) | 244 |
| January 2013 | \$156,325 | \$331 | \$155,994 | 245 |
| February 2013 | \$46,501 | \$375 | \$46,126 | 246 |
| March 2013 | \$72,425 | \$17,402 | \$55,023 | 273 |
| April 2013 | \$54,408 | \$73,102 ⁷ | (\$18,694) | 285 |
| May 2013 | \$108,466 | \$140,615 ⁸ | (32,149) | 313 |
| June 2013 | \$63,207 | \$155,076 ⁹ | (21,326) | 334 |
| July 2013 | \$75,574 | \$63,718 | \$11,856 | 365 |
| August 2013 | \$78,795 | 60,450 | \$18,344 | 378 |
| TOTAL: | \$1,023,991 | \$964,379 | \$168,272 | |
| AVERAGE: | \$78,768.54 | \$74,184.38 | \$12,944.00 | |

7 This amount includes \$65,000 for debt servicing expenses (see Statement of Cash Receipts & Disb.).
 8 This amount includes \$133,020 for debt servicing expenses (see Statement of Cash Receipts & Disb.).
 9 This amount includes \$104,500 for debt servicing expenses (see Statement of Cash Receipts & Disb.).

1 **ARTICLE III.**

2 **SUMMARY OF THE PLAN OF REORGANIZATION**

3 **3.01 What Creditors and Interest Holders Will Receive Under The Proposed**
4 **Plan**

5 As required by the Bankruptcy Code, the Plan classifies claims and equity interests in
6 various classes and describes the treatment each class will receive. The Plan states whether
7 each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed,
8 your recovery will be limited to the amount provided by the Plan. The Plan provides for a
9 refinancing of certain real property pursuant to Debtor's Motion to Approve Refinancing and
10 the Second Amended Disclosure Statement and Plan of Reorganization, under two alternative
11 funding scenarios, Option A and Option B, outlined in Thorofare Capital's loan sizing table
12 and Debtor's proposed financials. See attached **Exhibits C and F**. Under Option A, the
13 refinancing loan from Thorofare would pay off in its entirety, Class 2, according to its allowed
14 claim. The refinancing proposal provides, pursuant to stipulations/memorandums of
15 understanding, paydowns for Classes 3 and 4 secured claims, subject to the Court's approval of
16 Debtor's Refinancing Motion and confirmation of Debtor's Second Amended Plan of
17 Reorganization. Payments of administrative claims shall be made upon the Effective Date. The
18 balance of the allowed, secured claims 3 and 4 beyond the paydown amounts shall be paid
19 upon approval by the court of their allowed claims, at which time the real property secured and
20 allowed claims 3 and 4 shall be paid in full. The secured claim for Class 1 shall be treated
21 according to either Option A or Option B at the election of the Class 1 creditor. Under Option
22 A, the secured claim of Class 1 shall be repaid under a five year, restructured note per the
23 treatment below, with a balloon payment for any balance of the secured claim prior to the
24 sixtieth (60th) month. Under Option B, the secured claim of Class 1 shall receive a substantial
25 paydown in accordance to the Option B loan sizer. The balance of the Class 1 allowed, secured
26 claim shall be payable in a five year, restructured note per the treatment below, with a balloon
27 payment prior to the sixtieth (60th) month. Debtor proposes to pay any unsecured portions of

1 the Class 1 claim as an unsecured claim according to the treatment for unsecured creditors in
 2 Class 6B below, pursuant to Debtor's Motions to Value and Avoid Lien and the relevant
 3 provisions of §1129(b). The Plan proposes to pay the Class 5 claims according to the payoff
 4 schedules with the corresponding real property secured claims but in no case later than at the
 5 end of the 48th month of the plan or 60th month from the order for relief. Class 6A consists of
 6 the Allowed Claims of the Non-Insider Trade Creditor Unsecured Creditors and shall be
 7 payable in a five year, restructured note per the treatment below. All of the allowed claims
 8 shall be treated as outlined in more detail below.

9 **3.02 Unclassified Claims**

10 Certain types of claims are not placed into voting classes; instead they are unclassified.
 11 They are not considered impaired and they do not vote on the Plan because they are
 12 automatically entitled to specific treatment provided for them in the Bankruptcy Code. As
 13 such, the Proponent has not placed the following claims in a class.

14 **3.02.1 Administrative Expenses**

15 Administrative expenses are claims for costs or expenses of administering the Debtor's
 16 Chapter 11 case which are allowed under Code section 507(a)(2). The Code requires that all
 17 administrative claims be paid on the Effective Date of the Plan, unless a particular claimant
 18 agrees to a different treatment.

19 The following chart lists all of the Debtor's § 507(a)(2) estimated but unverified
 20 administrative claims and their treatment under the Plan.

| <u>Name</u> | <u>Amount Owed</u> | <u>Treatment</u> |
|--|--------------------|---|
| Matlock Law Group, P.C., Debtor's Counsel | \$175,000(est.) | Paid on the Effective Date of the Plan. |
| Chapter 11 Trustee | \$150,000 (est.) | Paid on the Effective Date of the Plan. |
| Chapter 11 Trustee Counsel | \$150,000 (est.) | Paid on the Effective Date of the Plan. |
| Chapter 11 Trustee Accountant / Other | \$25,000 (est.) | Paid on the Effective Date of the Plan. |

| | | | |
|---|---------------------------------|----------------------------------|---|
| 1 | Clerk's Office Fees | \$0.00 (est.) | Paid on the Effective Date of the Plan. |
| 2 | Office of the U.S. Trustee Fees | \$650 (4th qtr 2013) | Paid on the Effective Date of the Plan. |
| 3 | | TOTAL \$500,650.00 ¹⁰ | |

3.02.1.1 Court Approval of Fees Required

4
5
6 The Court must rule on all professional fees listed in the above-stated chart before the
7 fees will be owed. For all fees except Clerk's Office fees and U.S. Trustee's fees, the
8 professional in question must file and serve a properly noticed professional fee application and
9 the Court must rule on the application. Only the amount of fees allowed by the Court will be
10 owed and required to be paid under this Plan.

11 As indicated above, the Debtor will need to pay an amount currently estimated¹¹ by the
12 professionals shown in the table above, as \$500,650 worth of administrative claims on the
13 Effective Date of the Plan unless the claimant has agreed to be paid later or the Court has not
14 yet ruled on the claim. As indicated elsewhere in this Disclosure Statement, Debtor will have
15 sufficient cash on hand to pay administrative claims on the Effective Date of the Plan.¹¹ The
16 source of this cash will be cash in Debtor's DIP bank accounts, cash from third party funding
17 sources (new value), and cash from the Thorofare loan proceeds, subject to lender approval,
18 that was previously earmarked for Planned Parenthood capital expenditures in an estimated
19 amount to pay off the allowed administrative claims. The third party funding sources are
20 insiders of the Debtor who will receive shares in the Reorganized Debtor, pursuant to a newly
21

22
23 ¹⁰ This estimate by the Debtor is as of the date this disclosure statement was filed. Please note that Debtor
24 received unverified information from other parties that indicate that the total administrative claims could currently
25 be as high as \$700,650, and trustee's counsel indicated that he estimates the administrative fees to be in excess of
26 \$1,000,000 by the Confirmation Date. Debtor reserves the right to vigorously object to any and all unreasonable
27 and excessive fees, and Debtor is currently not on notice to any interim fee applications filed by any party other
than Debtor's counsel. Nevertheless, Debtor respectfully points out that it will have the necessary funds available
at Confirmation (through cash in Debtor's DIP accounts, third party funding, and, subject to approval, funds from
the Thorofare refinance) to pay any and all administrative claims and expenses in the amounts eventually
determined and approved by the Court. See Section 4.03.

¹¹ See footnote 10, above.

1 executed stock purchase agreement by a newly formed entity, within ten days of Confirmation
2 Date of the Plan. The cash on hand plus allocated capital pursuant to the Thorofare Capital
3 Amended Conditional Commitment Letter and subsequent closing, will be utilized to pay
4 administrative claims and possible tenant improvements.

5 **3.02.2 Priority Tax Claims**

6 Priority tax claims are certain unsecured income, employment and other taxes described
7 by Code Section 507(a)(8). Except to the extent that the holder of a particular Allowed Priority
8 Tax Claim agrees to a different treatment thereof, the Code requires that each holder of an
9 Allowed Priority Tax Claim receive the present value of such Allowed Priority Tax Claim in
10 deferred Cash payments over a period not exceeding six years from the date of assessment of
11 such tax.

12 **3.02.2.1 Treatment of Allowed Priority Tax Claims**

13 Priority tax claims are certain unsecured income, employment and other taxes described
14 by Code Section 507(a)(8). Except to the extent that the holder of a particular Allowed Priority
15 Tax Claim agrees to a different treatment thereof, the Code requires that each holder of
16 an Allowed Priority Tax Claim receive on account of such Claim regular installment payments:
17 1) of a total value, as of the Effective Date of the Plan, equal to the allowed amount of such
18 Claim; 2) over a period ending not later than five years after the Petition Date under Section
19 301, 302 or 303; and 3) in a manner not less favorable than the most favored nonpriority
20 Unsecured Claim provided for by the Plan (other than Cash payments made to a class of
21 creditors under Section 1122(b)).

22 The Debtor has no Section 507(a)(8) Priority Tax Claims. If it is determined that there
23 are allowed Section 507(a)(8) Priority Tax Claims, such Allowed Priority Tax Claims will be
24 paid in monthly installment payments such that they are paid in full within five years of the
25 Petition Date, with payments to commence within thirty days of the Effective Date, will
26 include annual interest at the January 31, 2012 published rate for one-year Treasury constant
27

maturities of (.26%), and will be fully amortized in 48 equal payments. Alternatively, the Allowed Claim amount may be paid in full on the Effective Date.

The following chart lists all of the Debtor's Section 507(a)(8) priority tax claims and their treatment under the Plan: **The Debtor has no Section 507(a)(8) priority tax claims.**¹²

| <u>Description</u> | <u>Amount Owed</u> | <u>Treatment</u> |
|---|--------------------|---|
| | | |
| · Name = Not Applicable · Type of tax = None · Date tax assessed = Not Applicable | 0.00 | · Pymt interval = · Est. pymt amt/interval = · Begin date = · End date = · Interest rate % = · Total payout amount% = \$ |

3.03 Classified Claims and Interests

3.03.1 Classes of Secured Claims

Secured claims are claims secured by liens on property of the estate. Allowed Secured Claims are claims secured by the property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under §506 of the Bankruptcy Code.¹³ If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a non-insider business creditor unsecured claim. Upon Confirmation of the Plan, the below-listed classes relinquish their claims to and/or liens on Debtor's personal property assets, including but not limited to

¹² In the event any taxing agencies filed Priority Tax Claims, the Debtor reserves the right to file an objection to such Claims on any appropriate grounds.

¹³ The Debtor reserves its right to object to any of the Claims filed by the following Creditors on any reasonable grounds. Furthermore, Debtor will file objections to **Claims 6, 7, 18, 20, 22, 27, 28, and 32** as these claims are not secured by property of Debtor's bankruptcy estate and as these purported creditors have no valid, contractual relations with the Debtor and no valid claims against the Debtor. The Debtor reserves the right to proceed in actions against third party borrowers' fraudulently recorded grant deeds on unrelated real properties.

Debtor's cash collateral accounts. The following chart lists all classes containing Debtor's secured pre-petition claims and their treatment under the Plan.

3.03.1.1 Class 1

| <u>CLASS#</u> | <u>DESCRIPTION</u> | <u>INSIDERS</u> <u>(Y/N)</u> | <u>IMPAIRED</u> <u>(Y/N)</u> | <u>TREATMENT</u> ¹⁴ |
|---------------|---|---------------------------------|--|---|
| 1 | Secured claim of: · Name = Summit Bank · Collateral description = (see Definitions: Summit Bank Note 1 Collateral) · Priority of security int. = 1st · Amount owed = est. \$7,925,733.00 ¹⁵ · Post-pet. arrearage amount = 0 (est) · Est. collateral value / allowed secured claim = \$6,709,940.15 (\$6,909,500.00 less property taxes) | N | Impaired, Claims in this class are entitled to vote on the Plan. | <p>Option A</p> <ul style="list-style-type: none"> · Pymt interval = Monthly · Est. pymt amt/interval = \$27,958.08 months 1-30 and \$36,020.41 months 31-60 · Est. Balloon pymt = \$6,644,787.22 Begin date = 1/15/2014· End date = 1/15/2019 Interest rate % = 5.0% fixed interest only months 1-30 and amortized over 30 years in months 31-60. · Total payout % = 100% Est. \$8,372,227.57 will be paid over on 100% of a principal balance of est. \$6,709,940.15. · Treatment of lien = Lien on the Summit Bank Note 1 Collateral is retained and in full force and effect. <hr/> <p>Option B</p> <ul style="list-style-type: none"> · Pay-Down on Effective Date: \$5,000,027 · Treatment of lien = Lien on the Summit Bank Note 1 Collateral is subordinated to the Refinance Lender's lien but is otherwise retained and in full force and effect. · Balance of allowed secured claim, approx. \$1,709,913.15, is paid as follows: <ul style="list-style-type: none"> - Pymt interval = monthly - Est. pymt amt/interval = \$9,179.18 - Est. Balloon pymt = \$1,572,837.70 - Begin date = 2/15/2014 - End date = 1/15/2019 - Interest rate % = 5.0% fixed amortized over 30 years. - Total payout % = 100% Est. \$7,114,362.89 will be paid over on 100% of a principal balance of est. \$6,709,940.15 |

¹⁴ The treatment(s) shown in this table assume(s) that no Section 1111(b) election is made; if an effective Section 1111(b) election is made, then the treatment(s) described in 3.03.1.1(III) and (IV) apply.

¹⁵ This amount may not yet include all post-petition reasonable attorney's fees, arrearages, costs, and fees, if any, which this creditor may be entitled to pursuant to the loan documents, and as approved by the court in confirmed plan.

1 Comments:

2 Class 1 consists of the Allowed Claims of Summit Bank or the holder of the Summit
3 Bank Note 1. Class 1 is impaired under the Plan.

4 **(I) If no Section 1111(b) Election is Made and Summit Bank elects to be**
5 **treated under Option A.**

6 If Summit Bank or the holder of the Summit Bank Note 1 and Summit Bank Security
7 Documents does not make an effective Section 1111(b) election **and elects to be treated under**
8 **Option A**, then, as of the Confirmation Date of the Plan, all defaults under the Summit Bank
9 Security Documents shall be nullified and shall be deemed “cured” and all consequences of
10 default shall be eliminated, including, but not limited to, the accrual of interest at the default
11 rate and the imposition of late fees.

12 In full and complete satisfaction of the Allowed Secured Claim of Summit Bank,
13 Summit Bank or the holder of the Allowed Class 1 Claim shall receive the following under
14 Option A if no Section 1111(b) election is made:

15 Within five (5) business days after the Confirmation Date, Summit Bank or the holder
16 of the Summit Bank Note 1 and the Reorganized Debtor shall execute the Summit Bank First
17 Note 1 and the Amended Summit Bank Note 1 Security Documents, which shall amend the
18 Summit Bank Note 1 and the Summit Bank Note 1 Security Documents, respectively, to
19 implement and reflect this class’s loan and lien terms as set forth in the Plan under this Option
20 A without effective Section 1111(b) election. The Summit Bank First Note 1 and the Amended
21 Summit Bank Note 1 Security Documents shall eliminate any provision contained in the
22 Summit Bank Note 1 and the Summit Bank Security Documents that requires the Reorganized
23 Debtor to pay a penalty or other charge for a pre-payment of any amount of the Summit Bank
24 First Note 1.

