

**UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF CALIFORNIA**

In re: Second Street Properties

Case No. 14-41045-RLE

**CHAPTER 11  
MONTHLY OPERATING REPORT  
(GENERAL BUSINESS CASE)**

**SUMMARY OF FINANCIAL STATUS**

MONTH ENDED: Aug-14

PETITION DATE: 3/10/2014

1. Debtor in possession (or trustee) hereby submits this Monthly Operating Report on the Accrual Basis of accounting (or if checked here the Office of the U.S. Trustee or the Court has approved the Cash Basis of Accounting for the Debtor).

Dollars reported in \$1

	<u>End of Current Month</u>	<u>End of Prior Month</u>	<u>As of Petition Filing</u>
<b>2. Asset and Liability Structure</b>			
a. Current Assets	\$18,409,787	\$20,239,420	
b. Total Assets	\$35,133,708	\$36,936,341	\$36,533,645
c. Current Liabilities	\$8,405,125	\$8,447,345	
d. Total Liabilities	\$51,734,993	\$51,777,213	\$47,451,378
			<b>Cumulative</b>
<b>3. Statement of Cash Receipts &amp; Disbursements for Month</b>	<u>Current Month</u>	<u>Prior Month</u>	<u>(Case to Date)</u>
a. Total Receipts	\$13,861,150	\$17,789,985	\$78,774,511
b. Total Disbursements	\$14,141,034	\$16,850,435	\$80,077,590
c. Excess (Deficiency) of Receipts Over Disbursements (a - b)	(\$279,884)	\$939,550	(\$1,303,079)
d. Cash Balance Beginning of Month	\$2,597,101	\$1,657,551	\$3,620,296
e. Cash Balance End of Month (c + d)	\$2,317,217	\$2,597,101	\$2,317,217
			<b>Cumulative</b>
<b>4. Profit/(Loss) from the Statement of Operations</b>	(\$929,197)	(\$1,079,226)	(\$3,532,482)
<b>5. Account Receivables (Pre and Post Petition)</b>	\$10,745,441	\$11,549,915	
<b>6. Post-Petition Liabilities</b>	\$8,405,125	\$8,447,345	
<b>7. Past Due Post-Petition Account Payables (over 30 days)</b>	\$0	\$0	

**At the end of this reporting month:**

	<u>Yes</u>	<u>No</u>
8. Have any payments been made on pre-petition debt, other than payments in the normal course to secured creditors or lessors? (if yes, attach listing including date of payment, amount of payment and name of payee)	_____	x _____
9. Have any payments been made to professionals? (if yes, attach listing including date of payment, amount of payment and name of payee)	_____	x _____
10. If the answer is yes to 8 or 9, were all such payments approved by the court?	_____	_____
11. Have any payments been made to officers, insiders, shareholders, relatives? (if yes, attach listing including date of payment, amount and reason for payment, and name of payee)	x _____	_____
12. Is the estate insured for replacement cost of assets and for general liability?	x _____	_____
13. Are a plan and disclosure statement on file?	_____	x _____
14. Was there any post-petition borrowing during this reporting period?	_____	x _____

15. Check if paid: Post-petition taxes x ; U.S. Trustee Quarterly Fees \_\_\_\_\_ ; Check if filing is current for: Post-petition tax reporting and tax returns: x .  
(Attach explanation, if post-petition taxes or U.S. Trustee Quarterly Fees are not paid current or if post-petition tax reporting and tax return filings are not current.)

I declare under penalty of perjury I have reviewed the above summary and attached financial statements, and after making reasonable inquiry believe these documents are correct.

