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11 **UNITED STATES BANKRUPTCY COURT**  
12 **CENTRAL DISTRICT OF CALIFORNIA**  
13 **LOS ANGELES DIVISION**

14 In re

15  SCI REAL ESTATE INVESTMENTS, LLC,  
a Virginia limited liability company,

16  SECURED CALIFORNIA INVESTMENTS,  
INC., a California corporation,

17 Debtors and Debtors-in-Possession.

Case No.: 2:11-bk-15975-PC  
[Jointly Administered with Case No.  
2:11-bk-15987-PC]

Chapter 11

**DISCLOSURE STATEMENT  
DESCRIBING JOINT CHAPTER 11 PLAN  
OF LIQUIDATION FOR SCI REAL  
ESTATE INVESTMENTS, LLC AND  
SECURED CALIFORNIA  
INVESTMENTS, INC. DATED  
FEBRUARY 3, 2012**

Disclosure Statement Approval Hearing

Date: March 14, 2012  
Time: 9:30 a.m.  
Place: Courtroom 1539  
255 East Temple Street  
Los Angeles, CA 90012  
Judge: Honorable Peter H. Carroll

Plan Confirmation Hearing

Date: \_\_\_\_\_, 2012  
Time: \_\_\_\_\_  
Place: Courtroom 1539  
255 East Temple Street  
Los Angeles, CA 90012  
Judge: Honorable Peter H. Carroll

PACHULSKI STANG ZIEHL & JONES LLP  
ATTORNEYS AT LAW  
LOS ANGELES, CA

**IMPORTANT DATES**

- Date by which Ballots must be received: \_\_\_\_\_, 2012, at 5:00 p.m. Pacific Time.
- Date by which objections to Confirmation of the Plan must be filed and served: \_\_\_\_\_, 2012.
- Hearing on Confirmation of the Plan: \_\_\_\_\_, 2012, at \_:\_0\_.m. Pacific Time.

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**11 U.S.C. § 1125(b) PROHIBITS SOLICITATION OF AN ACCEPTANCE OR REJECTION OF THE PLAN UNLESS A COPY OF THE PLAN, OR A SUMMARY THEREOF, IS ACCOMPANIED OR PRECEDED BY A COPY OF A DISCLOSURE STATEMENT APPROVED BY THE BANKRUPTCY COURT. THIS PROPOSED DISCLOSURE STATEMENT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT, AND, THEREFORE, THE FILING AND DISSEMINATION OF THIS PROPOSED DISCLOSURE STATEMENT IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED AS, AN AUTHORIZED SOLICITATION PURSUANT TO 11 U.S.C. § 1125 AND RULE 3017 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE. NO SUCH SOLICITATION WILL BE MADE EXCEPT AS AUTHORIZED PURSUANT TO SUCH LAW AND RULES.**

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Dated: \_\_\_\_\_, 2012

PACHULSKI STANG ZIEHL & JONES LLP  
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I.

**INTRODUCTION**

SCI Real Estate Investments, LLC, and Secured California Investments, Inc., as debtors and debtors in possession herein (the “Debtors”), and the Committee, as joint proponents, submit this Disclosure Statement in connection with the solicitation of acceptances and rejections with respect to the Joint Chapter 11 Plan of Liquidation, dated February 3, 2012 (the “Plan”), a copy of which is attached hereto as **Exhibit “1”**. If you are a creditor who is entitled to vote on the Plan, you are receiving a copy of the Plan in the same envelope as this Disclosure Statement. Capitalized terms used and not otherwise defined herein shall have the same meanings ascribed to them in the Plan.

The purpose of this Disclosure Statement is to set forth information (a) regarding the history of the Debtors, their business, and the chapter 11 cases, (b) concerning the Plan and alternatives to the Plan, (c) advising the Holders of Claims and Interests of their rights under the Plan, (d) assisting the Holders of Claims in voting Classes in making an informed judgment regarding whether they should vote to accept or reject the Plan, and (e) assisting the Bankruptcy Court in determining whether the Plan complies with the provisions of chapter 11 of the Bankruptcy Code, and should be confirmed.

By order entered on or about \_\_\_\_\_, 2012, the Bankruptcy Court, after notice and a hearing, approved this Disclosure Statement as containing “adequate information” to permit affected Holders of Claims to make an informed judgment in exercising their right to vote to accept or reject the Plan, and authorized its use in connection with the solicitation of votes with respect to the Plan. THE BANKRUPTCY COURT’S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT MEAN THAT THE COURT RECOMMENDS EITHER ACCEPTANCE OR REJECTION OF THE PLAN. No solicitation of votes may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. In voting on the Plan, Holders of Claims should not rely on any information relating to the Debtors and their business other than that contained in this Disclosure Statement, the Plan, and all exhibits hereto and thereto.