25 The Summit Bank First Note 1 under Option A without Section 1111(b) Election. The
26 Summit Bank First Note 1 and Amended Summit Bank Note 1 Security Documents shall be in
27 the same form as the Summit Bank Note 1 and Summit Bank Note 1 Security Documents,

1 respectively with the exception that the interest rate and maturity date shall be as amended in
2 accordance with the Plan. In the event there is any provision of the Summit Bank First Note 1
3 which is inconsistent with the terms of the Plan, the terms of the Plan shall control.

4 The Amended Summit Bank Note 1 Security Documents shall secure a lien on the
5 Summit Bank Note 1 Collateral with the same validity that existed prior to the Debtor's alleged
6 pre-petition default(s) and, under Option A, the same priority. The Amended Summit Bank
7 Note 1 Security Documents shall secure repayment of the Summit Bank First Note 1 as set
8 forth in the Plan. Any event of default that may have existed pre-petition with respect to the
9 Summit Bank Note 1 and/or the Summit Bank Note 1 Security Documents shall be deemed
10 cured and any notice of default which may have been recorded pre or post-petition with respect
11 to the Summit Bank Note 1 and the Summit Bank Note 1 Security Documents shall be deemed
12 null and void and of no further force or effect, and Summit Bank or the holder of the Summit
13 Bank Note 1 shall execute any documents or instruments necessary to reflect the same,
14 including the execution and recordation of a release of notice of default.

15 Payments on the Summit Bank First Note 1 under Option A without Section 1111(b)
16 election shall be made as follows:

17 The allowed secured claim of the Summit Bank First Note 1 is estimated to be in an
18 amount of \$6,709,940.15 or such other amount as determined by this Court under 11 U.S.C. §
19 506 (the "Allowed Secured Claim of Summit Bank"). Pursuant to the Plan, in the event that the
20 Court enters a Final Order determining that the value of the Debtor's interest in the Summit
21 Bank Note 1 Collateral is less than the Allowed Secured Claim of Summit Bank, and the Class
22 1 Claimant does not make an effective Section 1111 (b) Election, then the unsecured balance
23 of the amount owed on the Summit Bank Note 1 (the balance of the Allowed Secured Claim of
24 Summit Bank less the value of the Debtor's interest in the Summit Bank Note 1 Collateral)
25 shall be paid under Class 6B(ii) of the Plan.

26 Payments on the Summit Bank First Note 1 under Option A without Section 1111(b)
27 election shall be made in monthly installments of interest, with interest calculated with

1 reference to a fixed annual rate of interest of five percent (5%) and shall be interest only for the
2 first thirty (30) months, after which payments shall be principal and interest based on an
3 amortization schedule of thirty (30) years and be made in months 31-60. Interest shall begin to
4 accrue on the Summit Bank First Note 1 as of the Effective Date. The first (1st) payment shall
5 be paid on the Effective Date, and the subsequent payment shall be due on the fifteenth (15th)
6 day of the first (1st) full month following the Effective Date, with all subsequent payments of
7 the fifteenth (15th) day of each following month, and shall be in an amount equal to a
8 percentage of a full monthly installment payment derived from the number of days remaining
9 in the month in which the Effective Date occurs (the numerator) divided by the number of days
10 in the month in which the Effective Date occurs (the denominator). Once the final interest only
11 payment is made in the thirtieth (30th) month, principal and interest payments shall commence
12 on the thirty-first (31st) month and be due on the fifteenth (15th) day of each and every month
13 until the sixtieth (60th) month after the Effective Date at which time the entire outstanding
14 balance of the Summit Bank First Note 1 shall be all due and payable. Upon payment in full of
15 the Summit Bank First Note 1, the lien evidenced by the Amended Summit Bank Note 1
16 Security Documents shall be deemed satisfied and shall be deemed canceled.

17 In the event that the Reorganized Debtor defaults in its obligation to pay each payment
18 due and payable under the Summit Bank First Note 1 and the Amended Summit Bank Note 1
19 Security Documents, the holder of the Summit Bank First Note 1 shall be entitled to record a
20 notice of default and accelerate the entire unpaid indebtedness and/or exercise such other
21 remedies as provided under the Summit Bank First Note 1 and the Amended Summit Bank
22 Note 1 Security Documents or under applicable California law. The Reorganized Debtor shall
23 be entitled to cure and reinstate any such default under applicable California law.

24 Nothing in the Plan shall enhance or otherwise increase the rights of the holder of the
25 Class 1 claim to seek recovery on its claim as against any party other than the Reorganized
26 Debtor.

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1 **(II) If no Section 1111(b) Election is Made and Summit Bank elects to be**
2 **treated under Option B.**

3 In the event the Class1 Claimant does not make an effective 1111(b) election **but elects**
4 **to be treated under Option B**, all defaults under the Summit Bank Security Documents shall be
5 nullified and shall be deemed “cured” and all consequences of default shall be eliminated,
6 including, but not limited to, the accrual of interest at the default rate and the imposition of late
7 fees.

8 In full and complete satisfaction of the Allowed Secured Claim of Summit Bank,
9 Summit Bank of the holder of the Allowed Class 1 Claim shall receive the following under
10 Option B if no Section 1111(b) election is made:

11 The Debtor shall make a lump-sum paydown in an amount of \$5,000,027.00 on the
12 Allowed Secured Claim of Summit Bank on the earlier of the closing of the refinance loan or
13 upon the Effective Date. Within five (5) business days after the Confirmation Date, Summit
14 Bank or the holder of the Summit Bank Note 1 and the Reorganized Debtor shall execute the
15 Summit Bank First Note 1 and the Summit Note 1 Security Documents, respectively, to
16 implement and reflect this class’s loan and lien terms as set forth in the Plan under this Option
17 B without effective Section 1111(b) election. The Summit Bank First Note 1 and the Amended
18 Summit Bank Note 1 Security Documents shall eliminate any provision contained in the
19 Summit Bank Note 1 and the Summit Bank Security Documents that requires the Reorganized
20 Debtor to pay a penalty or other charge for a pre-payment of any amount of the Summit Bank
21 First Note 1.

22 The Summit Bank First Note 1 under Option B without Section 1111(b) Election.
23 Pursuant to the Plan, in the event that the Court enters a Final Order determining that the value
24 of the Debtor's interest in the Summit Bank Note 1 Collateral is less than the Allowed Class 1
25 Claim, and the Class 1 Claimant does not make an effective Section 1111 (b) Election and
26 receives the lump-sum paydown amount of \$5,000,027 pursuant to Option B, then the balance
27 of the Allowed Class 1 Claim (the value of the Debtor’s interest in Summit Bank Note 1

1 Collateral less the paydown amount of \$5,000,027) shall be paid according to a sixty month,
2 Summit Bank First Note 1.

3 Payments on the Summit Bank First Note 1 under Option B without Section 1111(b)
4 election shall be made in monthly installments of interest, with interest calculated with
5 reference to a fixed annual rate of interest of five percent (5%) and shall be interest only for the
6 first thirty (30) months, after which payments shall be principal and interest based on an
7 amortization schedule of thirty (30) years and be made in months 31-60. Interest shall begin to
8 accrue on the Summit Bank First Note 1 as of the Effective Date. The first (1st) payment shall
9 be due on the fifteenth (15th) day of the second (2nd) full month following the Effective Date,
10 and shall be in an amount equal to a percentage of a full monthly installment payment derived
11 from the number of days remaining in the month in which the Effective Date occurs (the
12 numerator) divided by the number of days in the month in which the Effective Date occurs (the
13 denominator). Once the final interest only payment is made in the thirtieth (30th) month,
14 principal and interest payments shall commence on the thirty-first (31st) month and be due on
15 the fifteenth (15th) day of each and every month until the sixtieth (60th) month after the
16 Effective Date at which time the entire outstanding balance of the Summit Bank First Note 1
17 shall be all due and payable.

18 The Summit Bank First Note 1 and Amended Summit Bank Note 1 Security
19 Documents shall be in the same form as the Summit Bank Note 1 and Summit Bank Note 1
20 Security Documents, respectively with the exception that the interest rate and maturity date
21 shall be as amended in accordance with the Plan. In the event there is any provision of the
22 Summit Bank First Note 1 which is inconsistent with the terms of the Plan, the terms of the
23 Plan shall control. The Amended Summit Bank Note 1 Security Documents shall secure a lien
24 on the Summit Bank Note 1 Collateral with the same validity that existed prior to the Debtor's
25 alleged pre-petition default(s). Summit Bank's lien on the Summit Bank Note 1 Collateral shall
26 be subordinated to the lien(s) of Thorofare Capital, the refinance lender, effective the earlier of
27 the closing of the refinance loan or upon the Effective Date. The Amended Summit Bank Note

1 1 Security Documents shall secure repayment of the Summit Bank First Note 1 as set forth in
2 the Plan. Any event of default that may have existed pre-petition with respect to the Summit
3 Bank Note 1 and/or the Summit Bank Note 1 Security Documents shall be deemed cured and
4 any notice of default which may have been recorded pre or post-petition with respect to the
5 Summit Bank Note 1 and the Summit Bank Note 1 Security Documents shall be deemed null
6 and void and of no further force or effect, and Summit Bank or the holder of the Summit Bank
7 Note 1 shall execute any documents or instruments necessary to reflect the same, including the
8 execution and recordation of a release of notice of default.

9 Upon payment in full of the Summit Bank First Note 1, the lien evidenced by the
10 Amended Summit Bank Note 1 Security Documents shall be deemed satisfied and shall be
11 deemed canceled.

12 In the event that the Reorganized Debtor defaults in its obligation to pay each payment
13 due and payable under the Amended Summit Bank First Note 1 and the Amended Summit
14 Bank Note 1 Security Documents, the holder of the Amended Summit Bank First Note 1 shall
15 be entitled to record a notice of default and accelerate the entire unpaid indebtedness and/or
16 exercise such other remedies as provided under the Summit Bank First Note 1 and the
17 Amended Summit Bank Note 1 Security Documents or under applicable California law. The
18 Reorganized Debtor shall be entitled to cure and reinstate any such default under applicable
19 California law.

20 Nothing in the Plan shall enhance or otherwise increase the rights of the holder of the
21 Class 1 claim to seek recovery on its claim as against any party other than the Reorganized
22 Debtor.

23 The unsecured balance of the amount owed on the Summit Bank Note 1, the Allowed
24 Secured Claim of Summit Bank less the value of the Debtor's interest in the Summit Bank
25 Note 1 Collateral, shall be paid under Class 6B(ii) of the Plan.

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1 **(III) If an Effective 1111(b) Election is made and Summit Bank elects to be**
2 **treated under Option A,**

3 This section is operative only in the event that the holder of the Summit Bank Note 1
4 makes an effective Section 1111(b) Election and Summit Bank elects to be treated under
5 Option A.

6 If Summit Bank or the holder of the Summit Bank Note 1 and Summit Bank Security
7 Documents makes an effective Section 1111(b) election **and elects to be treated under Option**
8 **A,** then, as of the Confirmation Date of the Plan, all defaults under the Summit Bank Security
9 Documents shall be nullified and shall be deemed “cured” and all consequences of default shall
10 be eliminated, including, but not limited to, the accrual of interest at the default rate and the
11 imposition of late fees. In full and complete satisfaction of the Allowed Class 1 Claim, **if an**
12 **Effective 1111(b) Election is made,** the holder of the Allowed Class 1 Claim shall receive the
13 following under Option A:

14 Within five (5) business days after the Confirmation Date, Summit Bank or the holder
15 of the Summit Bank Note 1 and the Reorganized Debtor shall execute the Summit Bank First
16 Note 1 and the Amended Summit Bank Note 1 Security Documents, which shall amend the
17 Summit Bank Note 1 and the Summit Bank Note 1 Security Documents, respectively, to
18 implement and reflect this class’s loan and lien terms as set forth in the Plan under this Option
19 A with effective Section 1111(b) election. The Summit Bank First Note 1 and the Amended
20 Summit Bank Note 1 Security Documents shall eliminate any provision contained in the
21 Summit Bank Note 1 and the Summit Bank Security Documents that requires the Reorganized
22 Debtor to pay a penalty or other charge for a pre-payment of any amount of the Summit Bank
23 First Note 1.

24 The Summit Bank First Note 1 under Option A with Section 1111(b) Election. The
25 Summit Bank First Note 1 and the Amended Summit Bank Note 1 Security Documents shall
26 be in the same form as the Summit Bank Note 1 and Summit Bank Note 1 Security
27 Documents, respectively, with the exception that Summit Bank or the holder of the Summit

1 Bank Note 1 shall not be entitled to post-petition interest that accrued on the Summit Bank
2 Note 1. In the event there is any provision of the Summit Bank First Note 1 which is
3 inconsistent with the terms of the Plan, the terms of the Plan shall control.

4 The Amended Summit Bank Note 1 Security Documents shall secure a lien on the
5 Summit Bank Note 1 Collateral with the same validity that existed prior to the Debtor's alleged
6 pre-petition default(s) and, under Option A, the same priority. The Amended Summit Bank
7 Note 1 Security Documents shall secure repayment of the Summit Bank First Note 1 as set
8 forth in the Plan. Any event of default that may have existed pre-petition with respect to the
9 Summit Bank Note 1 and/or the Summit Bank Note 1 Security Documents shall be deemed
10 cured and any notice of default which may have been recorded pre or post-petition with respect
11 to the Summit Bank Note 1 and the Summit Bank Note 1 Security Documents shall be deemed
12 null and void and of no further force or effect, and Summit Bank or the holder of the Summit
13 Bank Note 1 shall execute any documents or instruments necessary to reflect the same,
14 including the execution and recordation of a release of notice of default.

15 Payments on the Summit Bank First Note 1 under Option A with 1111(b) election shall
16 be made as follows:

17 The allowed secured claim of the Summit Bank First Note 1 shall be in the amount as
18 determined through Summit Bank's proof of claim regarding the Summit Bank Note 1 and any
19 objections by the Debtor and/or the trustee resulting in the Court setting the amount of the
20 Class 1 Claimant's Claim, with said amount hereinafter referred to as the "Court Determined
21 Class 1 Claimant's Claim". Pursuant to the Plan, in the event that the Court enters a Final
22 Order determining that the value of the Debtor's interest in the Summit Bank Note 1 Collateral
23 is less than the Allowed Secured Claim of Summit Bank, and the Class 1 Claimant makes an
24 effective Section 1111 (b) Election, ***and elects to be treated under Option A***, then the amount
25 of the Summit Bank First Note 1 shall be equal to the Court Determined Class 1 Claimant's
26 Claim, shall be treated as a fully secured claim, and shall be paid as follows:

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1 Payments on the Summit Bank First Note 1 shall be made in monthly installments of
2 interest, with interest calculated with reference to a fixed annual rate of interest of five percent
3 (5%) and shall be interest only for the first thirty (30) months, after which payments shall be
4 principal and interest based on an amortization schedule of thirty (30) years and be made in
5 months 31-60. Interest shall begin to accrue on the Summit Bank First Note 1 as of the
6 Effective Date. The first (1st) payment shall be paid on the Effective Date, and the subsequent
7 payment shall be due on the fifteenth (15th) day of the first (1st) full month following the
8 Effective Date, with all subsequent payments of the fifteenth (15th) day of each following
9 month, and shall be in an amount equal to a percentage of a full monthly installment payment
10 derived from the number of days remaining in the month in which the Effective Date occurs
11 (the numerator) divided by the number of days in the month in which the Effective Date occurs
12 (the denominator). Once the final interest only payment is made in the thirtieth (30th) month,
13 principal and interest payments shall commence on the thirty-first (31st) month and be due on
14 the fifteenth (15th) day of each and every month until the sixtieth (60th) month after the
15 Effective Date at which time the entire outstanding balance of the Summit Bank First Note 1
16 shall be all due and payable. Upon payment in full of the Summit Bank First Note 1, the lien
17 evidenced by the Amended Summit Bank Note 1 Security Documents shall be deemed
18 satisfied and shall be deemed canceled.