Date: 9/29/14

/s/ Catherine Delsol  
Responsible Individual

**STATEMENT OF OPERATIONS**

**(General Business Case)**

For the Month Ended 8/31/2014

<b>Current Month</b>				<b>Cumulative (Case to Date)</b>	<b>Next Month Forecast</b>
<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>			
6,186,289		6,186,289	<b>Revenues:</b>		
(177,440)		\$177,440	1 Gross Sales	41,434,516	
6,008,850	\$0	\$6,008,850	2 less: Sales Returns & Allowances	(665,326)	
6,009,544		(\$6,009,544)	3 Net Sales	40,769,191	
(694)	\$0	(\$694)	4 less: Cost of Goods Sold (Schedule 'B')	38,777,160	
-		\$0	5 Gross Profit	1,992,031	
		\$0	6 Interest	-	
321,726		\$321,726	7 Other Income:	-	
		\$0	8 Other revenue	1,916,571	
		\$0	9 Dividends	390,323	
321,031	\$0	\$321,031	10 <b>Total Revenues</b>	4,298,924	
		\$0			
\$114,493		(\$114,493)	<b>Expenses:</b>		
		\$0	11 Compensation to Owner(s)/Officer(s)		
		\$0	12 Salaries	\$475,385	
		\$0	13 Commissions		
		\$0	14 Contract Labor		
		\$0	<b>Rent/Lease:</b>		
		\$0	15 Personal Property		
		\$0	16 Real Property		
		\$0	17 Insurance		
		\$0	18 Management Fees		
		\$0	19 Depreciation		
		\$0	<b>Taxes:</b>		
		\$0	20 Employer Payroll Taxes		
		\$0	21 Real Property Taxes		
		\$0	22 Other Taxes		
37,523		(\$37,523)	23 Other Selling	360,414	
\$711,077		(\$711,077)	24 Other Administrative	\$3,619,091	
47,218		(\$47,218)	25 Interest	231,034	
		\$0	26 Other Expenses:	-	
209,245		(\$209,245)	27 Shipping	1,333,177	
438,699		(\$438,699)	28 Outside Services (Painting and Machining)	2,196,231	
		\$0	29	-	
		\$0	30		
		\$0	31		
		\$0	32		
		\$0	33		
		\$0	34		
\$1,558,255	\$0	(\$1,558,255)	35 <b>Total Expenses</b>	\$8,215,332	
(1,237,224)	\$0	(\$1,237,224)	36 <b>Subtotal</b>	(3,916,408)	
222,000		(\$222,000)	<b>Reorganization Items:</b>		
		\$0	37 Professional Fees	(\$1,400,695)	
		\$0	38 Provisions for Rejected Executory Contracts		
		\$0	39 Interest Earned on Accumulated Cash from Resulting Chp 11 Case		
		\$0	40 Gain or (Loss) from Sale of Equipment		
		\$0	41 U.S. Trustee Quarterly Fees		
		\$0	42		
(222,000)	\$0	(\$222,000)	43 <b>Total Reorganization Items</b>	(\$1,400,695)	
(1,459,224)	\$0	(\$1,459,224)	44 <b>Net Profit (Loss) Before Federal &amp; State Taxes</b>	(5,317,103)	
(530,027)		\$530,027	45 Federal & State Income Taxes	(1,784,621)	
(\$929,197)	\$0	(\$929,197)	46 <b>Net Profit (Loss)</b>	(3,532,482)	

Attach an Explanation of Variance to Statement of Operations (For variances greater than +/- 10% only):

**BALANCE SHEET**  
**(General Business Case)**  
For the Month Ended 8/31/2014

**Assets**

**From Schedules**

**Market Value**

**Current Assets**

1	Cash and cash equivalents - unrestricted		
2	Cash and cash equivalents - restricted		\$1,817,217
3	Accounts receivable (net)	A	\$10,745,441
4	Inventory	B	\$2,010,000
5	Prepaid expenses		\$1,673,129
6	Professional retainers		\$242,719
7	Other: <u>Utility Deposit</u>		\$1,019,280
	<u>Professionals Carve Out Reserve</u>		\$500,000
8	<u>Other Assets</u>		\$402,000
9	<b>Total Current Assets</b>		\$18,409,787

**Property and Equipment (Market Value)**

10	Real property	C	\$0
11	Machinery and equipment	D	\$3,328,555
12	Furniture and fixtures	D	\$142,228
13	Office equipment	D	\$10,000
14	Leasehold improvements	D	\$0
15	Vehicles	D	\$18,138
16	Other: _____	D	
17	_____	D	
18	_____	D	
19	_____	D	
20	_____	D	
21	<b>Total Property and Equipment</b>		\$3,498,921

**Other Assets**

22	Loans to shareholders		
23	Loans to affiliates		
24	<u>Ownership in Berkeley Properties</u>		\$13,225,000
25	_____		
26	_____		
27	_____		
28	<b>Total Other Assets</b>		\$13,225,000
29	<b>Total Assets</b>		\$35,133,708

**NOTE:**

Indicate the method used to estimate the market value of assets (e.g., appraisals; familiarity with comparable market prices, etc.) and the date the value was determined.