1 The Plan that is described in this Disclosure Statement is a liquidating Plan in that all of the  
2 Debtors' Assets will be transferred to the Liquidating Trust on the Effective Date. The Plan's  
3 objective is for the Liquidating Trustee to liquidate the Liquidating Trust Assets and to distribute the  
4 proceeds of the liquidation to the Holders of Allowed Claims as set forth in the Plan in satisfaction  
5 of the Debtors' obligations. The Plan provides for the substantive consolidation of the two Debtors  
6 into a single entity, divides Holders of Claims and Interests into Classes based on their legal rights  
7 and interests, and provides for the treatment of each of those Classes. In general, the Plan provides  
8 that the Liquidating Trust will be administered by the Liquidating Trustee under the supervision of  
9 the Post-Confirmation Oversight Committee that will be comprised of the members of the  
10 Committee who choose to serve. The Liquidating Trustee, the current CRO, William Hoffman with  
11 Trigild, will (a) liquidate the Liquidating Trust Assets, including prosecuting Avoidance Actions, for  
12 the primary benefit of Holders of Allowed Claims (i.e., Allowed Administrative Claims, Allowed  
13 Secured Claims, Allowed Priority Tax Claims, Allowed Priority Unsecured Claims and Allowed  
14 General Unsecured Claims) (b) distribute the proceeds of the liquidated Liquidating Trust Assets to  
15 the Holders of such Allowed Claims as provided in the Plan; and (c) wind down the affairs of the  
16 Estates and of the Liquidating Trust. The Holders of Interests will not receive or retain anything on  
17 account of their Interests.

18 As stated above, the Plan provides for the substantive consolidation of the Debtors and their  
19 Estates. Substantive consolidation is the pooling of assets and liabilities of the entities sought to be  
20 consolidated. Upon such consolidation, the intercompany claims among the entities are eliminated,  
21 and all of the assets of, and all of the claims against, each of the debtor entities are treated as assets  
22 of, or claims against, the consolidated entity. Under the Plan, the Debtors and their Estates will be  
23 substantively consolidated. The Debtors' assets and claims will be pooled, the Debtors' liabilities  
24 satisfied from a common fund, and intercompany Claims between the Debtors eliminated.  
25 Distributions to Holders of Allowed General Unsecured Claims against both Debtors will be pro rata  
26 from the liquidation proceeds of the consolidated pool of assets.

1 Only Holders of Allowed Claims under section 502 of the Bankruptcy Code, or temporarily  
2 allowed for voting purposes under Bankruptcy Rule 3018, whose Claims are in those Classes of  
3 Claims that are “Impaired” under the Plan are entitled to vote to accept or reject the Plan. A Class is  
4 Impaired if the legal, equitable, or contractual rights of the Claims or Interests in the Class are  
5 altered. Classes of Impaired Claims or Interests that are not entitled to receive or retain any property  
6 under the Plan, however, are deemed to have rejected the Plan pursuant to section 1126(g) of the  
7 Bankruptcy Code and, therefore, are not entitled to vote on the Plan. Classes of Claims that are  
8 Unimpaired are conclusively presumed to have voted to accept the Plan pursuant to section 1126(f)  
9 of the Bankruptcy Code and, therefore, are not entitled to vote on the Plan. The following chart  
10 summarizes which Classes of Claims and Interests are Impaired, which Classes of Claims are  
11 Unimpaired under the Plan and which Classes are entitled to vote.

<b>CLASS</b>	<b>DESCRIPTION</b>	<b>IMPAIRED/ UNIMPAIRED</b>	<b>VOTING STATUS</b>
Class 1	Allowed Secured Claims of Collateralized Parties Pursuant to 2009 Pledge and Security Agreements Re Loan and Placement Agreements entered into from 2003 – 2008	Impaired	Voting
Class 2	Allowed Secured Claims of Collateralized Parties re SCICG Mezzanine Fund I, LLC	Impaired	Voting
Class 3	Allowed Priority Claims for wages under section 507(a)(4) of the Bankruptcy Code of Marc Paul and Robert Robotti	Unimpaired	Deemed to Accept
Class 4	Allowed General Unsecured Claims	Impaired	Voting
Class 5	Membership Interests	Impaired	Deemed to Reject