19 In the event that the Reorganized Debtor defaults in its obligation to pay each payment
20 due and payable under the Summit Bank First Note 1 and the Amended Summit Bank Note 1
21 Security Documents, the holder of the Summit Bank First Note 1 shall be entitled to record a
22 notice of default and accelerate the entire unpaid indebtedness and/or exercise such other
23 remedies as provided under Summit Bank First Note 1 and the Amended Summit Bank Note 1
24 Security Documents or under applicable California law. The Reorganized Debtor shall be
25 entitled to cure and reinstate any such default under applicable California law.

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1 Nothing in the Plan shall enhance or otherwise increase the rights of the holder of the
2 Class 1 claim to seek recovery on its claim as against any party other than the Reorganized
3 Debtor.

4 **(IV) If an Effective 1111(b) Election is made and Summit Bank elects to be**
5 **treated under Option B.**

6 This section is operative only in the event that the holder of the Summit Bank Note 1
7 makes an effective Section 1111(b) Election **and elects to be treated under Option B.**

8 If Summit Bank or the holder of the Summit Bank Note 1 and Summit Bank Security
9 Documents makes an effective Section 1111(b) election, **and elects to be treated under Option**
10 **B** then as of the Confirmation Date of the Plan, all defaults under the Summit Bank Security
11 Documents shall be nullified and shall be deemed “cured” and all consequences of default shall
12 be eliminated, including, but not limited to, the accrual of interest at the default rate and the
13 imposition of late fees.

14 The Court Determined Class 1 Claimant’s Claim shall be in the amount set by the
15 Court upon Summit Bank’s proof of claim regarding the Summit Bank Note 1 and any
16 objections by the Debtor and/or the trustee.

17 In full and complete satisfaction of the Court Determined Class 1 Claimant’s Claim, *if*
18 *an Effective 1111(b) Election is made*, the holder of the Court Determined Class 1 Claimant’s
19 Claim shall receive the following under Option B:

20 The Debtor shall make a lump-sum paydown in an amount of \$5,000,027.00 on the
21 Court Determined Class 1 Claimant’s Claim on earlier of the closing of the refinance loan or
22 upon the Effective Date. Within five (5) business days after the Confirmation Date, Summit
23 Bank or the holder of the Summit Bank Note 1 and the Reorganized Debtor shall execute the
24 Summit Bank First Note 1 and the Summit Note 1 Security Documents, respectively, to
25 implement and reflect this class’s loan and lien terms as set forth in the Plan under Option B if
26 an Effective 1111(b) election is made. The Summit Bank First Note 1 and the Amended
27 Summit Bank Note 1 Security Documents shall eliminate any provision contained in the

1 Summit Bank Note 1 and the Summit Bank Security Documents that requires the Reorganized
2 Debtor to pay a penalty or other charge for a pre-payment of any amount of the Summit Bank
3 First Note 1.

4 The Summit Bank First Note 1 under Option B with Section 1111(b) Election. Pursuant
5 to the Plan, in the event that the Court enters a Final Order determining that the value of the
6 Debtor's interest in the Summit Bank Note 1 Collateral is less than the Allowed Secured Claim
7 of Summit Bank, and the Class 1 Claimant makes an effective Section 1111 (b) Election **and**
8 **elects to be treated under Option B**, then the Court Determined Class 1 Claimant's Claim of
9 Summit Bank shall be treated as follows:

10 Within five (5) business days or earlier of the closing of the refinance loan or the
11 Effective Date, the Reorganized Debtor shall make a principal reduction payment of
12 \$5,000,027.00 through the recordation of a new first trust deed from Thorofare, (the "refinance
13 loan).

14 Since Summit Bank has made an effective Section 1111(b) election, the balance of the
15 Court Determined Class 1 Claimant's Claim less the payment of \$5,000,027.00 shall be treated
16 as a fully secured claim and shall be paid as the Summit Bank First Note 1.

17 Upon payment to the \$5,000,027.00, the Summit Bank First Note 1 and the Amended
18 Summit Bank Note 1 Security Documents shall be subordinated to the new first trust deed of
19 Thorofare Capital and shall be in second position.

20 Within five (5) business days of the earlier of the closing of the refinance loan or the
21 Effective Date, Summit Bank or the holder of the Summit Bank Note 1 and the Reorganized
22 Debtor shall execute the Summit Bank First Note 1 and the Amended Summit Bank Note 1
23 Security Documents, which shall amend the Summit Bank Note 1 and the Summit Bank Note 1
24 Security Documents, respectively, to implement and reflect this class's loan and lien terms as
25 set forth in the Plan under this Option A with effective Section 1111(b) election.

26 The Summit Bank First Note 1 and Amended Summit Bank Note 1 Security
27 Documents shall be in the same form as the Summit Bank Note 1 and Summit Bank Note 1

1 Security Documents, respectively with the exception that Summit Bank or the holder of the
2 Summit Bank Note 1 shall not be entitled to post-petition interest that accrued on the Summit
3 Bank Note 1.

4 The Summit Bank First Note 1 and the Amended Summit Bank Note 1 Security
5 Documents shall eliminate any provision contained in the Summit Bank Note 1 and the
6 Summit Bank Note 1 Security Documents that requires the Reorganized Debtor to pay a
7 penalty or other charge for a pre-payment of any amount of the Summit Bank First Note 1.

8 In the event there is any provision of The Summit Bank First Note 1 which is
9 inconsistent with the terms of the Plan, the terms of the Plan shall control.

10 The Amended Summit Bank Note 1 Security Documents shall secure a lien on the
11 Summit Bank Note 1 Collateral with the same validity that existed prior to the Debtor's alleged
12 pre-petition default(s) and, under Option B, in a second lien position behind Thorofare Capital.
13 The Amended Summit Bank Note 1 Security Documents shall secure repayment of Summit
14 Bank First Note 1 as set forth in the Plan under Option B with effective Section 1111(b)
15 election. Any event of default that may have existed pre-petition with respect to the Summit
16 Bank Note 1 and/or the Summit Bank Note 1 Security Documents shall be deemed cured and
17 any notice of default which may have been recorded pre or post-petition with respect to the
18 Summit Bank Note 1 and the Summit Bank Note 1 Security Documents shall be deemed null
19 and void and of no further force or effect, and Summit Bank or the holder of the Summit Bank
20 Note 1 shall execute any documents or instruments necessary to reflect the same, including the
21 execution and recordation of a release of notice of default.

22 Payments on Summit Bank First Note 1 under Option B with effective Section 1111(b)
23 election shall be made in monthly installments of interest, with interest calculated with
24 reference to a fixed annual rate of interest of five percent (5%) and shall be interest only for the
25 first thirty (30) months, after which payments shall be principal and interest based on an
26 amortization schedule of thirty (30) years and be made in months 31-60. Interest shall begin to
27 accrue on the Summit Bank First Note 1 as of the Effective Date. The first (1st) payment shall

1 be paid on the Effective Date, and the subsequent payment shall be due on the fifteenth (15th)
2 day of the first (1st) full month following the Effective Date, with all subsequent payments of
3 the fifteenth (15th) day of each following month, and shall be in an amount equal to a
4 percentage of a full monthly installment payment derived from the number of days remaining
5 in the month in which the Effective Date occurs (the numerator) divided by the number of days
6 in the month in which the Effective Date occurs (the denominator). Once the final interest only
7 payment is made in the thirtieth (30th) month, principal and interest payments shall commence
8 on the thirty first (31st) month and be due on the fifteenth (15th) day of each and every month
9 until the sixtieth (60th) month after the Effective Date at which time the entire outstanding
10 balance of the Summit Bank First Note 1 shall be all due and payable. Upon payment in full of
11 the Summit Bank First Note 1, the lien evidenced by the Amended Summit Bank Note 1
12 Security Documents shall be deemed satisfied and shall be deemed canceled.

13 In the event that the Reorganized Debtor defaults in its obligation to pay each payment
14 due and payable under Summit Bank First Note 1 and the Amended Summit Bank Note 1
15 Security Documents, the holder of Summit Bank First Note 1 shall be entitled to record a notice
16 of default and accelerate the entire unpaid indebtedness and/or exercise such other remedies as
17 provided under Summit Bank First Note 1 and the Amended Summit Bank Note 1 Security
18 Documents or under applicable California law. The Reorganized Debtor shall be entitled to
19 cure and reinstate any such default under applicable California law.

20 Nothing in the Plan shall enhance or otherwise increase the rights of the holder of the
21 Class 1 claim to seek recovery on its claim as against any party other than the Reorganized
22 Debtor.

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3.03.1.2 Class 2

| <u>CLASS#</u> | <u>DESCRIPTION</u> | <u>INSIDERS</u> <u>(Y/N)</u> | <u>IMPAIRED</u> <u>(Y/N)</u> | <u>TREATMENT</u> |
|---------------|---|---------------------------------|--|--|
| 2 | Secured claim of: · Name =Bank of the West · Collateral description = (see Definitions: Bank of the West Note 1 Collateral) Collateral value = Fully secured Priority of security int. = (see Definitions: Bank of the West Note 1 collateral) · Amount owed = est. \$3,278,510.00 ¹⁶ · Pre-pet. arrearage amount = \$ (included above) · Post-pet. arrearage amount = \$0(est) · Total allowed secured claim amount = est. \$3,278,510.00 | N | N Not Impaired, Claims in this class are not entitled to vote on the Plan. | · Pay-Off on Effective Date: est. \$3,278,510.00 · Total payout % = 100% Est. \$3,278,510 will be paid on 100% of est. principal balance of est. \$3,278,510.00. · Treatment of lien = Lien shall be cancelled and terminated upon receipt of Down-Payment. |

Comments:

Class 2 consists of the Allowed Claims of Bank of the West or the holder of the Bank of the West Note 1. Class 2 is not impaired under the Plan. Since the Bank of the West Note 1 will be paid in full pursuant to the Plan, any event of default that may have existed pre-petition with respect to the Bank of the West Note 1 and/or the Bank of the West Note 1 Security Documents shall be deemed cured and any notice of default which may have been recorded pre- or post-petition with respect to the Bank of the West Note 1 and the Bank of the West Note 1 Security Documents shall be deemed null and void and of no further force or effect, and Bank of the West or the holder of the Bank of the West Note 1 shall execute any documents or

¹⁶ This amount may not yet include all post-petition reasonable attorney’s fees, arrearages, costs, and fees, if any, which this creditor may be entitled to pursuant to the loan documents, and as approved by the court in confirmed plan.

1 instruments necessary to reflect the same, including the execution and recordation of a release
2 of notice of default.

3 Debtor shall payoff in full the claims of Class 2, in an amount estimated at \$3,278,510
4 on the Bank of the West Note 1 to Bank of the West on the Effective Date. There shall be no
5 prepayment penalty, and the Swap Agreement shall be terminated.

6 Upon Debtor's making a lump-sum payment in an amount estimated at \$3,278,510.00
7 to Bank of the West on the Bank of the West Note 1, which constitutes payment in full of the
8 Bank of the West Note 1, the lien evidenced by the Bank of the West Note 1 Security
9 Documents shall be deemed satisfied and shall be canceled. Bank of the West shall execute and
10 record a reconveyance of its deed of trust and shall cancel and terminate any and all of its
11 security interests, including but not limited to its UCC-1 Financing Statement.

12 Nothing in the Plan shall enhance or otherwise increase the rights of the holder of the
13 Class 2 claim to seek recovery on its claim as against any party other than the Reorganized
14 Debtor.

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3.03.1.3 Class 3

| <u>CLASS#</u> | <u>DESCRIPTION</u> | <u>INSIDERS</u> <u>(Y/N)</u> | <u>IMPAIRED</u> <u>(Y/N)</u> | <u>TREATMENT</u> |
|---------------|---|---------------------------------|--|---|
| 3 | Secured claim of: · Name =Private Mortgage Fund LLC · Collateral description = (see Definitions: Private Mortgage Fund LLC Note 1 Collateral) · Collateral value = Fully secured Priority of security int. = (see Definitions: Private Mortgage Fund LLC Note 1 Collateral) · Amount owed = est. \$1,899,476.42 ¹⁷ · Pre-pet. arrearage amount = \$ (included above) · Post-pet. arrearage amount = \$0 (est) · Total allowed secured claim amount = est. \$1,855,000.00 | N | Impaired, Claims in this class are entitled to vote on the Plan. | · Down-Payment on Effective Date: \$1,855,000.00 · Remaining Balance: waived · Treatment of lien = Lien shall be cancelled and terminated upon receipt of Down-Payment. |

Comments:

Class 3 consists of the Allowed Claims of Private Mortgage Fund LLC the holder of the Private Mortgage Fund LLC Note 1. Class 3 is impaired under the Plan. Since Private Mortgage Fund LLC is being paid \$1,855,000.00 and waives the remaining balance pursuant to the Plan and the stipulation by and between Debtor and Private Mortgage Fund, LLC, any event of default that may have existed pre-petition with respect to the Private Mortgage Fund

¹⁷ This amount may not yet include all post-petition reasonable attorney’s fees, arrearages, costs, and fees, if any, which this creditor may be entitled to pursuant to the loan documents, and as approved by the court in confirmed plan. Private Mortgage Fund LLC estimates the total value of its claim at an amount of \$1,899,476.42 as of July 8, 2013.

1 LLC Note 1 and/or the Private Mortgage Fund LLC Note 1 Security Documents shall be
2 deemed cured and any notice of default which may have been recorded pre or post-petition
3 with respect to the Private Mortgage Fund LLC Note 1 and the Private Mortgage Fund LLC
4 Note 1 Security Documents shall be deemed null and void and of no further force or effect, and
5 Private Mortgage Fund LLC or the holder of the Private Mortgage Fund LLC Note 1 shall
6 execute any documents or instruments necessary to reflect the same, including the execution
7 and recordation of a release of notice of default.

8 Debtor shall make a lump-sum down-payment in an amount of \$1,855,000 on the
9 Private Mortgage Fund LLC Note 1 to Private Mortgage Fund LLC on the Effective Date and
10 Private Mortgage Fund LLC shall waive any remaining balance on the Private Mortgage Fund
11 LLC Note 1 pursuant to the stipulation by and between Debtor and Private Mortgage Fund,
12 LLC. Exhibit K. There shall be no prepayment penalty.