**Liabilities and Equity**  
(General Business Case)

**Liabilities From Schedules**

**Post-Petition**

**Current Liabilities**

30	Salaries and wages		\$115,979
31	Payroll taxes		<u>                    </u>
32	Real and personal property taxes		<u>                    </u>
33	Income taxes		<u>                    </u>
34	Sales taxes		<u>                    </u>
35	Notes payable (short term)		\$3,285,748
36	Accounts payable (trade)	A	\$1,627,607
37	Real property lease arrearage		<u>                    </u>
38	Personal property lease arrearage		<u>                    </u>
39	Accrued professional fees		\$1,400,695
40	Current portion of long-term post-petition debt (due within 12 months)		<u>                    </u>
41	Other: Other accrued expenses		\$950,097
42	Other liabilities		\$1,025,000
43			<u>                    </u>
44	<b>Total Current Liabilities</b>		<u>                    </u> \$8,405,125

**Long-Term Post-Petition Debt, Net of Current Portion**

46	<b>Total Post-Petition Liabilities</b>		<u>                    </u> \$8,405,125
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**Pre-Petition Liabilities (allowed amount)**

47	Secured claims	F	\$581,019
48	Priority unsecured claims	F	\$990,002
49	General unsecured claims	F	\$41,758,847
50	<b>Total Pre-Petition Liabilities</b>		<u>                    </u> \$43,329,868
51	<b>Total Liabilities</b>		<u>                    </u> \$51,734,993

**Equity (Deficit)**

52	Retained Earnings/(Deficit) at time of filing		(\$13,068,803)
53	Capital Stock		<u>                    </u>
54	Additional paid-in capital		<u>                    </u>
55	Cumulative profit/(loss) since filing of case		(\$3,532,482)
56	Post-petition contributions/(distributions) or (draws)		<u>                    </u>
57			<u>                    </u>
58	Market value adjustment		<u>                    </u>
59	<b>Total Equity (Deficit)</b>		<u>                    </u> (\$16,601,285)
60	<b>Total Liabilities and Equity (Deficit)</b>		<u>                    </u> \$35,133,708

**SCHEDULES TO THE BALANCE SHEET**  
(General Business Case)

**Schedule A**

**Accounts Receivable and (Net) Payable**

<b>Receivables and Payables Agings</b>	<b>Accounts Receivable</b>	<b>Accounts Payable</b>	<b>Past Due</b>
	<b>[Pre and Post Petition]</b>	<b>[Pre and Post Petition]</b>	<b>Post Petition Debt</b>
0 -30 Days	\$6,784,207	\$1,627,607	
31-60 Days	\$3,002,058		
61-90 Days	\$753,296		\$0
91+ Days	\$1,083,808		
Total accounts receivable/payable	\$11,623,371	\$1,627,607	
Allowance for doubtful accounts and unprocessed returns	\$877,929		
Accounts receivable (net)	\$10,745,441		

**Schedule B**

**Inventory/Cost of Goods Sold**

<b>Types and Amount of Inventory(ies)</b>	<b>Inventory(ies) Balance at End of Month</b>	<b>Cost of Goods Sold</b>	
		<b>Inventory Beginning of Month</b>	\$2,010,000
		Add -	
Retail/Restaurants - Product for resale		Net purchase	6,009,544
		Direct labor	
Distribution - Products for resale		Manufacturing overhead	
		Freight in	
		Other:	
Manufacturer - Raw Materials			
Work-in-progress			
Finished goods		Less -	
Other - Explain	\$2,010,000	Inventory End of Month	\$2,010,000
Estimated market value		Shrinkage	
		Personal Use	
<b>TOTAL</b>	<b>\$2,010,000</b>	<b>Cost of Goods Sold</b>	<b>\$6,009,544</b>

**Method of Inventory Control**

Do you have a functioning perpetual inventory system?

Yes \_\_\_\_\_ No \_\_\_\_\_

How often do you take a complete physical inventory?

Weekly \_\_\_\_\_  
 Monthly \_\_\_\_\_  
 Quarterly \_\_\_\_\_  
 Semi-annually \_\_\_\_\_  
 Annually  X

Date of last physical inventory was  12/27/2013

Date of next physical inventory is  12/31/2014

**Inventory Valuation Methods**

Indicate by a checkmark method of inventory used.