23 If you are a Holder of a Claim in a Class that is entitled to vote to accept or reject the Plan,  
24 accompanying this Disclosure Statement is a Ballot for casting your vote(s) on the Plan and a pre-  
25 addressed envelope for the return of the Ballot. **BALLOTS FOR ACCEPTANCE OR REJECTION**  
26 **OF THE PLAN ARE BEING PROVIDED ONLY TO HOLDERS OF CLAIMS IN CLASSES**  
27 **LISTED IN THE ABOVE CHART THAT ARE ENTITLED TO VOTE TO ACCEPT OR REJECT**  
28 **THE PLAN.** If you are the Holder of a Claim in a Class that is shown above as a voting Class and



1 (a) did not receive a Ballot, (b) received a damaged or illegible Ballot, (c) lost your Ballot, or if you  
2 are a party in interest and have any questions concerning the Disclosure Statement, any of the  
3 Exhibits hereto, the Plan, or the voting procedures in respect thereof, please contact the Debtors'  
4 counsel: Jeffrey W. Dulberg, Esq., Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica  
5 Boulevard, Suite 1300, Los Angeles, California 90067; Telephone: (310) 277-6910; e-mail:  
6 jdulberg@pszjlaw.com or counsel to the Committee: David L. Neale, Esq. or Daniel H. Reiss, Esq.,  
7 Levene, Neale, Bender, Yoo & Brill, L.L.P., 10250 Constellation Boulevard, Suite 1700, Los  
8 Angeles, California 90067; Telephone: (310) 229-1234; e-mail: dln@nbyb.com or dhr@lnbyb.com,  
9 respectively.

10 The Proponents believe that Confirmation of the Plan is in the best interests of Debtors'  
11 creditors and the Debtors. Given that there are insufficient resources for the Debtors' to restructure  
12 and continue their business, the Proponents believe that no feasible alternatives to the Plan exist.  
13 Compared to other alternatives, the Proponents believe that the recoveries under the Plan for Holders  
14 of Allowed Claims will be maximized under the circumstances and the administrative cost and delay  
15 will be far less than any other alternative. THE DEBTORS AND THE COMMITTEE  
16 RECOMMEND THAT THE HOLDERS OF CLAIMS IN ALL CLASSES ENTITLED TO VOTE  
17 SUBMIT A VOTE TO ACCEPT THE PLAN.

18 VOTING ON THE PLAN, BY EACH HOLDER OF A CLAIM ENTITLED TO VOTE, IS  
19 IMPORTANT. EACH SUCH CLAIM HOLDER SHOULD READ THIS DISCLOSURE  
20 STATEMENT WITH ITS EXHIBITS, INCLUDING THE PLAN, IN ITS ENTIRETY. AFTER  
21 CAREFULLY REVIEWING THESE DOCUMENTS, PLEASE FOLLOW THE DIRECTIONS  
22 FOR VOTING CONTAINED ON THE BALLOT, AND RETURN THE BALLOT IN THE  
23 ENVELOPE PROVIDED. TO BE COUNTED, YOUR BALLOT MUST BE RECEIVED BY  
24 \_\_\_\_\_, 2012, AT 5:00 P.M. (THE "VOTING DEADLINE") AT THE ADDRESS SET  
25 FORTH ON YOUR BALLOT AND ON THE ENCLOSED PRE-ADDRESSED ENVELOPE.

26 Votes cannot be transmitted orally or by e-mail. Accordingly, you are urged to return your  
27 signed and completed Ballot promptly. Ballots not received by the Voting Deadline and Ballots that  
28

1 are unsigned will not be counted. Any executed Ballots that are timely received, but that do not  
2 indicate either an acceptance or rejection of the Plan, will be deemed to constitute an acceptance of  
3 the Plan.

4 The Bankruptcy Court has scheduled the hearing on Confirmation of the Plan for  
5 \_\_\_\_\_, 2012, at \_:\_0\_.m. Pacific Time at the United States Bankruptcy Court for the Central  
6 District of California, Los Angeles Division, Courtroom 1539, 255 East Temple Street, Los Angeles,  
7 California. Any objections to Confirmation of the Plan must be in writing and Filed with the  
8 Bankruptcy Court, and served so as to be received by 5:00 p.m. Pacific Time on \_\_\_\_\_, 2012,  
9 upon counsel to the Debtors, Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica Boulevard,  
10 13th Floor, Los Angeles, California 90067, Attn: Jeffrey W. Dulberg, and counsel for the  
11 Committee, Levene, Neale, Bender, Yoo & Brill, L.L.P., 10250 Constellation Boulevard, Suite  
12 1700, Los Angeles, California 90067, Attn.: David L. Neale and Daniel H. Reiss.