13 Upon Debtor's making a lump-sum payment in an amount of \$1,855,000 to Private
14 Mortgage Fund LLC on the Private Mortgage Fund LLC Note 1, the lien evidenced by the
15 Private Mortgage Fund LLC Note 1 Security Documents shall be deemed satisfied and shall be
16 canceled. Private Mortgage Fund LLC shall execute and record a reconveyance of its deed of
17 trust and shall cancel and terminate any and all of its security interests.

18 Nothing in the Plan shall enhance or otherwise increase the rights of the holder of the
19 Class 3 claim to seek recovery on its claim as against any party other than the Reorganized
20 Debtor.

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3.03.1.4 Class 4

| CLASS # | DESCRIPTION | INSIDERS Y/N | IMPAIRED Y/N | TREATMENT ¹⁸ |
|---------|--|-----------------|--|---|
| 4 | Secured claim of: · Name =Jacol · Collateral description = (see Definitions: Jacol Note 1 Collateral) · Collateral value = Partially secured Priority of security int. = (see Definitions: Jacol Note 1 Collateral) · Amount owed = est. \$773,500 ¹⁹ · Pre-pet. arrearage amount = \$ (included above) · Post-pet. arrearage amount = \$0 (est) · Total allowed secured claim amount = est. \$650,000.00 | N | Impaired, Claims in this class are entitled to vote on the Plan. | · Down-payment of Effective Date: \$200,000; · Balance of allowed secured claim is paid as follows: - Pymt interval after down-payment = Monthly - Est. pymt amt/interval = \$2,697.98 months 2-7, \$3,000.00 months 8-14, and \$3,301.94 months 15-60 - Balloon pymt = est. \$434,215.27 - Begin date = 2/15/2014 - End date = 1/15/2019 - Interest rate % = 6.0% fixed interest only months 2-7, 8% fixed interest only months 8-14, and amortized over 30,years in months 15-60 · Total payout % = 100% · \$816,990.45 will be paid over sixty months on 100% of a principal balance of \$650,000.00. · Treatment of lien = Lien on the Jacol Note 1 Collateral is subordinated to the Refinance Lender’s lien but is otherwise retained and in full force and effect. |

Comments:

Class 4 consists of the Allowed Claims of Jacol or the holder of the Jacol Note 1. Class 4 is impaired under the Plan.

(I) Treatment if no Section 1111(b) is made by the Class 4 Claimant.

In the event the Class 4 Claimant does not make an effective 1111(b) election, all defaults under the Jacol Security Documents shall be nullified and shall be deemed “cured”

¹⁸ The treatment(s) shown in this table assume(s) that no Section 1111(b) election is made; if an effective Section 1111(b) election is made, then the treatment(s) described in the respective section of the comments apply.

¹⁹ Final amount would additionally include reasonable attorney’s fees, arrearages, costs, and fees, if any, which this creditor may be entitled to pursuant to the loan documents, and as approved by the court in confirmed plan but is discounted by party stipulation.

1 and all consequences of default shall be eliminated, including, but not limited to, the accrual of
2 interest at the default rate and the imposition of late fees.

3 In full and complete satisfaction of the Allowed Secured Claim of Jacol, Jacol of the
4 holder of the Allowed Class 4 Claim shall receive the following if no Section 1111(b) election
5 is made:

6 The Debtor shall make a lump-sum paydown in an amount of \$200,000 on the Allowed
7 Secured Claim of Jacol on the earlier of the closing of the refinance loan or upon the Effective
8 Date. Within five (5) business days after the Confirmation Date, Jacol or the holder of the Jacol
9 Note 1 and the Reorganized Debtor shall execute the Jacol First Note 1 and the Jacol Note 1
10 Security Documents, respectively, to implement and reflect this class's loan and lien terms as
11 set forth in the Plan without effective Section 1111(b) election. The Jacol First Note 1 and the
12 Amended Jacol Note 1 Security Documents shall eliminate any provision contained in the
13 Jacol Note 1 and the Jacol Security Documents that requires the Reorganized Debtor to pay a
14 penalty or other charge for a pre-payment of any amount of the Jacol First Note 1.

15 The Jacol First Note 1 without Section 1111(b) Election. Pursuant to the Plan, in the
16 event that the Court enters a Final Order determining that the value of the Debtor's interest in
17 the Jacol Note 1 Collateral is less than the Allowed Class4 Claim, and the Class4 Claimant
18 does not make an effective Section 1111 (b) Election and receives the lump-sum paydown
19 amount of \$200,000, then the balance of the Allowed Class4 Claim (the value of the Debtor's
20 interest in Jacol Note 1 Collateral less the paydown amount of \$200,000) shall be paid
21 according to a sixty month, Jacol First Note 1.

22 The remaining balance of the Jacol First Note 1, if any, shall be paid in monthly
23 installments of interest only calculated at a fixed interest rate of six percent (6.0%) for the first
24 six (6) months, then interest only calculated at a fixed interest rate of eight percent (8.0%) for
25 six (6) months, and then, for the remaining 45 months, interest calculated at eight percent
26 (8.0%) plus principal amortized over a term of 30 years. Interest shall begin to accrue on the
27 Jacol First Note 1 as of the Effective Date. The first (1st) monthly payment shall be due on the

1 fifteenth (15th) day of the second (2nd) full month following the Effective Date. The interest
2 amount of the first (1st) monthly payment shall be in an amount equal to a full monthly interest
3 payment plus the percentage of a full monthly installment payment derived from the number of
4 days remaining in the month in which the Effective Date occurs (the numerator) divided by the
5 number of days in the month in which the Effective Date occurs (the denominator). Thereafter,
6 payments shall be due on the fifteenth (15th) day of each and every month until the sixtieth
7 (60th) month after the Effective Date at which time the entire outstanding balance of the Jacol
8 First Note 1 shall be all due and payable. There shall be no prepayment penalty.

9 The Jacol First Note 1 and Amended Jacol Note 1 Security Documents shall be in the
10 same form as the Jacol Note 1 and Jacol Note 1 Security Documents, respectively with the
11 exception that the interest rate and maturity date shall be as amended in accordance with the
12 Plan. In the event there is any provision of the Jacol First Note 1 which is inconsistent with the
13 terms of the Plan, the terms of the Plan shall control. The Amended Jacol Note 1 Security
14 Documents shall secure a lien on the Jacol Note 1 Collateral with the same validity that existed
15 prior to the Debtor's alleged pre-petition default(s). Jacol's lien on the Jacol Note 1 Collateral
16 shall be subordinated to the lien(s) of Thorofare Capital, the refinance lender, effective the
17 earlier of the closing of the refinance loan or upon the Effective Date. The Amended Jacol
18 Note 1 Security Documents shall secure repayment of the Jacol First Note 1 as set forth in the
19 Plan. Any event of default that may have existed pre-petition with respect to the Jacol Note 1
20 and/or the Jacol Note 1 Security Documents shall be deemed cured and any notice of default
21 which may have been recorded pre or post-petition with respect to the Jacol Note 1 and the
22 Jacol Note 1 Security Documents shall be deemed null and void and of no further force or
23 effect, and Jacol or the holder of the Jacol Note 1 shall execute any documents or instruments
24 necessary to reflect the same, including the execution and recordation of a release of notice of
25 default.

26 Upon payment in full of the Jacol First Note 1, the lien evidenced by the Amended
27 Jacol Note 1 Security Documents shall be deemed satisfied and shall be deemed canceled.

1 In the event that the Reorganized Debtor defaults in its obligation to pay each payment
2 due and payable under the Amended Jacol First Note 1 and the Amended Jacol Note 1 Security
3 Documents, the holder of the Amended Jacol First Note 1 shall be entitled to record a notice of
4 default and accelerate the entire unpaid indebtedness and/or exercise such other remedies as
5 provided under the Jacol First Note 1 and the Amended Jacol Note 1 Security Documents or
6 under applicable California law. The Reorganized Debtor shall be entitled to cure and reinstate
7 any such default under applicable California law.

8 Nothing in the Plan shall enhance or otherwise increase the rights of the holder of the
9 Class4 claim to seek recovery on its claim as against any party other than the Reorganized
10 Debtor.

11 The unsecured balance of the amount owed on the Jacol Note 1, the Allowed Secured
12 Claim of Jacol less the value of the Debtor's interest in the Jacol Note 1 Collateral, shall be
13 paid under Class 6B(ii) of the Plan.

14 (II) Should an effective 1111(b) election be made by the Class 4 Claimant, then the
15 treatment shall be as follows.

16 This section is operative only in the event that the holder of the Jacol note makes an
17 effective Section 1111(b) Election.

18 If Jacol or the holder of the Jacol Bank Note and Jacol Security Documents makes an
19 effective Section 1111(b) election, then, as of the Confirmation Date of the Plan, all defaults
20 under the Jacol Security Documents shall be nullified and shall be deemed "cured" and all
21 consequences of default shall be eliminated, including, but not limited to, the accrual of
22 interest at the default rate and the imposition of late fees.

23 The allowed secured claim of Jacol shall be in the amount as determined through
24 Jacol's proof of claim regarding the Jacol Note 1 and any objections by the Debtor and/or the
25 trustee resulting in the Court setting the amount of the Class 4 Claimant's Claim, with said
26 amount hereinafter referred to as the "Court Determined Class 4 Claimant's Claim".

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1 In full and complete satisfaction of the Court Determined Class 4 Claimant's Claim, *if*
2 *an Effective 1111(b) Election is made*, the holder of the Court Determined Class 4 Claimant's
3 Claim shall receive the following:

4 The Debtor shall make a lump-sum paydown in an amount of \$200,000.00 on the Court
5 Determined Class 4 Claimant's Claim on earlier of the closing of the refinance loan or upon
6 the Effective Date. Within five (5) business days after the Confirmation Date, Jacol or the
7 holder of the Jacol Note 1 and the Reorganized Debtor shall execute the Jacol First Note 1 and
8 the Jacol Note 1 Security Documents, respectively, to implement and reflect this class's loan
9 and lien terms as set forth in the Plan, if an Effective 1111(b) election is made. The Jacol First
10 Note 1 and the Amended Jacol Note 1 Security Documents shall eliminate any provision
11 contained in the Jacol Note 1 and the Jacol Security Documents that requires the Reorganized
12 Debtor to pay a penalty or other charge for a pre-payment of any amount of the Jacol First
13 Note 1.

14 The Jacol First Note 1 with Section 1111(b) Election. The Jacol First Note 1 and the
15 Amended Jacol Note 1 Security Documents shall be in the same form as the Jacol Note 1 and
16 Jacol Note 1 Security Documents, respectively, with the exception that Jacol or the holder of
17 the Jacol Note 1 shall not be entitled to post-petition interest that accrued on the Jacol Note 1.
18 In the event there is any provision of the Jacol First Note 1 which is inconsistent with the terms
19 of the Plan, the terms of the Plan shall control. Pursuant to the Plan, in the event that the Court
20 enters a Final Order determining that the value of the Debtor's interest in the Jacol Note 1
21 Collateral is less than the Allowed Secured Claim of Jacol, and the Class 4 Claimant makes an
22 effective Section 1111 (b) Election, then the Court Determined Class 4 Claimant's Claim of
23 Jacol shall be treated as follows:

24 Within five (5) business days or earlier of the closing of the refinance loan or the
25 Effective Date, the Reorganized Debtor shall make a principal reduction payment of
26 \$200,000.00 through the recordation of a new first trust deed from Thorofare, (the "refinance
27 loan).

1 Since Jacol has made an effective Section 1111(b) election, the balance of the Court
2 Determined Class 4 Claimant's Claim less the payment of \$200,000.00 shall be treated as a
3 fully secured claim and shall be paid as the Jacol First Note 1. Jacol's lien on the Jacol Note 1
4 Collateral shall be subordinated to the lien of Thorofare Capital, the refinance lender, effective
5 the earlier of the closing of the refinance loan or upon the Effective Date.

6 The Jacol First Note 1 shall be paid in monthly installments of interest only calculated
7 at a fixed interest rate of six percent (6.0%) for the first six (6) months, then interest only
8 calculated at a fixed interest rate of eight percent (8.0%) for six (6) months, and then, for the
9 remaining 45 months, interest calculated at eight percent (8.0%) plus principal amortized over
10 a term of 30 years. Interest shall begin to accrue on the Jacol First Note 1 as of the Effective
11 Date. The first (1st) monthly payment shall be due on the fifteenth (15th) day of the second
12 (2nd) full month following the Effective Date. The interest amount of the first (1st) monthly
13 payment shall be in an amount equal to a full monthly interest payment plus the percentage of
14 a full monthly installment payment derived from the number of days remaining in the month in
15 which the Effective Date occurs (the numerator) divided by the number of days in the month in
16 which the Effective Date occurs (the denominator). Thereafter, payments shall be due on the
17 fifteenth (15th) day of each and every month until the sixtieth (60th) month after the Effective
18 Date at which time the entire outstanding balance of the Jacol First Note 1 shall be all due and
19 payable. There shall be no prepayment penalty.

20 Nothing in the Plan shall enhance or otherwise increase the rights of the holder of the
21 Class 4 claim to seek recovery on its claim as against any party other than the Reorganized
22 Debtor.