Valuation methods -

FIFO cost \_\_\_\_\_  
 LIFO cost  X   
 Lower of cost or market \_\_\_\_\_  
 Retail method \_\_\_\_\_  
 Other \_\_\_\_\_  
 Explain \_\_\_\_\_

**Schedule C  
Real Property**

Description	<u>Cost</u>	<u>Market Value</u>
Total	\$0	\$0

**Schedule D  
Other Depreciable Assets**

Description	<u>Cost</u>	<u>Market Value</u>
Machinery & Equipment -		
Plant and environmental equipment	\$24,603,967	\$3,284,805
Forklifts	\$148,370	\$43,750
Total	\$24,752,337	\$3,328,555
Furniture & Fixtures -		
Furniture, computer equipment and software	\$672,273	\$142,228
Total	\$672,273	\$142,228
Office Equipment -		
Network servers	\$102,415	\$10,000
Total	\$102,415	\$10,000
Leasehold Improvements -		
Total	\$0	\$0
Vehicles -		
6 vehicles and 1 trailer	\$84,051	\$18,138
Total	\$84,051	\$18,138

**Schedule E**  
**Aging of Post-Petition Taxes**  
(As of End of the Current Reporting Period)

<b>Taxes Payable</b>	<u><b>0-30 Days</b></u>	<u><b>31-60 Days</b></u>	<u><b>61-90 Days</b></u>	<u><b>91+ Days</b></u>	<u><b>Total</b></u>
<b>Federal</b>					
Income Tax Withholding					\$0
FICA - Employee					\$0
FICA - Employer					\$0
Unemployment (FUTA)					\$0
Income					\$0
Other (Attach List)					\$0
<b>Total Federal Taxes</b>	\$0	\$0	\$0	\$0	\$0
<b>State and Local</b>					
Income Tax Withholding					\$0
Unemployment (UT)					\$0
Disability Insurance (DI)					\$0
Empl. Training Tax (ETT)					\$0
Sales					\$0
Excise					\$0
Real property					\$0
Personal property					\$0
Income					\$0
Other (Attach List)					\$0
<b>Total State &amp; Local Taxes</b>	\$0	\$0	\$0	\$0	\$0
<b>Total Taxes</b>	\$0	\$0	\$0	\$0	\$0

**Schedule F**  
**Pre-Petition Liabilities**

<u><b>List Total Claims For Each Classification -</b></u>	<u><b>Claimed Amount</b></u>	<u><b>Allowed Amount (b)</b></u>
Secured claims (a)	\$581,019	
Priority claims other than taxes	\$990,002	
Priority tax claims		
General unsecured claims	\$41,758,847	

- (a) List total amount of claims even it under secured.
- (b) Estimated amount of claim to be allowed after compromise or litigation. As an example, you are a defendant in a lawsuit alleging damage of \$10,000,000 and a proof of claim is filed in that amount. You believe that you can settle the case for a claim of \$3,000,000. For Schedule F reporting purposes you should list \$10,000,000 as the Claimed Amount and \$3,000,000 as the Allowed Amount.

**Schedule G**  
**Rental Income Information**  
**Not applicable to General Business Cases**

**Schedule H**  
**Recapitulation of Funds Held at End of Month**

	<u><b>Account 1</b></u>	<u><b>Account 2</b></u>	<u><b>Account 3</b></u>	<u><b>Account 4</b></u>
Bank	Wells Fargo	Wells Fargo	Wells Fargo	Wells Fargo
Account Type	checking	checking	checking	checking
Account No.	302	603	844	566
Account Purpose	operating	payroll	accounts payable	reserve
Balance, End of Month	\$668,842	\$26,359	\$1,122,016	\$500,000
<b>Total Funds on Hand for all Accounts</b>	<u>\$2,317,217</u>			

Attach copies of the month end bank statement(s), reconciliation(s), and the check register(s) to the Monthly Operating Report.

## STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Increase/(Decrease) in Cash and Cash Equivalents

For the Month Ended 8/31/2014

	Actual Current Month	Cumulative (Case to Date)
<b>Cash Receipts</b>		
1 Rent/Leases Collected	-	-
2 Cash Received from Sales	7,086,150	43,861,511
3 Interest Received	-	-
4 Borrowings	5,750,000	33,750,000
5 Funds from Shareholders, Partners, or Other Insiders	-	-
6 Capital Contributions	-	-
7 Funds for Berkeley Properties	-	138,000
8 <u>Sale Proceeds</u>	<u>\$1,025,000</u>	<u>1,025,000</u>
9	-	-
10	-	-
11	-	-
12 <b>Total Cash Receipts</b>	<u>13,861,150</u>	<u>78,774,511</u>
<b>Cash Disbursements</b>		
13 Payments for Inventory	2,027,451	13,994,217
14 Selling	-	-
15 Administrative	45,546	305,377
16 Capital Expenditures	-	-
17 Principal Payments on Debt	6,596,975	35,129,439
18 Interest Paid	39,732	148,205
Rent/Lease:		
19 Personal Property	-	-
20 Real Property	22,904	201,287
Amount Paid to Owner(s)/Officer(s)	-	0
21 Salaries	114,493	580,551
22 Draws	-	-
23 Commissions/Royalties	-	-
24 Expense Reimbursements	8,498	33,135
25 Other	-	-
26 Salaries/Commissions (less employee withholding)	2,260,396	11,565,206
27 Management Fees	-	-
Taxes:		
28 Employee Withholding	-	-
29 Employer Payroll Taxes	-	-
30 Real Property Taxes	149,910	149,910
31 Other Taxes	-	-
32 Other Cash Outflows:		
33 <u>Repairs and maintenance</u>	<u>729,038</u>	<u>2,927,057</u>
34 <u>Utilities</u>	<u>607,044</u>	<u>2,985,393</u>
35 <u>Outside Services (Painting, Machining and Testing)</u>	<u>864,178</u>	<u>4,801,599</u>
36 <u>Annual license fee</u>	<u>-</u>	<u>79,698</u>
36.5 <u>Employee benefits (medical, dental insurance, pension, worker's comp)</u>	<u>674,868</u>	<u>7,170,792</u>
38 <u>Bank Fees</u>	<u>-</u>	<u>5,723</u>
38 <b>Total Cash Disbursements:</b>	<u>14,141,034</u>	<u>80,077,590</u>
39 <b>Net Increase (Decrease) in Cash</b>	<u>(279,884)</u>	<u>(\$1,303,079)</u>
40 <b>Cash Balance, Beginning of Period</b>	<u>2,597,101</u>	<u>3,620,296</u>
41 <b>Cash Balance, End of Period</b>	<u>2,317,217</u>	<u>2,317,217</u>



<b>Name</b>	<b>Amount</b>	<b>Wages</b>	<b>Payment Date</b>	<b>Relationship</b>
Anish, Thottathil V.	5,208.34	Wages	8/15/2014	Officer
Anish, Thottathil V.	5,208.34	Wages	8/29/2014	Officer
Bridges, Charles H.	10,416.67	Wages	8/15/2014	Officer
Bridges, Charles H.	8,894.24	Wages	8/29/2014	Officer
Bridges, Charles H.	10,416.67	Wages	8/29/2014	Officer
Davi, Fred Vincent	4,722.21	Wages	8/15/2014	Director
Davi, Fred Vincent	4,722.21	Wages	8/29/2014	Director
Delsol, Catherine B.	8,333.33	Wages	8/15/2014	Officer & Director
Delsol, Catherine B.	7,115.38	Wages	8/29/2014	Officer & Director
Delsol, Catherine B.	8,333.33	Wages	8/29/2014	Officer & Director
Emmerichs, Mike G.	6,796.96	Wages	8/15/2014	Officer
Emmerichs, Mike G.	8,862.19	Wages	8/29/2014	Officer
Emmerichs, Mike G.	6,796.96	Wages	8/29/2014	Officer
Standafer, David C.	5,833.33	Wages	8/15/2014	Officer
Standafer, David C.	6,999.99	Wages	8/29/2014	Officer
Standafer, David C.	5,833.33	Wages	8/29/2014	Officer
	<b>\$114,493.48</b>	<b>Stmt of Cash Rec &amp; Disb line 21</b>		
		<b>Expense Reimbursements</b>		
Bridges, Charles H.	\$28.00	parking	8/1/2014	Officer
Standafer, David C.	\$71.45	supplies	8/20/2014	Officer
Standafer, David C.	\$65.07	office supplies	8/26/2014	Officer
Standafer, David C.	\$162.25	office supplies	8/27/2014	Officer
Davi, Fred Vincent	\$5,781.63	Fuel, office supplies, repairs and maintenance	8/14/2014	Director
Davi, Fred Vincent	\$2,389.57	repairs and maintenance	8/22/2014	Director
	<b>\$8,497.97</b>	<b>Stmt of Cash Rec &amp; Disb line 24</b>		
<b>Total</b>	<b>\$122,991.45</b>			