13 **II.**

14 **DISCLAIMER**

15 THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR  
16 UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN. PLEASE READ THIS  
17 DOCUMENT WITH CARE. THE PURPOSE OF THE DISCLOSURE STATEMENT IS TO  
18 PROVIDE "ADEQUATE INFORMATION" OF A KIND, AND IN SUFFICIENT DETAIL, AS  
19 FAR AS IS REASONABLY PRACTICABLE IN LIGHT OF THE NATURE AND HISTORY OF  
20 THE DEBTORS AND THE CONDITION OF THE DEBTORS' BOOKS AND RECORDS, THAT  
21 WOULD ENABLE A HYPOTHETICAL REASONABLE INVESTOR, TYPICAL OF HOLDERS  
22 OF CLAIMS OR INTERESTS OF THE RELEVANT CLASS, TO MAKE AN INFORMED  
23 JUDGMENT CONCERNING THE PLAN. SEE 11 U.S.C. § 1125(a). UNLESS OTHERWISE  
24 INDICATED, THE DATE OF ALL OF THE FINANCIAL INFORMATION PROVIDED IN THIS  
25 DISCLOSURE STATEMENT IS AS OF FEBRUARY 3, 2012.

26 FOR THE CONVENIENCE OF CREDITORS, THIS DISCLOSURE STATEMENT  
27 SUMMARIZES THE TERMS OF THE PLAN, BUT THE PLAN ITSELF QUALIFIES ANY  
28

1 SUMMARY. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THE  
2 DISCLOSURE STATEMENT, THE TERMS OF THE PLAN ARE CONTROLLING.

3 NO REPRESENTATIONS CONCERNING THE DEBTORS, THEIR FINANCIAL  
4 CONDITION, OR ANY ASPECT OF THE PLAN ARE AUTHORIZED BY THE DEBTORS,  
5 OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY  
6 REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE OR  
7 REJECTION OF THE PLAN, WHICH ARE OTHER THAN AS CONTAINED IN, OR  
8 INCLUDED WITH, THIS DISCLOSURE STATEMENT, SHOULD NOT BE RELIED UPON BY  
9 YOU IN ARRIVING AT YOUR DECISION.

10 THE FINANCIAL INFORMATION CONTAINED HEREIN, UNLESS OTHERWISE  
11 INDICATED, IS UNAUDITED. THE DEBTORS ARE UNABLE TO WARRANT OR  
12 REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY  
13 INACCURACIES. GREAT EFFORT, HOWEVER, HAS BEEN MADE TO ENSURE THAT ALL  
14 SUCH INFORMATION IS PRESENTED FAIRLY.

15 PACHULSKI STANG ZIEHL & JONES LLP (“PSZ&J”) COMMENCED  
16 REPRESENTING THE DEBTORS AND DEBTORS IN POSSESSION IN OR ABOUT  
17 NOVEMBER 2008, AS INSOLVENCY COUNSEL. PSZ&J HAS NOT AT ANY TIME IN THE  
18 PAST, NOR DOES IT PRESENTLY, REPRESENT THE DEBTORS IN A GENERAL WAY, OR  
19 IN ANY OTHER WAY, OTHER THAN AS SET FORTH ABOVE. LEVENE, NEALE, BENDER,  
20 YOO & BRILL, L.L.P. (“LNBY&B”) IS COUNSEL FOR THE COMMITTEE. LNBY&B HAS  
21 NOT AT ANY TIME IN THE PAST REPRESENTED THE DEBTORS.

22 ON OCTOBER 27, 2011, THE BANKRUPTCY COURT ENTERED AN ORDER  
23 APPROVING THE ENGAGEMENT BY THE DEBTORS OF BILL HOFFMAN OF TRIGILD,  
24 INCORPORATED AS CHIEF RESTRUCTURING OFFICER (“CRO”). PSZ&J, LNBY&B AND  
25 MR. HOFFMAN HAVE RELIED UPON INFORMATION PROVIDED BY THE DEBTORS’  
26 EMPLOYEES IN CONNECTION WITH PREPARATION OF THIS DISCLOSURE  
27 STATEMENT. ALTHOUGH PSZ&J, LNBY&B AND MR. HOFFMAN HAVE PERFORMED  
28

1 CERTAIN LIMITED DUE DILIGENCE IN CONNECTION WITH THE PREPARATION OF  
2 THIS DISCLOSURE STATEMENT, THEY HAVE NOT INDEPENDENTLY VERIFIED ALL OF  
3 THE INFORMATION CONTAINED HEREIN.