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3.03.1.5 Class 5

| CLASS# | DESCRIPTION | INSIDERS (Y/N) | IMPAIRED (Y/N) | TREATMENT |
|--------|---|-------------------|--|---|
| 5(i) | Secured claim of: · Name = Alameda County Treasurer · Collateral description = Real Property Tax Lien APN 25-693-8 · Priority of security int. = 1st Principal owed = \$20,445.23 · Post-pet. Arrearage amount = \$0.00 (est.) Total allowed claim amount = \$20,445.23 | N | Unimpaired, Claims in this class are not entitled to vote on the Plan. | <p>Option A:</p> <ul style="list-style-type: none"> · Pymt interval = Monthly · Est. pymt amt/interval = \$646.47 · Balloon pymt = 0 · Begin date = 1/15/2014 · End date = 07/14/2017 · Interest rate % = 18.0% · Total payout % = 100 <p>\$27,927.50 will be paid over 43 months at \$646.47 per month on 100% of a principal balance of \$20,445.23 unless Debtor finalizes and closes a refinance loan or the Pacific Thomas Property or Properties securing the lien is sold at which time the Class 5(i) Claimant will be paid in full at close of escrow. Treatment of lien = Lien is retained and in full force and effect.</p> <hr/> <p>Option B: Payoff of total allowed claim amount on Effective Date</p> |
| 5(ii) | Secured claim of: · Name = Alameda County Treasurer · Collateral description = Real Prop Tax Lien APN 25-701-6-4 · Priority of security int. = 1st Principal owed = \$67,298.70 · Post-pet. Arrearage amount = \$0.00 (est.) Total claim amount = \$67,298.70 | N | Unimpaired, Claims in this class are not entitled to vote on the Plan. | Payoff of total allowed claim amount, \$67,298.70, on Effective Date |
| 5(iii) | Secured claim of: · Name = Alameda County Treasurer · Collateral description = Real Prop Tax Lien APN 25-697-2-4 · Priority of security int. = 1st Principal owed = \$14,111.55 · Post-pet. Arrearage amount = \$0.00 (est.) Total claim amount = \$14,111.55 | N | Unimpaired, Claims in this class are not entitled to vote on the Plan. | Payoff of total allowed claim amount, \$14,111.55, on Effective Date |
| 5(iv) | Secured claim of: · Name = Alameda County Treasurer · Collateral description = | N | Unimpaired, Claims in this class are not entitled to vote on | Payoff of total allowed claim amount, \$14,046.11, on Effective Date |

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| 1 | | Real Prop Tax Lien APN 25-697-3-6 · Priority of security int. = 1st Principal owed = \$14,046.11 · Post-pet. Arrearage amount = \$0.00 (est.) Total claim amount = \$14,046.11 | | the Plan. | |
| 2 | 5(v) | Secured claim of: · Name = Alameda County Treasurer · Collateral description = Real Property Tax Lien APN 19-102-4 · Priority of security int. = 1st Principal owed = \$8,727.82 · Post-pet. Arrearage amount = \$0.00 (est.) Total claim amount = \$8,727.82 | N | Unimpaired, Claims in this class are not entitled to vote on the Plan. | <p>Option A: Pymt interval = Monthly · Est. pymt amt/interval = \$275.97 · Balloon pymt = 0 Begin date = 1/15/2014 End date = 07/14/2017 · Interest rate % = 18.0% · Total payout % = 100 \$11,921.90 will be paid over 43 months at \$275.97 per month on 100% of a principal balance of \$8,727.82 unless Debtor finalizes and closes a refinance loan or the Pacific Thomas Property or Properties securing the lien is sold at which time the Class 5(v) Claimant will be paid in full at close of escrow. Treatment of lien = Lien is retained and in full force and effect.</p> <p>Option B: Payoff of total allowed claim amount on Effective Date</p> |
| 3 | 5(vi) | Secured claim of: · Name = Alameda County Treasurer · Collateral description = Real Prop Tax Lien APN 25-701-11 · Priority of security int. = 1st Principal owed = \$104,603.25 · Post-pet. Arrearage amount = \$0.00 (est.) Total claim amount = \$104,603.25 | N | Unimpaired, Claims in this class are not entitled to vote on the Plan. | <p>Option A: Pymt interval = Monthly · Est. pymt amt/interval = \$3,307.54 · Balloon pymt = 0 Begin date = 1/15/2014 End date = 07/14/2017 · Interest rate % = 18.0% · Total payout % = 100 \$142,885.73 will be paid over 43 months at \$3,307.54 per month on 100% of a principal balance of \$104,603.25 unless Debtor finalizes and closes a refinance loan or the Pacific Thomas Property or Properties securing the lien is sold at which time the Class 5(vi) Claimant will be paid in full at close of escrow. Treatment of lien = Lien is retained and in full force and effect.</p> <p>Option B: Payoff of total allowed claim amount on Effective Date</p> |

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| 5(vii) | Secured claim of: · Name = Alameda County Treasurer · Collateral description = Real Prop Tax Lien APN 25-697-7-15 · Priority of security int. = 1st Principal owed = \$64,178.50 · Post-pet. Arrearage amount = \$0.00 (est.) Total claim amount = \$64,178.50 | N | Unimpaired, Claims in this class are not entitled to vote on the Plan. | Option A: Pymt interval = Monthly · Est. pymt amt/interval = \$2,029.31 · Balloon pymt = 0 Begin date = 1/15/2014 End date = 07/14/2017 · Interest rate % = 18.0% · Total payout % = 100 \$87,666.19 will be paid over 43 months at \$2,029.31 per month on 100% of a principal balance of \$64,178.50 unless Debtor finalizes and closes a refinance loan or the Pacific Thomas Property or Properties securing the lien is sold at which time the Class 5(vii) Claimant will be paid in full at close of escrow. Treatment of lien = Lien is retained and in full force and effect. |
| 5(viii) | Secured claim of: · Name = Alameda County Treasurer · Collateral description = Real Prop Tax Lien APN 25-697-7-14 · Priority of security int. = 1st Principal owed = \$4,692.80 · Post-pet. Arrearage amount = \$0.00 (est.) Total claim amount = \$4,692.80 | N | Unimpaired, Claims in this class are not entitled to vote on the Plan. | Option B: Payoff of total allowed claim amount on Effective Date |
| 5(ix) | Secured claim of: · Name = Alameda County Treasurer · Collateral description = Real Prop Tax Lien APN 25-707-14-2 (for 2012/2013 and Escape Tax) · Priority of security int. = 1st Principal owed = \$1,935.05 · Post-pet. Arrearage amount = \$0.00 (est.) Total claim amount = \$1,935.05 | | | Option A: Pymt interval = Monthly · Est. pymt amt/interval = \$61.19 · Balloon pymt = 0 Begin date = 1/15/2014 End date = 07/14/2017 · Interest rate % = 18.0% · Total payout % = 100 \$2,643.41 will be paid over 43 months at \$61.19 per month on 100% of a principal balance of \$1,935.05 unless Debtor finalizes and closes a refinance loan or the Pacific Thomas Property or Properties securing the lien is sold at which time the Class 5(ix) Claimant will be paid in full at close of escrow. Treatment of lien = Lien is retained and in full force and effect |

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| | | | | <p><u>Option B:</u> Payoff of total allowed claim amount on Effective Date</p> |
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Comments:

Classes 5(i) through 5(ix) consists of any and all secured claims for Real Property Taxes pertaining to the Pacific Thomas Properties. Classes 5(i) through 5(ix) are unimpaired under the Debtor's Plan.

The Debtor shall satisfy the Allowed Secured Claims of the 5(ii), (iii), (iv), and (viii) claimants by paying their full claim amount, including any and all accrued post-petition interest and penalties, as a lump sum-payment on the Effective Date.

Payments on the Allowed Secured Claims of the 5(i), (v), (vi), (vii), and (ix) claimants shall be made either pursuant to Option A or Option B as described below:

(1) Option A:

The Class 5(i), (v), (vi), (vii), and (ix) claimants shall receive their post petition interest and penalties on the Effective Date, after which deferred cash payments equal to the value of their Allowed Secured Claims as of the Effective Date will be paid in equal monthly installments of principal and interest sufficient to amortize the Allowed Secured Claim over a period of five (5) years from the Petition Date, all due in five (5) years from the Petition Date, commencing on the tenth (15th) day of the first full month after the Effective Date the outstanding and unpaid amount of the Allowed Secured Claim Class 5 claimants will bear interest, commencing on the Effective Date and continuing until such Allowed Secured Claim is paid in full. Interest on the tax claim will be paid in accordance with applicable non-bankruptcy law at the rate of 18.0% per annum.

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1 (2) Option B:

2 The Debtor shall satisfy the Allowed Secured Claims of the Class 5(i), (v), (vi), (vii),
3 and (ix) claimants by paying their full claim amount, including post-petition interest and
4 penalties, as a lump sum-payment on the Effective Date.

5 There shall be no prepayment penalty, neither under Option A nor under Option B.
6 Upon payment in full, of a class 5 claimant pursuant to either treatment, Option A or Option B,
7 all respective liens of said class 5 claimant shall be deemed satisfied, shall be deemed
8 cancelled, and shall be withdrawn by the class 5 claimant,

9 **3.03.2 Classes of Priority Unsecured Claims**

10 Certain priority claims that are referred to in Code Sections 507(a)(3), (4), (5), (6), and
11 (7) are required to be placed in classes. These types of claims are entitled to priority treatment
12 as follows: the Code requires that each holder of such a Claim receive cash on the Effective
13 Date equal to the allowed amount of such Claim. However, a Class of unsecured priority claim
14 holders may vote to accept deferred cash payments of a value, as of the Effective Date, equal
15 to the allowed amount of such Claim. **The Debtor has no Claims of the type identified in**
16 **Code Sections 507(a)(3), (4), (5), (6), and (7).**

17 **3.03.3 Classes of General Unsecured Claims**

18 General unsecured claims are unsecured claims not entitled to priority under Code
19 Section 507(a). The following chart identifies the Plan’s treatment of the classes containing all
20 of Debtor’s General Unsecured Claims:²⁰

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27 ²⁰ The Debtor reserves its right to object to any of the Claims filed by the following Creditors on any reasonable grounds.

3.03.3.1 Class 6A

| <u>CLASS #</u> | <u>DESCRIPTION</u> | <u>IMPAIRED</u> <u>(Y/N)</u> | <u>TREATMENT</u> |
|----------------|--|---|--|
| 6A | Non-insider trade creditor unsecured claims · Total amt of claims = \$62,096.91 | Y Impaired claims in this class are entitled to vote on the plan | Claim will be paid over sixty months on 50% of a principal balance of \$62,096.91: · Down-payment on Effective Date = \$15,524.08 · Remaining balance, est. 15,524.23, is paid as follows: - Pymt interval = Monthly - Est. pymt amt/interval = est. \$258.74 - Interest rate % = 0% - Balloon pymt = \$0.00 - Begin date = 1/15/2014 - End date = 1/15/2019 · Total payout = est. \$31,048.46 · Treatment of lien = no lien; promissory note. |

Comments:

Class 6A consists of the Allowed Claims of the Non-Insider Trade Creditor Unsecured Creditors. Class 6A is impaired under the Plan. The Class 6A Claimant shall be treated as follows: On or before the Effective Date, each holder of a Class 6A claim shall be paid a present value on the Effective Date equal to 50% of their Allowed Claim, payable in a lump sum equal to half of 50% of the principal balance of the claim of the respective Class 6A holder on the Effective Date. The remaining balance of the 50% of the allowed claims of the 6A creditors shall be paid, pro-rata to the amount of each Class 6A creditor's claim, through payments over sixty (60) months. After the lump sum payment on the Effective Date, the Debtor shall execute a promissory note with each holder of a Class 6A Claim for the remaining balance of the 50% of the allowed claims of each 6A creditors that is to be paid over a sixty (60) months term. No interest shall accrue on the promissory Note. The first (1st) monthly payment shall be due on the fifteenth (15th) day of the first (1st) full month following the Effective Date, and shall be in an amount equal to a percentage of a full monthly installment

1 payment derived from the number of days remaining in the month in which the Effective Date
 2 occurs (the numerator) divided by the number of days in the month in which the Effective Date
 3 occurs (the denominator). Commencing on the fifteenth (15th) day of each month thereafter
 4 through the sixtieth (60th) month following the Effective Date, the Reorganized Debtor shall
 5 make equal monthly payments of interest to the Class 6A Claimant. The Promissory Note shall
 6 be due and payable sixty (60) months following the Effective Date.

7 Nothing in the Plan shall enhance or otherwise increase the rights of the holder of the
 8 Class 6A claim to seek recovery on its claim as against any party other than the Reorganized
 9 Debtor.

10 **3.03.3.2 Class 6B**

| <u>CLASS #</u> | <u>DESCRIPTION</u> | <u>IMPAIRED</u> <u>(Y/N)</u> | <u>TREATMENT</u> |
|----------------|---|---|--|
| 6B(i) | Non-insider business unsecured claim of Summit Bank · Total amt = est. \$206,100 | Y Impaired claims in this class are entitled to vote on the plan | Claim will be paid over sixty months on 50% of a principal balance of \$206,100 · Pymt interval = Monthly · Est. pymt amt/interval = \$1,717.5 per month · Balloon pymt = \$0.00 · Begin date = 1/15/2014 · End date = 1/15/2019 · Interest rate % = 0% · Total payout = \$103,050 · Treatment of lien = no lien; promissory note. |
| 6B(ii) | Non-insider business unsecured (bifurcated) claim of Summit Bank · Total amt = est. \$1,215,792.85 | Y Impaired claims in this class are entitled to vote on the plan | Claim will be paid over sixty months on 50% of a principal balance of \$1,215,792.85 · Pymt interval = Monthly · Est. pymt amt/interval = \$10,131.61 · Balloon pymt = \$0.00 · Begin date = 1/15/2014 · End date = 1/15/2019 · Interest rate % = 0% · Total payout = \$607,896.43 · Treatment of lien = Lien is avoided and converted to a promissory note. |

| | | | | |
|---|---------|---|---|---|
| 1 | 6B(iii) | Non-insider business unsecured (bifurcated) claim of Jacol · Total amt = est. \$123,500 | Y Impaired claims in this class are entitled to vote on the plan | Claim will be paid over sixty months on 50% of a principal balance of \$123,500 · Pymt interval = Monthly · Est. pymt amt/interval = \$1,029.17 · Balloon pymt = \$0.00 · Begin date = 1/15/2014 · End date = 1/15/2019 · Interest rate % = 0% · Total payout = \$61,750.00 · Treatment of lien = Lien is converted to a promissory note. |
| 8 | 6B(iv) | Non-insider business unsecured claim of Planned Parenthood Mar Monte, Inc. · Total amt = est. \$36,720 | Y Impaired claims in this class are entitled to vote on the plan | Claim will be paid over sixty months on 50% of a principal balance of \$36,720 · Pymt interval = Monthly · Est. pymt amt/interval = \$306 · Balloon pymt = \$0.00 · Begin date = 1/15/2014 · End date = 1/15/2019 · Interest rate % = 0% · Total payout = \$18,360 · Treatment of lien = Lien is converted to a promissory note. |

16 Comments:

17 Class 6B consists of the Allowed Claims of Non-Insider Business Unsecured Creditors.
18 Class 6B is impaired under the Plan. The Class 6B Claimants shall be treated as follows: On or
19 before the Effective Date, the Debtor shall execute a promissory note with each holder of a
20 Class 6B Claim with a present value equal to 50% of each 6B Class claim holder (the
21 “Promissory Note”). Interest shall accrue on the Promissory Note at an interest rate of three
22 percent (3%) interest-only beginning on the Effective Date. The first (1st) payment shall be
23 due on the fifteenth (15th) day of the first (1st) full month following the Effective Date, and
24 shall be in an amount equal to a percentage of a full monthly installment payment derived from
25 the number of days remaining in the month in which the Effective Date occurs (the numerator)
26 divided by the number of days in the month in which the Effective Date occurs (the
27 denominator). Commencing on the fifteenth (15th) day of each month thereafter through the

sixtieth (60th) month following the Effective Date, the Reorganized Debtor shall make equal monthly payments of interest to the Class 6B Claimants. The Promissory Note shall be due and payable sixty (60) months following the Effective Date.

Nothing in the Plan shall enhance or otherwise increase the rights of the holder of the Class 6B claim to seek recovery on its claim as against any party other than the Reorganized Debtor.

4.01.1.1 **Class 6C**

| <u>CLASS #</u> | <u>DESCRIPTION</u> | <u>IMPAIRED (Y/N)</u> | <u>TREATMENT</u> |
|----------------|---|---|---|
| 6C | General unsecured claims of insiders · Total amt of claim = \$2,819,646.31 | Y Impaired claims in this class are NOT entitled to vote on the plan | Claim will be paid only after payment in full to classes 1 through 5(ix) and Class 6A and 6B · Pymt interval = Monthly · Est. pymt amt/interval = t0.00 · Balloon pymt = \$0.00 · Begin date = 1/15/2014 · End date = 1/15/2019 · Interest rate % = 0% · Total payout = \$0.00 · Treatment of lien = N/A. |

Comments:

Class 6C consists of the Allowed unsecured Claims of insiders. Class 6C is impaired under the Plan.

Class 6C Claimants shall be paid only after payment in full of Classes 1 through 6B. Class 6C claimants shall receive nothing hereunder should all creditors in Classes 1-6B not receive an amount whose present value equals its allowed claims under Debtor's Second Amended Plan.

Further, the insiders of Class 6C intend to provide substantial new investment in the form of cash or sales proceeds from the sale of real property located in Hawaii to the Second Amended Plan in exchange for shares in the reorganized debtor entity that shall be formed to

1 receive the proceeds of the Thorofare loan and confirmation of the Plan, along with the new
2 investment of insiders.

3 Nothing in the Plan shall enhance or otherwise increase the rights of the holder of the
4 Class 6C claim to seek recovery on its claim as against any party other than the Reorganized
5 Debtor.

6 4.01.2 Classes of Interest Holders

7 Interest holders are the party who hold ownership interest (i.e., equity interest) in the
8 debtor. If the debtor is a corporation, entities holding preferred or common stock in the debtor
9 are the interest holders. If the debtor is a partnership, the interest holders include both general
10 and limited partners. If the debtor is an individual, the debtor is the interest holder. The
11 following chart identifies the Plan's treatment of the class of interest holders.

12 4.01.2.1 Class 7

| 13 <u>CLASS #</u> | 14 <u>DESCRIPTION</u> | 15 <u>IMPAIRED (Y/N)</u> | 16 <u>TREATMENT</u> |
|-------------------|---|--|--|
| 17 7 | 18 Interest holders 19 Randall Whitney Shareholder and 20 President 2% 21 Jill Worsley Shareholder, Secretary and 22 2% 23 Edwin Thomas Revocable Living Trust 24 Shareholder 92% 25 Roger W. Worsley Shareholder 2% 26 Stephen T. Worsley Shareholder 2% | 27 Insider; claims in this class are not entitled to vote on the Plan | Class 7 is unimpaired under the Plan and will receive the pro-rata share of monies available after payment to classes 1 through 6A, B and C. Class 7 equity holders will retain their equity in the reorganized Debtor subject to a share repurchase agreement for new value investors |

22 **Notwithstanding any other provision of the Plan, no payments or Distributions**
23 **shall be made on account of any Disputed Claim or Disputed Interest until such Claim or**
24 **Interest becomes an Allowed Claim or Allowed Interest, and then only to the extent it**
25 **becomes an Allowed Claim or Allowed Interest. Any Proof of Claim or Proof of Interest**
26 **filed which differs from the Scheduled amount is deemed to be a Disputed Claim or**
27 **Disputed Interest.**

1 **4.01.3 Resolution of State Court Actions**

2 The Debtor believes the following state court action will be resolved prior to or shortly
3 after the Effective Date:

4 Summit Bank v. Pacific Thomas (RG11) - Case # RG11574626.

5 **4.02 Means of Effectuating Plan**

6 **4.02.1 Funding for the Plan**

7 The Plan will be funded by the following: The Reorganized Debtor shall make all
8 payments due under the Plan out of the funds on hand in the Debtor’s Estate as of the Effective
9 Date and through the income generated through the leasing of the Pacific Thomas Properties.
10 Additionally, Debtor contemplates to fund the Plan through a refinance or sale of one or more
11 parcels of the Pacific Thomas Properties. Substantial new value investment provided by
12 insiders shall provide the cash to pay off Administrative claims on the Effective Date of the
13 confirmation of the Second Amended Plan.

14 **4.02.2 Post-Confirmation Management**

15 Loh Realty (<http://www.lohrealty.com>) and the Oakland office of Collier’s
16 International will be retained as Debtor’s post-confirmation property management company
17 and leasing agent. Their duties will include supervision of the on-site manager, management of
18 Debtor’s commercial leases, and contracting with contractors for construction. Loh Realty and
19 the Oakland office of Collier’s International shall receive a management fee for the above-
20 listed management services similar to the terms of Pacific Trading Venture’s management
21 contract.

22 The post-confirmation management of the Debtor itself will be as described in Section
23 2.03 *supra*.

24 **4.02.3 Disbursing Agent**

25 A neutral person or entity shall be appointed by the Court to act as the Disbursing
26 Agent for the purpose of making all distributions provided for under the Plan. Debtor proposes
27 that its CEO acts as Debtor’s Disbursing Agent. The Disbursing Agent shall serve without

1 bond and shall receive no fee for its services as a Disbursing Agent. The Disbursing Agent
2 shall be responsible for the Distribution of the Debtor's Cash or any recoveries to Creditors
3 pursuant to the provisions of the Bankruptcy Code and the Plan. The duties of the Disbursing
4 Agent shall include preparing and filing the Post-Confirmation Status Reports with the Office
5 of the United States Trustee and paying all post-confirmation quarterly fees of the Office of the
6 United States Trustee until the bankruptcy case is dismissed or a final decree has been entered,
7 whichever occurs first. The Debtor, not the Disbursing Agent, shall be responsible for
8 operating the Debtor's business, maximizing the Debtor's business affairs, preserving the
9 assets of the Debtor's bankruptcy state, and pursuing any claims held by the Debtor's
10 bankruptcy estate, including any Avoidance Actions and Post-Confirmation Estate Claims.
11 Any recovery from Avoidance Actions will be utilized to pay the Classes 1, 2, 3, 4, 5(i) – 5(ix),
12 6A, and 6B creditors in full.

13 **4.03 Risk Factors**

14 The proposed Plan has the following risks which could adversely impact the Debtor's
15 ability to make Plan payments: (1) there is a possibility of default, i.e., possibility of inability
16 to pay Plan payments, (2) the financial projections provided by the Plan Proponent may not be
17 realized, (3) the business environment and real estate sale market may decline from its present
18 level, (4) competition in the real estate market may increase, (5) the legal environment in terms
19 of laws and regulations could change and have a negative impact upon the Debtor, (6) the
20 reorganized Debtor could be sued and the costs and expenses of litigation could impact the
21 Debtor's financial circumstances.

22 **4.04 Other Provisions of the Plan**

23 **4.04.1 Executory Contracts and Unexpired Leases**

24 **4.04.1.1 Assumptions**

25 The following are the unexpired leases to be assumed as obligations of the reorganized
26 Debtor under this Plan:

- 27 a) Pacific Trading Ventures

Commercial Lease

b) Mujeres Unidas Y Activas
Commercial Lease

c) Avila Trucking
Commercial Lease

d) Performance Contracting, Inc.
Commercial Lease

e) Clark Construction
Commercial Lease

f) Budget Parking
Commercial Lease

g) Safe Parking
Commercial Lease

See **Exhibit D** for unexpired leases and executory contracts being assumed.

On the Effective Date, the unexpired leases listed above if any shall be assumed as obligations of the reorganized Debtor. The Order of the Court confirming the Plan shall constitute an Order approving the assumption of the lease listed above. If you are a party to a lease or contract to be assumed and you object to the assumption of your lease or contract, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan. See Section {I.B.3.} of this document for the specific date.

The following are the executory contracts to be assumed as obligations of the Reorganized Debtor under this Plan:

Sprint
Wireless Services Contract

AT&T Advertising Solutions

East Bay Municipal Utility District
4 Contracts

Pacific Gas & Electric Co.,
5 accounts.

1 which make it difficult to state completely and accurately all the tax implications of any action
2 on Debtor' tax liability.

3 The following are the tax consequences which the Plan will have on the Debtor' tax
4 liability:

5 DUE TO THE UNSETTLED AND COMPLEX NATURE OF SOME OF THE TAX
6 ISSUES, AS WELL AS THE POSSIBILITY THAT DEVELOPMENTS SUBSEQUENT TO
7 THE DATE HEREOF COULD AFFECT THE TAX CONSEQUENCES OF THE PLAN,
8 THE FOLLOWING DISCUSSION SHOULD NOT BE REGARDED AS DEFINITIVE OR
9 AS COVERING ALL POSSIBLE TAX CONSEQUENCES. ADDITIONALLY, THIS
10 SUMMARY DOES NOT DISCUSS ALL ASPECTS OF FEDERAL INCOME TAXATION
11 THAT MAY BE RELEVANT TO A PARTICULAR CREDITOR OR HOLDER OF AN
12 EQUITY INTEREST IN LIGHT OF ITS INDIVIDUAL CIRCUMSTANCES OR TO
13 CERTAIN CREDITORS AND HOLDERS OF EQUITY INTERESTS SUBJECT TO
14 SPECIAL TREATMENT UNDER THE FEDERAL INCOME TAX LAWS (FOR
15 EXAMPLE, LIFE INSURANCE COMPANIES, TAX-EXEMPT ORGANIZATIONS,
16 FOREIGN CORPORATIONS AND INDIVIDUALS WHO ARE NOT CITIZENS OR
17 RESIDENTS OF THE UNITED STATES). THIS SUMMARY DOES NOT DISCUSS ANY
18 ASPECT OF STATE, LOCAL OR FOREIGN TAXATION. HOLDERS OF CLAIMS ARE
19 STRONGLY URGED TO CONSULT WITH THEIR OWN TAX ADVISORS AS TO THE
20 SPECIFIC TAX CONSEQUENCES (FEDERAL, STATE, LOCAL, AND FOREIGN) TO
21 THEM OF THE PLAN.

22 This summary is based upon the laws, regulations, rulings, and decisions in effect on
23 the date hereof and upon certain proposed and temporary regulations, all of which are subject
24 to change (possibly with retroactive effect) by legislation, administrative action or judicial
25 decision. Moreover, due to a lack of definitive judicial or administrative authority and
26 interpretation, substantial uncertainties exist with respect to various tax consequences of the
27 Plan as discussed herein. No rulings have been or are expected to be requested from the IRS or

1 any state tax agency concerning any of the tax matters described herein. There can be no
2 assurance that the IRS or any state tax agency will not challenge the positions taken by the
3 Debtor with respect to any of the issues addressed herein or that a court of competent
4 jurisdiction would not sustain such a challenge. The amount of tax liabilities, if any, will be
5 affected by any deductions the Debtor will be entitled to take during the year. Debtor intends to
6 consult with tax counsel prior to filing any post-confirmation tax returns and intends to take the
7 maximum deductions allowable by law, offsetting some portion of tax liabilities, if any. Thus,
8 at this time, the Debtor cannot estimate the amount of tax liabilities that will be incurred.
9 General tax consequences on creditors of any discharge, and the general tax consequences of
10 receipt of plan consideration after confirmation cannot be quantified by the Debtor and
11 creditors and interest holders are advised to consult with their own tax advisors respecting the
12 tax consequences, if any, of the Plan, including state and local tax consequences.

13 **ARTICLE IV.**

14 **CONFIRMATION REQUIREMENTS AND PROCEDURES**

15 PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OF THIS PLAN
16 SHOULD CONSULT WITH THEIR OWN ATTORNEYS BECAUSE THE LAW ON
17 CONFIRMING A PLAN OF REORGANIZATION IS VERY COMPLEX. The following
18 discussion is intended solely for the purpose of alerting readers about basic confirmation
19 issues, which they may wish to consider, as well as certain deadlines for filing claims. The
20 Proponent CANNOT and DOES NOT represent that the discussion contained below is a
21 complete summary of the law on this topic.

22 Many requirements must be met before the Court can confirm a Plan. Some of the
23 requirements include that the Plan must be proposed in good faith, acceptance of the Plan,
24 whether the Plan pays creditors at least as much as creditors would receive in a Chapter 7
25 liquidation, and whether the Plan is feasible. These requirements are not the only requirements
26 for confirmation. For a plan to be confirmable, the Plan must meet the requirements of
27 Bankruptcy Code §1129(a) and §1129(b). Confirmation is sought under §1129(b) pursuant to

1 the Second Amended Disclosure Statement and Plan of Reorganization under the Debtor's
2 Proposed Refinancing and specifically requests confirmation of its Plan under 1129(b).
3 Proponent's Plan meets all requirements of §1129(a) except §1129(a)(8) and therefore
4 confirmation of the Second Amended Plan is sought under §1129(b).

5 **4.01 Who May Vote or Object**

6 **4.01.1 Who May Object to Confirmation of the Plan**

7 Any party in interest may object to the confirmation of the Plan, but as explained below
8 not everyone is entitled to vote to accept or reject the Plan.

9 **4.01.2 Who May Vote to Accept/Reject the Plan**

10 A creditor or interest holder has a right to vote for or against the Plan if that creditor or
11 interest holder has a claim which is both (1) allowed or allowed for voting purposes and (2)
12 classified in an impaired class.

13 **4.01.2.1 What Is an Allowed Claim/Interest**

14 As noted above, a creditor or interest holder must first have an allowed claim or interest
15 to have the right to vote. Generally, any proof of claim or interest will be allowed, unless a
16 party in interest brings a motion objecting to the claim. When an objection to a claim or
17 interest is filed, the creditor or interest holder holding the claim or interest cannot vote unless
18 the Court, after notice and hearing, either overrules the objection or allows the claim or interest
19 for voting purposes.

20 THE BAR DATE FOR FILING A PROOF OF CLAIM IN THIS CASE IS[DATE].

21 A creditor or interest holder may have an allowed claim or interest even if a proof of
22 claim or interest was not timely filed. A claim is deemed allowed if (1) it is scheduled on the
23 Debtor's schedules and such claim is not scheduled as disputed, contingent, or unliquidated,
24 and (2) no party in interest has objected to the claim. An interest is deemed allowed if it is
25 scheduled and no party in interest has objected to the interest.

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4.01.2.2 What Is an Impaired Claim/Interest

As noted above, an allowed claim or interest only has the right to vote if it is in a class that is impaired under the Plan. As provided in §1124 of the Bankruptcy Code, a class is impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class. For example, a class comprised of general unsecured claims is impaired if the Plan fails to pay the members of that Class 100% of what they are owed.

In this case, the Proponent believes that classes 1, 3, 4, and Class 6A and 6B are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Proponent believes that classes 2 and 5(i) through 5(ix) are unimpaired. Holders of claims in unimpaired classes do not have the right to vote to accept or reject the Plan. Parties who dispute the Proponent's characterization of their claim or interest as being impaired or unimpaired may file an objection to the Plan contending that the Proponent has incorrectly characterized the class.

4.01.3 Who Is Not Entitled to Vote

The following four types of claims are not entitled to vote: (1) claims that have been disallowed; (2) claims in unimpaired classes; (3) claims entitled to priority pursuant to Code sections 507(a)(1), (a)(2), and (a)(8); and (4) claims in classes that do not receive or retain any value under the Plan. Claims in unimpaired classes are not entitled to vote because such classes are deemed to have accepted the Plan. Claims entitled to priority pursuant to Code sections 507(a)(1), (a)(2), and (a)(7) are not entitled to vote because such claims are not placed in classes and they are required to receive certain treatment specified by the Code. Claims in classes that do not receive or retain any value under the Plan do not vote because such classes are deemed to have rejected the Plan. **EVEN IF YOUR CLAIM IS OF THE TYPE DESCRIBED ABOVE, YOU MAY STILL HAVE A RIGHT TO OBJECT TO THE CONFIRMATION OF THE PLAN.**

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1 **4.01.4 Who Can Vote in More Than One Class**

2 A creditor whose claim has been allowed in part as a secured claim and in part as an
3 unsecured claim is entitled to accept or reject a Plan in both capacities by casting one ballot for
4 the secured part of the claim and another ballot for the unsecured claim.

5 **4.01.5 Votes Necessary to Confirm the Plan**

6 If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one
7 impaired class has accepted the Plan without counting the votes of any insiders within that
8 class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be
9 confirmed by "cramdown" on non-accepting classes, as discussed later in Section 4.01.7.