4 ALTHOUGH A COPY OF THE DISCLOSURE STATEMENT HAS BEEN SERVED ON  
5 THE SECURITIES AND EXCHANGE COMMISSION (“SEC”) AND THE SEC HAS BEEN  
6 GIVEN AN OPPORTUNITY TO OBJECT TO THE ADEQUACY OF THE DISCLOSURE  
7 STATEMENT, THIS DISCLOSURE STATEMENT HAS NOT BEEN REGISTERED UNDER  
8 THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES  
9 LAWS. NEITHER THE SEC NOR ANY STATE REGULATORY AUTHORITY HAS PASSED  
10 UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT, THE  
11 EXHIBITS HERETO, OR THE STATEMENTS CONTAINED HEREIN.

12 THE CONTENTS OF THIS DISCLOSURE STATEMENT SHOULD NOT BE  
13 CONSTRUED AS LEGAL, BUSINESS, OR TAX ADVICE. ANY TAX ADVICE HEREIN WAS  
14 NOT INTENDED TO BE USED, AND IT CANNOT BE USED, FOR THE PURPOSE OF  
15 AVOIDING ANY TAX PENALTIES THAT MAY BE IMPOSED ON ANY PERSON. THERE IS  
16 NO LIMITATION IMPOSED ON ANYONE READING THIS DISCLOSURE STATEMENT ON  
17 DISCLOSURE OF THE TAX TREATMENT OR TAX STRUCTURE OF ANY TRANSACTION.  
18 NOTHING IN THIS DISCLOSURE STATEMENT MAY BE USED OR REFERRED TO IN  
19 PROMOTING, MARKETING OR RECOMMENDING A PARTNERSHIP OR OTHER ENTITY,  
20 INVESTMENT PLAN, OR ARRANGEMENT TO ANY PERSON. ALL CREDITORS AND/OR  
21 INTEREST HOLDERS SHOULD CONSULT THEIR OWN LEGAL COUNSEL AND/OR  
22 ACCOUNTANT(S) AS TO LEGAL, TAX, AND OTHER MATTERS CONCERNING THEIR  
23 CLAIMS OR INTERESTS.

24 **III.**

25 **SUBSTANTIVE CONSOLIDATION**

26 The Plan and this Disclosure Statement together serve as a motion by the Proponents seeking  
27 entry, pursuant to section 105 of the Bankruptcy Code, of an order authorizing, on the Effective  
28

1 Date, the substantive consolidation of the Estates and all of the debts of the Debtors for purposes of  
2 classifying and treating all Claims under the Plan, including for voting, confirmation, and  
3 distribution purposes. Substantive consolidation will not (i) alter the state of incorporation of the  
4 Debtors for purposes of determining applicable law of any of the Causes of Action, (ii) alter or  
5 impair the legal and equitable rights of the Liquidating Trustee to enforce any of the Causes of  
6 Action, or (iii) otherwise impair, release, discharge, extinguish or affect any of the Causes of Action  
7 or issues raised as a part thereof.

8 The Proponents believe that a plan of liquidation that effects substantive consolidation of the  
9 Debtors' Estates is appropriate under applicable law and in the best interests of all Holders of  
10 Allowed Claims. The Proponents and their advisors have considered the facts in light of the  
11 applicable legal standards and concluded that substantive consolidation is justified insofar as, among  
12 other things, creditors likely were not reliant on the separateness of the legal entities and the Debtors  
13 were, as far as the world was concerned, one and the same entity. The Proponents respectfully  
14 request that the Court approve substantive consolidation to the extent requested under the Plan and  
15 this Disclosure Statement effective as of the Effective Date pursuant to section 105 of the  
16 Bankruptcy Code.

17 If substantive consolidation is ordered as provided in the Plan, then on and after the Effective  
18 Date, all Assets and liabilities of the Debtors shall be treated under the Liquidating Trust as though  
19 they were merged into the Estate of SCI Real Estate Investments LLC for purposes of treatment of  
20 and distributions on Claims. All duplicative Claims (identical in both amount and subject matter)  
21 Filed against both Debtors shall automatically be expunged so that only one Claim survives against  
22 the consolidated Debtors. All guarantees by one Debtor of the obligations of the other Debtor shall  
23 be consolidated so that any Claim against one Debtor and any guarantee thereof by the other Debtor,  
24 as well as any joint and/or several liability of either Debtor with respect to the other Debtor, shall be  
25 treated as one collective obligation of the Debtors. Any alleged defaults under any applicable  
26 agreement with the Debtors arising from substantive consolidation under the Plan shall be deemed  
27 cured as of the Effective Date.  
28

1 IV.

2 **OVERVIEW OF THE PLAN**

3 The following is a brief overview of the material provisions of the Plan and is qualified in its  
4 entirety by reference to the full text of the Plan. For a more detailed description of the terms and  
5 provisions of the Plan, see Article VIII below, entitled The Plan of Liquidation.