10 **4.01.6 Votes Necessary for a Class to Accept the Plan**

11 A class of claims is considered to have accepted the Plan when more than one-half
12 (1/2) in number and at least two-thirds (2/3) in dollar amount of the claims which actually
13 voted, voted in favor of the Plan. A class of interests is considered to have "accepted" the Plan
14 when at least two-thirds (2/3) in amount of the interest-holders of such class which actually
15 voted, voted to accept the Plan.

16 **IMPORTANT NOTICE; IF YOU ARE ELIGIBLE TO VOTE AND YOUR**
17 **COMPLETED BALLOT IS NOT RECEIVED BY MATLOCK LAW GROUP, P.C.,**
18 **OFFICE ON OR BEFORE THE VOTING DEADLINE (SEE SECTION**

19 **4.01.7 Treatment of Non-Accepting Classes**

20 As noted above, even if all impaired classes do not accept the proposed Plan, the Court
21 may nonetheless confirm the Plan if the non-accepting classes are treated in the manner
22 required by the Code. The process by which non-accepting classes are forced to be bound by
23 the terms of a Plan is commonly referred to as "cramdown." The Code allows the Plan to be
24 "crammed down" on non-accepting classes of claims or interests if it meets all consensual
25 requirements except the voting requirements of 1129(a)(8) and if the Plan does not
26 "discriminate unfairly" and is "fair and equitable" toward each impaired class that has not
27 voted to accept the Plan as referred to in 11 U.S.C. § 1129(b) and applicable case law.

1 **4.02 Liquidation Analysis**

2 Another confirmation requirement is the "Best Interest Test", which requires a
3 liquidation analysis. Under the Best Interest Test, if a claimant or interest holder is in an
4 impaired class and that claimant or interest holder does not vote to accept the Plan, then that
5 claimant or interest holder must receive or retain under the Plan property of a value not less
6 than the amount that such holder would receive or retain if the Debtor were liquidated under
7 Chapter 7 of the Bankruptcy Code.

8 In a Chapter 7 case, the Debtor's assets are usually sold by a Chapter 7 trustee. Secured
9 creditors are paid first from the sales proceeds of properties on which the secured creditor has a
10 lien. Administrative claims are paid next. Next, unsecured creditors are paid from any
11 remaining sales proceeds, according to their rights to priority. Unsecured creditors with the
12 same priority share in proportion to the amount of their allowed claim in relationship to the
13 amount of total allowed unsecured claims. Finally, interest holders receive the balance that
14 remains after all creditors are paid, if any. For the Court to be able to confirm this Plan, the
15 Court must find that all creditors and interest holders who do not accept the Plan will receive at
16 least as much under the Plan as such holders would receive under a Chapter 7 liquidation. The
17 Plan Proponent maintains that this requirement is met here for the following reasons: The
18 Debtor's primary asset is the Pacific Thomas Properties. The Pacific Thomas Properties are
19 encumbered by deeds of trust in favor of Jacol, Bank of the West, Private Mortgage Fund, and
20 Summit Bank. The balance of the notes securing the Pacific Thomas Properties as of the
21 Petition Date was approximately \$13,420,000 (currently estimated at \$13,877,219.42).

22 Based upon a very conservative estimate by the Debtor and pursuant to recent
23 appraisals from CBRE, Integra Realty Resources, and Cushman Wakefield as well as recent
24 estimates from storage industry professionals about potential values possible in a forced sale
25 process, the liquidation value of the Pacific Thomas Properties is approximately \$10,948,000.

26 See **Exhibits H-J**.

27 //

1 This amount is lower than the fair market value of the properties because (1) in a
2 Chapter 7 proceeding, only the liquidation value could be obtained, most likely with each
3 parcel being sold separately or “cherry picked”, which significantly reduces their overall value,
4 and (2) there would be normal costs of sale and other costs of administration attendant to the
5 Chapter 7 proceeding, including 6-12% of the sale price for brokerage fees, 10-15% for
6 attorney’s fees, and 15% or more for resulting income tax for this fully taxable transaction. The
7 result is a 31 - 42% reduction, according to various accounting professionals familiar with such
8 a process in a Chapter 11 proceeding. This means there would not be sufficient proceeds
9 generated by a liquidation sale of the Pacific Thomas Properties to pay all of the secured
10 creditors in full. Although the Storage facility itself appears to be in strong market demand,
11 such a sale could potentially negatively affect the sale price of the remaining parcels and
12 ultimately hinder the ability to pay off all of the secured creditors. Therefore, a liquidation sale
13 of the most valuable property alone may not be in the best interest of all of the creditors as a
14 whole.

15 Similarly, the liquidation value of Debtor’s personal property assets is significantly less
16 than the value listed in Debtor’s Schedule B²¹ because said schedule requires updating and
17 correction. As shown in detail in **Exhibit A**, Debtor believes that the majority of its notes
18 receivable and (a significant part of its) “loans to shareholders” should have been written off
19 or corrected in Debtor’s books long before the instant bankruptcy case was filed and/or are not
20 collectible, For example, PTC’s payments for the business expenses of its shareholders were
21 incorrectly booked as loans to shareholders, dividend payments to shareholders were booked as
22 notes receivables, and PTC’s investment in a land use development project was incorrectly
23 booked as a note receivable. Additionally, the claim against Terry Hepler, Jose Coronado, and
24 Ken Blunt is not collectible as Debtor is not aware of the whereabouts of said individuals, and
25 Debtor made respective inquiries and believes that the costs to collect on the notes receivable

26 _____
27 ²¹ Schedule B will need to be corrected in particular with regards to the above-stated personal property items.

1 would outweigh their value. Finally Debtor believes that its security access equipment is a
2 fixture whose value increased and is included in the fair market value of Debtor's real
3 properties.

4 Additionally, for liquidation purposes, Debtor estimates that only 20% of its Notes
5 Receivable and Accounts Receivable can be collected. This percentage is higher than the
6 customary 3-16% debt buyers pay for such items, depending on their age and history.

7 The conclusion that necessarily follows is that Unsecured Creditors of the Debtor's
8 Estate would not receive any distribution were this Chapter 11 proceeding converted to one
9 under Chapter 7 of the Code. The plan, which provides for a distribution to Unsecured
10 Creditors, clearly provides a greater return to Unsecured Creditors than that which would be
11 achieved in a Chapter 7. Consequently, the Debtor believe that the Plan, as proposed, provides
12 to Unsecured Creditors more than they would receive were the Debtor's Case converted to one
13 under chapter 7 of the Code. The Plan proposes to pay general unsecured creditors, Classes 6A
14 and 6B, approximately 50% of their total claims while a liquidation of the Debtor's estate
15 would result in a 0% dividend. In a Chapter 7 case, a trustee is appointed and entitled to
16 compensation from the Bankruptcy estate in an amount not to exceed 25% on the first \$5,000
17 of moneys disbursed, 10% on any amount over \$5,000 but less than \$50,000, 5% on any
18 amount over \$50,000 but not in excess of \$1 million and 3% on all amounts over \$1 million. In
19 this case, the trustee's compensation is estimated to equal \$351,480.53 based upon a liquidated
20 value of the Pacific Thomas Properties of \$10,647,960.99 and a liquidation value of Debtor's
21 personal properties of \$222,462.00. See *supra*. Through the Plan, however, no Chapter 7
22 trustee's compensation will be incurred.

23 Below is a demonstration, in balance sheet format, that all creditors and interest holders
24 will receive at least as much under the Plan as such creditor or interest holder would receive
25 under a Chapter 7 liquidation. (See **Exhibit A** for a detailed explanation of how the following
26 assets are valued. This information is provided by the Debtor but incorporates proposed Lender
27 Thorofare Capital's underwriting valuations pursuant to its Amended Conditional Commitment

1 Letter, Option A and B loan sizers, and recent appraisals from CBRE, Integra Realty
 2 Resources, and Cushman Wakefield, excerpts of which are also attached.)

3 **ASSETS VALUED AT LIQUIDATION VALUE**

| Description | Liquidation Value | Secured Claim ²² | Net Proceeds |
|---|--|------------------------------------|----------------|
| 2615 E 12th Street, Oakland, CA 94601 (APN 25-701-6-4) "Safe Storage" | \$4,769,855.07 Less \$67,298.70 tax liens equals: \$4,702,556.37 | \$3,278,510.00 Bank of the West | \$1,424,046.37 |
| 29th Avenue, Oakland, CA 94601 (APN 25-693-8; industrial-vacant land) "Derby" | \$ 714,000.00 Less \$20,445.23 tax liens equals: \$693,554.77 | \$7,925,733.00 Summit Bank | \$0.00 |
| 23 rd Avenue, Oakland, CA 94601 (APN 019-102-004) | \$306,000.00 Less \$8,727.82 tax liens equals: \$297,272.18 | | \$0.00 |
| 26 th Avenue in Oakland, CA 94601 (APN 25-701-11) "Safe Storage Annex" | \$1,748,946.86 Less \$104,603.25 tax liens equals: \$1,644.343.61 | | \$0.00 |

26 _____
 27 ²² Final amount of each secured claim will additionally include reasonable attorney's fees, arrearages, costs, and fees, if any, which each respective creditor may be entitled to pursuant to the loan documents, and as determined / approved by the court in a confirmed plan.

| | | | | |
|----|---|--|---|--------|
| 1 | 2783 E 12th Street, Oakland, CA 94601 (APN 25-697-7-15) "Safe Storage Annex" | \$914,222.22 Less \$64,178.50 tax liens equals: \$850,043.72 | | \$0.00 |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | 25 th Avenue Oakland, CA 94601 (partial APN 25-707-14-2) "Safe Storage Annex" | \$794,975.85 Less \$1,935.05 tax liens equals: \$793,040.80 | | \$0.00 |
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| 16 | 2783 E. 12th Street, Oakland, CA 94601 (APN 025-697-02-04) "Morse" | \$829,600.00 Less \$14,111.55 tax liens equals: \$815,488.45 | \$1,899,476.42 Private Mortgage Fund LLC (est.) \$773,500.00 Jacol (est.) | \$0.00 |
| 17 | | | | |
| 18 | | | | |
| 19 | | | | |
| 20 | | | | |
| 21 | 29 th Avenue, Oakland, CA 94601 (APN 25- 697-3-6) "Tuffy" | \$656,200.00 Less \$14,046.11 tax liens equals: \$642,153.89 | | \$0.00 |
| 22 | | | | |
| 23 | | | | |
| 24 | | | | |
| 25 | | | | |
| 26 | | | | |
| 27 | | | | |

Debtor's Second Amended Disclosure Statement - 92

| | | | | |
|----|---|-----------------|--------|-------------|
| 1 | 2783 E 12th Street, Oakland, CA 94601 (APN 25-697-7-14) | \$214,200.00 | | \$0.00 |
| 2 | | Less \$4,692.80 | | |
| 3 | | tax liens | | |
| 4 | | equals: | | |
| 5 | | \$209,507.20 | | |
| 6 | Petty cash. | \$0.00 | \$0.00 | \$0.00 |
| 7 | Est. Funds in DIP Accounts (incl. Pre- Petition Bank Acct. Balances) | \$80,066 | \$0.00 | \$80,066 |
| 8 | | | | |
| 9 | 1091 Calcot | \$0.00 | \$0.00 | \$0.00 |
| 10 | Regulars | \$0.00 | \$0.00 | \$0.00 |
| 11 | Leon & Leon OHA Trust | \$0.00 | \$0.00 | \$0.00 |
| 12 | Security/Deposits | \$42,893.00 | \$0.00 | \$42,893.00 |
| 13 | Other | \$0.00 | \$0.00 | \$0.00 |
| 14 | Loans to Shareholders | \$41,515.00 | \$0.00 | \$8,303.00 |
| 15 | Note receivable from China Sci-Tech | \$0.00 | \$0.00 | \$0.00 |
| 16 | Note receivable from Pacific Trading Ventures | \$66,000 | \$0.00 | \$13,200.00 |
| 17 | | | | |
| 18 | Note receivable Edwin Nova Thomas RLT | \$0.00 | \$0.00 | \$0.00 |
| 19 | | | | |
| 20 | Note receivable Nova Group | \$350,000.00 | \$0.00 | \$70,000.00 |
| 21 | Note receivable Terry Hepler | \$0.00 | \$0.00 | \$0.00 |
| 22 | Note receivable Thomas California Investments | \$0.00 | \$0.00 | \$0.00 |
| 23 | | | | |
| 24 | Note receivable Thomas Capital Investments | \$0.00 | \$0.00 | \$0.00 |
| 25 | | | | |
| 26 | Note receivable Jose Coronado | \$0.00 | \$0.00 | \$0.00 |
| 27 | | | | |

Debtor's Second Amended Disclosure Statement - 93

| | | | | |
|---|---------------------------------|------------|--------|----------------|
| 1 | Note receivable Ken Blunt | \$0.00 | \$0.00 | \$0.00 |
| 2 | Note receivable Buhla R. Darrow | \$0.00 | \$0.00 | \$0.00 |
| 3 | Accounts Receivable | \$2,000.00 | \$0.00 | \$2,000.00 |
| 4 | Prepaid Insurance | \$0.00 | \$0.00 | \$0.00 |
| 5 | Machinery & Equipment | \$6,000 | \$0.00 | \$6,000 |
| 6 | | | | |
| 7 | TOTAL: | | | \$1,646,508.37 |

8 **Liquidation Analysis**

| | | | |
|----|--|----------------------|--|
| 9 | Personal Property at Liquidation Value | \$222,462.00 | |
| 10 | Pacific Thomas Properties at Liquidation Value Less Tax Liens | \$10,647,960.99 | |
| 11 | Total Assets At Liquidation Value: | \$10,870,422.99 | |
| 12 | LESS LIABILITIES IN CHAPTER 7 CASE | | |
| 13 | | | |
| 14 | Less Secured Creditor Recovery ²³ | \$13,877,219.42 | |
| 15 | Less: Chapter 7 trustee's fees and expenses | \$349,362.69 | |
| 16 | Matlock Law Group, P.C., Debtor's Counsel | \$175,000.00(est.) | |
| 17 | | | |
| 18 | Chapter 11 Trustee | \$150,000.00 (est.) | |
| 19 | Chapter 11 Trustee Counsel | \$150,000,000 (est.) | |
| 20 | | | |
| 21 | Chapter 11 Trustee Accountant / Other | \$25,000 (est.) | |

22

23

24 ²³

| | |
|----------------------------------|-----------------|
| Est. Classes 1 through 4 | \$13,877,219.42 |
| Summit Bank (est.) | \$7,925,733.00 |
| Bank of the West (est.) | \$3,278,510 |
| Private Mortgage Fund LLC (est.) | \$1,899,476.42 |
| Jacol (est.) | \$773,500.00 |

| | | | |
|---|--|----------------------|--|
| 1 | Clerk's Office Fees | \$0.00 | |
| 2 | Office of the U.S. Trustee Fees | \$650 (2nd qtr 2013) | |
| 3 | % OF THEIR CLAIMS WHICH UNSECURED CREDITORS | -0- | |
| 4 | WILL RECEIVE OR RETAIN UNDER THIS PLAN: | | |

6 Below is a demonstration, in tabular format, that all Creditors and interest holders will
7 receive at least as much under the Plan as such Creditor or holder would receive under a
8 Chapter 7 liquidation.

| 9 | <u>CLAIMS AND CLASSES</u> | <u>PAYOUT PERCENTAGE</u> | <u>PAYOUT PERCENTAGE</u> |
|----|---------------------------------------|--------------------------|--|
| 10 | | <u>UNDER THE PLAN</u> | <u>IN CHAPTER 7</u> |
| 11 | | | <u>LIQUIDATION</u> |
| 12 | Administrative Claims | 100.00% | Estimated funds available for Administrative Claims sufficient to pay Administrative Fees and Costs are estimated at \$349,362.69 and Chapter 11 Administrative Fees and Costs are estimated at \$500,650.00 ²⁴) |
| 13 | | | |
| 14 | Classes 1 – 4 | 100.00% | 77.00% on average |
| 15 | | | |
| 16 | Class 5(i) – 5(ix) | 100.00% | 100.00% |
| 17 | | | |
| 18 | Class 6A Unsecured Trade Creditors | 50.00% | 0% |
| 19 | | | |
| 20 | Class 6B Unsecured Business Creditors | 50.00% | 0% |
| 21 | | | |
| 22 | Class 6C – Insiders Unsecured | 0% est. | 0% |

24 See footnote 10, above.

| <u>CLAIMS AND CLASSES</u> | <u>PAYOUT PERCENTAGE UNDER THE PLAN</u> | <u>PAYOUT PERCENTAGE IN CHAPTER 7 LIQUIDATION</u> |
|---------------------------|---|---|
| Class 7– Interest Holders | To have their existing shares cancelled and be issued new shares in the Reorganized Debtor subject to a share repurchase agreement for new value investors. | 0% |

4.03 Feasibility

Another requirement for confirmation involves the feasibility of the Plan, which means that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan.

There are at least two important aspects of a feasibility analysis. The first aspect considers whether the Debtor will have enough cash on hand on the Effective Date of the Plan to pay all the claims and expenses which are entitled to be paid on such date. The Plan Proponent maintains that this aspect of feasibility is satisfied as illustrated here:

| | |
|---|-----------------------------------|
| Estimated Cash Debtor will have on hand | |
| by Effective Date | \$600,000 - <u>\$1,000,000.00</u> |
| To Pay: Est. Administrative claims ²⁵ | <u>\$500,650.00</u> |
| To Pay: Statutory costs & charges | <u>\$00.00</u> |
| Balance after paying these amounts..... | approx. <u>\$499,350.00</u> |

The sources of the cash Debtor will have on hand by the Effective Date, as shown above are:

//
//

²⁵ See footnote 10 above.

| | | |
|---|-----------------------------------|--|
| 1 | \$150,000.00 | Cash in DIP Accounts (est. based on Chapter 11 Trustee's Monthly Operating Reports), |
| 2 | \$450,000 - \$600,000.00 | Third party funding from insiders (new value; investment in return for shares in the Reorganized Debtor (est.) |
| 3 | | |
| 4 | up to \$250,000.00 | Cash from Thorofare previously earmarked for PPM Tenant Improvements (see Exhibit F, Holdback for Tuffy's Building CapEx) , subject to lender approval |
| 5 | | |
| 6 | | |
| 7 | <u>\$600,000 - \$1,000,000.00</u> | Total |

8 Should insiders not supply the cash necessary to pay the Administrative claims on the
9 effective date of the Plan confirmation, then Debtor proposes that one or more of its insiders
10 can sell real property in Hawaii that is currently owned by such insider(s) to raise sufficient
11 proceeds to pay Administrative claims. Debtor and proposed lender Thorofare Capital,
12 pursuant to Debtor's Motion to Approve Refinancing and confirmation of Debtor's Second
13 Amended Plan, intend to prepare loan documents and close a transaction under the Plan
14 proposed hereunder to use the proceeds of such a loan along with the new value investment of
15 the insiders, to fund a new entity that implements the Plan outlined herein.

16 The second aspect considers whether the Proponent will have enough cash over the life
17 of the Plan to make the required Plan payments. Debtor has consulted with several financial
18 professionals regarding aspects of the Second Amended Plan. Capital Restructuring Group of
19 Irvine, CA has assisted in preparing pro forma income statements and balance sheets over five
20 years based on current demand level for commercial leasing space near the BART station in
21 the Fruitvale District of Oakland. In preparing the projected financials, Debtor consulted with
22 numerous real estate professionals that know the local Fruitvale District commercial leasing
23 market and also the self storage industry. Based on the input from these financials, Debtor
24 worked with financial professionals to prepare the income statements and balance sheets. The
25 financial statements are based on a number of assumptions, including the successful
26 reorganization of the Debtor's business in a timely manner, continued strength in local market
27 conditions, and the achievements of the projections reflected in the Second Amended Plan of

1 Reorganization, such as equivalent leases being closed to those previously being contemplated
2 with Debtor at the time of filing, increased rent revenues to reflect the currently strong leasing
3 conditions in the local market, a stabilization of the vacancy rates in the self storage business
4 upon confirmation of Debtor's proposed Second Amended Plan, and availability of debt and
5 equity capital throughout Debtor's Plan.

6 Based on the current projected financials, Financial Modeling Specialists of Walnut
7 Creek, CA prepared a valuation of the Reorganized Debtor utilizing a discounted cash flow
8 and weighted average cost of capital methodology to estimate a range of enterprise value. Mr.
9 Bill Crisick of Financial Modeling Specialists prepared a Net Present Value analysis
10 considering relevant discount rates related to Debtor's industry, business size, marketability,
11 and specific company risks to assist with the WACC calculation. According to the valuation
12 analysis, the Enterprise Value of the Reorganized Debtor is estimated to be approximately
13 \$20MM-\$24MM, when considering a terminal value with a 5% growth rate, an overall
14 weighted average cost of capital of 11.46%-14.6%, and the current dollar amount levels of
15 proposed new equity and debt.

16 Debtor Pacific Thomas Corporation ("Debtor") holds a unique relationship with the
17 several properties located on East 12th Street and 29th Avenue. In addition to the Self Storage
18 asset under the brand name SAFE STORAGE, the property consists of two (2) commercial
19 buildings and hosts three (3) parking lots located next door to the Fruitvale BART station.

20 Revenues have been increasing at the Pacific Thomas Properties for past 10 years on a
21 year over year basis. The revenue increases are primarily due to the expansion of the Safe
22 Storage self-storage operation, being increased from 56,000 leasable square feet to over
23 100,000 square feet as currently situated. As of June 2013, the Safe Storage operation is
24 operating at 76% occupancy and has a composite lease rate of approximately \$1.56 per square
25 foot.

26 //

27 //

1 The Safe Storage business is operated by Pacific Trading Ventures, who leases the self
2 storage property for \$70,000 per month²⁶. See **Exhibit G**. Additionally, the Safe Storage
3 Management Company leases parking areas and commercial spaces for the operation of their
4 business of Budget Truck Rental and Safe Parking program. See **Exhibit G**.

5 Projections for the Pacific Thomas properties from July 2013 going forward for next 5
6 years shows very positive potential due to both internal and external factors. See **Exhibit C**.
7 Most significant internal factor is the expiration of the 2005/2010 lease with Safe Storage
8 Management Company. See **Exhibit G**. By either a takeover of the leased space or through a
9 newly negotiated lease with an increased rental amount commensurate to market rental rates,
10 Pacific Thomas should be able to recognize a robust 15-20% increase in net profit. At current
11 rents and expenses, the difference between the existing leases with Safe Storage Management
12 Company and Pacific Trading Ventures versus handled directly through Debtor amount to
13 essentially a revenue neutral outcome. In other words, if the leases are not renewed when they
14 expire, then the Debtor, pursuant to its Second Amended Plan of Reorganization, will assume
15 both the rental revenues and the expenses, including those costs to manage the storage units.
16 Debtor believes that the market itself for rental property, both commercial and self-storage, in
17 the Fruitvale area of Oakland can deliver revenue increases in the coming years compared to
18 the depressed revenue obtained during the 2008-2013 time period. The reasons for such
19 increase are described below. In a takeover scenario, Pacific Thomas would assume the
20 approximate \$115,000 gross revenues currently projected as of October 2013 for the Safe
21 Storage facility. Rents for the self storage operations should see a year over year increase in
22 rental rates by approximately 6-8 % consistent with the rental rate increases showing
23 throughout the Oakland metro multi-family rental market. As of last year, Oakland achieved a
24 12% increase in rental rates, and was ranked #2 nationwide fastest growing rental market.

25
26
27 ²⁶ Approximately \$2,500 of this rental payment is for an office space located in the Morse Building,
which is leased by Pacific Trading Ventures. See Exhibit G.

1 Additionally, Safe Storage operations have been improving and occupancy continues to gain
2 approximately 1% per month.

3 By January 2015, Pacific Thomas would be able to demonstrate the approximate 15 -
4 18 % occupancy increase coupled with the rental rate increases to bring its gross revenue per
5 month closer to \$145,000.

6 Additional to the self storage asset increasing over time, the commercial property
7 activities continue to thrive and improve. Most importantly, the impacts felt from the local
8 APMC Highland Hospital \$1.0Billion renovation and new Acute Tower being built have been
9 a positive result for Pacific Thomas. Primarily, the general contractor, Clark Construction, has
10 been a primary tenant for Pacific Thomas properties by utilizing parking spaces for employees,
11 employing shuttle buses for transportation, and using the commercial space for both logistical
12 off-sites but also as a showroom for their “mock” hospital rooms being built at the Highland
13 campus. Clark now occupies the commercial space and pays an additional \$3,700 per month
14 for space, along with their parking use.

15 With Debtor’s rejecting Planned Parenthood’s lease of a commercial space located at
16 Debtor’s 1111 29th Ave building, Debtor anticipates that it will be able to sign a new lease that
17 will bring a triple net (NNN) lease rent of at least \$12,000 per month to the Pacific Thomas
18 financials within 2-3 months after the Effective Date.

19 Additionally, Performance Contracting Inc. has taken more commercial parking space
20 and also utilizes storage space for their contracting needs.

21 As Debtor’s financial income and expense projections demonstrate, Debtor projects the
22 Pacific Thomas Properties will generate sufficient income to service all of the creditor’s debts
23 under the plan. See **Exhibit C**. The final payment under the Plan is expected to be paid on or
24 before January 15, 2019.

25 The Proponent has provided the financial projections discussed above. Please refer to
26 **Exhibit C** for a complete set of the detailed, relevant financial projections. YOU ARE
27

1 ADVISED TO CONSULT WITH YOUR ACCOUNTANT OR FINANCIAL ADVISOR IF
2 YOU HAVE ANY QUESTIONS PERTAINING TO THESE FINANCIAL PROJECTIONS.

3 In summary, the Plan proposes to pay the Class 1 through 6B creditors through revenue
4 generated by the rent proceeds and the sale or refinance of the Pacific Thomas Properties, per
5 the treatments listed above. Class 6C creditors shall not receive anything for their claims but
6 shall make a new equity investment and receive shares in the newly reorganized Debtor entity.

7 The Plan Proponent contends that Debtor's financial projections are reasonable in light
8 of the current economic conditions in the Fruitvale district of Oakland. Therefore, Debtor's
9 Second Amended Plan is workable and has a reasonable likelihood of success pursuant to
10 §1129(a)(11) subject to this Court's approval of its Motion for Refinancing and subsequent
11 preparation of loan documents and closing of the Refinancing Transaction. As a result, the Plan
12 Proponent believes that its Second Amended Disclosure Statement adequately describes a
13 feasible Second Amended Plan of Reorganization.

14 **ARTICLE V.EFFECT OF CONFIRMATION OF PLAN**

15 **5.01 Discharge**

16 This Plan provides that upon confirmation of the plan, Debtor shall be discharged of
17 liability for payment of debts incurred before confirmation of the Plan to the extent specified in
18 11 U.S.C. § 1141. However, the discharge will not discharge any liability imposed by the Plan.
19 Confirmation of the Plan does not discharge any debt provided for in the Plan until the Court
20 grants a discharge on completion of all payments under the Plan, or as otherwise provided in
21 §1141(d)(5) of the Bankruptcy Code. The Debtor will not be discharged from any debt
22 excepted from discharge under §523 of the Bankruptcy Code, except as provided in Rule
23 4007(c) of the Federal Rules of Bankruptcy Procedure.

24 **5.02 Injunction and Stay.**

25 The entry of the Confirmation Order shall constitute an injunction applicable to all
26 persons, staying and enjoining the enforcement or attempted enforcement, by any means,
27

1 against the Debtor, or property of the Estate, of all liens, Claims and debts to be treated under
2 the Plan or discharged as set forth below and in Section 3.13.3.10 of the Plan.

3 **5.03 Revesting of Property in the Debtor**

4 Except as provided herein and except as provided elsewhere in the Plan, the
5 confirmation of the Plan revests all of the property of the estate in the Debtor.

6 **5.04 Modification of Plan**

7 The Proponent of the Plan may modify the Plan at any time before confirmation.
8 However, the Court may require a new disclosure statement and/or re-voting on the Plan.

9 The Proponent of the Plan may also seek to modify the Plan at any time after
10 confirmation only if (1) the Plan has not been substantially consummated and (2) the Court
11 authorizes the proposed modifications after notice and a hearing.

12 **5.05 Post-Confirmation Status Report**

13 Within 120 days of the entry of the order confirming the Plan, Plan Proponent shall file
14 a status report with the Court explaining what progress has been made toward consummation
15 of the confirmed Plan. The status report shall be served on the United States Trustee, the
16 twenty largest unsecured creditors, and those parties who have requested special notice.
17 Further status reports shall be filed every 120 days and served on the same entities.

18 **5.06 Post-Confirmation Conversion/Dismissal**

19 A creditor or party in interest may bring a motion to convert or dismiss the case under §
20 1112(b), after the Plan is confirmed, if there is a default in performing the Plan. If the Court
21 orders the case converted to Chapter 7 after the Plan is confirmed, then all property that had
22 been property of the Chapter 11 estate, and that has not been disbursed pursuant to the Plan,
23 will revest in the Chapter 7, estate. The automatic stay will be reimposed upon the revested
24 property, but only to the extent that relief from stay was not previously authorized by the Court
25 during this case.

26 The order confirming the Plan may also be revoked under very limited circumstances.
27 The Court may revoke the order if the order of confirmation was procured by fraud and if a

1 party in interest brings an adversary proceeding to revoke confirmation within 180 days after
2 the entry of the order of confirmation.

3 **5.07 Final Decree**

4 Upon substantial consummation of the Plan and once the estate has been fully
5 administered as referred to in Bankruptcy Rule 3022, the Plan Proponent, or such other party
6 as the Court shall designate in the Plan Confirmation Order, shall file a motion and final
7 account with the Court to obtain a final decree to close the case. The Debtor shall have the
8 continuing obligation to pay the quarterly fees required by 28 U.S.C. §1930 until the case is
9 closed, converted or dismissed.

10
11 Dated: October 4, 2013

Respectfully submitted,

12
13 By Plan Proponent,

14 /s/ Randall Whitney
15 Pacific Thomas Corporation, Debtor
16 Randall Whitney

17 Matlock Law Group, P.C.

18 By: /s/Anne-Leith Matlock
19 Anne-Leith Matlock, Esq.
20 Attorneys for Debtor