6 The Plan designates four Classes of Claims and one Class of Interests, which include all  
7 classified Claims against, and Interests in, the Debtors. These Classes take into account the differing  
8 nature and priority under the Bankruptcy Code of the various Claims and Interests. The Plan also  
9 includes releases of various parties.

10 The following table (the "Plan Summary Table") summarizes the treatment of Claims and  
11 Interests under the Plan with: (a) the Proponents estimate of the amount of Claims in each category  
12 or Class that will be finally determined to be Allowed Claims, and (b) a description of the treatment  
13 provided for in the Plan for each Class of Claims and Interests. The estimated aggregate amounts of  
14 all Allowed Claims in each Class are based on the Proponents' good faith estimates of the aggregate  
15 amount of such Claims upon resolution of all such Claims that are Disputed Claims, based on all  
16 currently known information. The dollar amounts included in the Plan Summary Table have been  
17 estimated by the Proponents as of the date of the Disclosure Statement and do not constitute an  
18 admission by the Debtors or the Committee as to the validity or amount of any particular Claim or  
19 Interest. The Debtors and the Committee reserve the right to dispute the validity or amount of any  
20 Claim or Interest that has not already been Allowed by the Bankruptcy Court or by agreement of the  
21 parties and nothing in the Plan or this Disclosure Statement shall be a waiver of any of the rights of  
22 the Liquidating Trustee or the Post-Confirmation Oversight Committee to object to any Claim.

**SUMMARY OF CLAIMS AND INTERESTS UNDER THE PLAN**

Class	Claim/Interest	Treatment	Estimated Aggregate Unpaid Amount	Estimated Percentage Recovery on Allowed Claims
n/a	<p><b>ADMINISTRATIVE CLAIMS:</b></p> <p>Pachulski Stang Ziehl &amp; Jones LLP</p> <p>Levene, Neale, Bender, Yoo &amp; Brill L.L.P.</p> <p>Thompson &amp; Knight LLP, Debtors' special real estate counsel</p> <p>Kennerly, Lamishaw &amp; Rossi LLP, Debtor's special corporate counsel<sup>1</sup></p> <p>Haskell &amp; White LLP, Debtor's accountant</p> <p>Trigild, Inc.</p>	<p>Unless claimant agrees to a different treatment, the Allowed Administrative Claim, which is a Professional Fee Claim, will be paid in full on the later of the (a) Effective Date; and (b) date of entry of order of the Bankruptcy Court approving the Final Fee Application of the claimant.</p> <p>Unless claimant agrees to a different treatment, the Allowed Administrative Claim, which is a Professional Fee Claim, will be paid in full on the later of the (a) Effective Date; and (b) date of entry of order of the Bankruptcy Court approving the Final Fee Application of the claimant.</p> <p>Unless claimant agrees to a different treatment, the Allowed Administrative Claim, which is a Professional Fee Claim, will be paid in full on the later of the (a) Effective Date; and (b) date of entry of order of the Bankruptcy Court approving the Final Fee Application of the claimant.</p> <p>Unless claimant agrees to a different treatment, the Allowed Administrative Claim, which is a Professional Fee Claim, will be paid in full on the Effective Date or as soon as practical thereafter.</p> <p>Unless claimant agrees to a different treatment, the Allowed Administrative Claim, which is a Professional Fee Claim, will be paid in full on the Effective Date or as soon as practical thereafter.</p> <p>Unless claimant agrees to a different treatment, the Allowed Administrative Claim will be paid in full on the Effective Date or as soon as practical thereafter.</p>	<p>\$150,000 (estimated)</p> <p>\$150,000 (estimated)</p> <p>\$162,000 (estimated)</p> <p>\$31,000 (estimated)</p> <p>\$25,000 (estimated)</p> <p>\$150,000 (estimated)</p>	100%

<sup>1</sup> Although Kennerly, Lamishaw & Rossi LLP (“KLR”) was nominally engaged as Debtors’ special real estate counsel, as set forth in the Application to retain and employ Thompson & Knight LLP, KLR is actually the Debtors’ special corporate counsel.

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Class	Claim/Interest	Treatment	Estimated Aggregate Unpaid Amount	Estimated Percentage Recovery on Allowed Claims
	Franchise Tax Board	Claim to be paid in full on the Effective Date or as soon as practical thereafter.	Unknown	
	Clerk's Office Fees	Claim to be paid in full on the Effective Date or as soon as practical thereafter.	\$0	
	Office of the U.S. Trustee Fees	Claim to be paid in full on the Effective Date or as soon as practical thereafter.	\$0	
n/a	<b>PRIORITY TAX CLAIMS:</b>  Internal Revenue Service [SCI]  Internal Revenue Service [Secured California]  Franchise Tax Board [SCI]	Paid in full on or as soon as practicable after the Effective Date (i) if there is no dispute regarding the amount, validity and priority of such claim and (ii) if in the reasonable discretion of the Liquidating Trustee, with the consent of the Post-Confirmation Oversight Committee, sufficient cash is available in the Liquidating Trust to pay the Allowed Priority Tax Claim; but in no event, later than five (5) years after the Petition Date. Interest shall accrue on the principal balance of the Allowed Priority Tax Claim at 2.2% per annum commencing on the Effective Date, pursuant to IRC § 6621.  Paid in full on or as soon as practicable after the Effective Date (i) if there is no dispute regarding the amount, validity and priority of such claim and (ii) if in the reasonable discretion of the Liquidating Trustee, with the consent of the Post-Confirmation Oversight Committee, sufficient cash is available in the Liquidating Trust to pay the Allowed Priority Tax Claim; but in no event, later than five (5) years after the Petition Date. Interest shall accrue on the principal balance of the Allowed Priority Tax Claim at 2.2% per annum commencing on the Effective Date, pursuant to IRC § 6621.  Paid in full on or as soon as practicable after the Effective Date (i) if there is no dispute	\$2,400.00  \$1,887.29  \$800.00	100%

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Class	Claim/Interest	Treatment	Estimated Aggregate Unpaid Amount	Estimated Percentage Recovery on Allowed Claims
		regarding the amount, validity and priority of such claim and (ii) if in the reasonable discretion of the Liquidating Trustee, with the consent of the Post-Confirmation Oversight Committee, sufficient cash is available in the Liquidating Trust to pay the Allowed Priority Tax Claim; but in no event, later than five (5) years after the Petition Date. Interest shall accrue on the principal balance of the Allowed Priority Tax Claim at 3.0% per annum commencing on the Effective Date.		
	City of Los Angeles [SCI]	Paid in full on or as soon as practicable after the Effective Date (i) if there is no dispute regarding the amount, validity and priority of such claim and (ii) if in the reasonable discretion of the Liquidating Trustee, with the consent of the Post-Confirmation Oversight Committee, sufficient cash is available in the Liquidating Trust to pay the Allowed Priority Tax Claim; but in no event, later than five (5) years after the Petition Date. Interest shall accrue on the principal balance of the Allowed Priority Tax Claim at 3.2% per annum commencing on the Effective Date.	\$232,235.21	
	Employment Development Department [SCI]	Paid in full on or as soon as practicable after the Effective Date (i) if there is no dispute regarding the amount, validity and priority of such claim and (ii) if in the reasonable discretion of the Liquidating Trustee, with the consent of the Post-Confirmation Oversight Committee, sufficient cash is available in the Liquidating Trust to pay the Allowed Priority Tax Claim; but in no event, later than five (5) years after the Petition Date.  Interest shall accrue on the principal balance of the Allowed Priority Tax Claim at 3.0% per annum commencing on the Effective Date, pursuant to Section 19521 of the <i>California Revenue and Taxation Code</i> .	\$0.00 [for information only]	
1	SECURED CLAIMS:  Collateralized	Allowed Class 1 Claims will be paid at such		100% (of the Allowed secured

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Class	Claim/Interest	Treatment	Estimated Aggregate Unpaid Amount	Estimated Percentage Recovery on Allowed Claims
	<p>Parties Pursuant to 2009 Pledge and Security Agreements Re Loan and Placement Agreements entered into from 2003 – 2008</p> <p>(See Plan Exhibit “C”)</p> <p><u>Collateral description</u> = See Plan Exhibit “D”</p> <p><u>Claim Priority</u> = Unknown</p> <p><u>Collateral value</u> = Unknown – to be determined upon disposition of collateral.</p>	<p>time and from the Net Proceeds generated from the disposition of the Collateral securing such Claims. (“Net Proceeds” means gross proceeds less (i) commissions, fees, and costs directly associated with the disposition or collection of such proceeds and (ii) Liquidating Trustee Surcharge Amount. The Liquidating Trustee reserves his right to seek allowance of the Liquidating Trustee Surcharge Amount.) The Liquidating Trustee and the Post-Confirmation Oversight Committee shall have standing to seek disallowance of Class 1 Claims and/or avoidance of some or all Liens or interests securing Class 1 Claims. To the extent that Class 1 Claims are undersecured or wholly unsecured, the unsecured portion of the Claims shall be Class 4 Claims and will receive the treatment for such Claims as set forth below.</p>	<p>Scheduled for \$7.44 million (approx.)</p>	<p>portion of the Claim, if any)</p>
2	<p>SECURED CLAIMS;</p> <p>Collateralized Parties re SCICG Mezzanine Fund I, LLC</p> <p>(See Plan Exhibit “E”)</p> <p><u>Collateral description</u> = See Plan Exhibit “F”</p> <p><u>Claim Priority</u> = Unknown</p> <p><u>Collateral value</u> = Unknown – to be determined upon disposition of collateral.</p>	<p>Allowed Class 2 Claims will be paid at such time and from the Net Proceeds generated from the disposition of the Collateral securing such Claims by the Liquidating Trustee, if any.</p> <p>The Liquidating Trustee and the Post-Confirmation Oversight Committee shall have standing to seek disallowance of Class 2 Claims and/or avoidance of some or all Liens or interests securing Class 2 Claims.</p> <p>To the extent that Class 2 Claims are undersecured or wholly unsecured, the unsecured portion of the Claims shall be Class 4 Claims and will receive the treatment for such Claims as set forth below.</p> <p>As discussed more fully in Section V.D. below, the Debtors believe that the Liens held by Holders of Class 2 Claims are</p>	<p>Scheduled for \$10.8 million (approx.)</p>	<p>100% (of the Allowed secured portion of the Claim, if any)</p>

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Class	Claim/Interest	Treatment	Estimated Aggregate Unpaid Amount	Estimated Percentage Recovery on Allowed Claims
		subject to avoidance under Chapter 5 of the Bankruptcy Code. To avoid such litigation being Filed, a Holder of a Class 2 Claim may elect to surrender its Lien or interest by indicating such surrender on the Ballot. If a Holder of a Class 2 Claim surrenders its Lien or interest in this manner, its Class 2 Claim shall be reclassified as a Class 4 Claim and such Class 4 Claim will be treated as such for all purposes under the Plan. The surrender of such Lien or interest shall be effective upon receipt of the Ballot by the Debtors in accordance with the instructions set forth in the Disclosure Statement.		
3	Claims for wages under section 507(a)(4) of the Bankruptcy Code of:  Marc Paul and Robert Robotti (SCI only)	Allowed Priority Unsecured Claims shall be paid in full on the later of (1) the Effective Date or as soon as practicable thereafter and (2) if the Priority Unsecured Claim is a Disputed Claim, after such dispute is resolved by agreement of the parties or a Final Order  The Class 3 Claims are Disputed Claims.	\$23,500 total (maximum of  \$11,750 per claimant)	100%
4	All Allowed General Unsecured Claims	Interim and final Distributions to the Holders of allowed Class 4 General Unsecured Claims will be made by the Liquidating Trustee as follows:  (1) On the Effective Date, or as soon as practicable thereafter, the Liquidating Trustee will distribute the sums then available (after funding the Reserve Account as set forth below in VI.D.2.c.(10)) to the Holders of Allowed Class 4 General Unsecured Claims on a <u>pro rata</u> basis.  (2) If at any time after the Effective Date the Liquidating Trustee is holding more than \$1,000,000 in Available Cash or at such times as instructed by the Post-Confirmation Oversight Committee (unless such instruction is determined by the Court on motion by the Liquidating Trustee to be unreasonable), the Liquidating Trustee will	Estimated amount of Allowed General Unsecured Claims is \$___ million. See Exhibit "2" to this Disclosure Statement regarding Filed and Scheduled claims	Unknown

Class	Claim/Interest	Treatment	Estimated Aggregate Unpaid Amount	Estimated Percentage Recovery on Allowed Claims
		distribute the Available Cash to the Holders of Allowed Class 4 General Unsecured Claims on a <u>pro rata</u> basis; and  (3) Upon the resolution of all Claims and litigation, and the liquidation of all Liquidating Trust Assets, the Liquidating Trustee shall distribute all Cash remaining in the Liquidating Trust by making a final distribution to the Holders of Allowed Class 4 General Unsecured Claims, subject to the provisions of Section VI.C.2.c.(9) of the Plan.		
5	All Membership Interests in Debtors	Class 5 Interests will receive and retain no value under the Plan, and all Class 5 Interests will be cancelled on the Effective Date.	\$0	0%

**THE TREATMENT AND DISTRIBUTIONS PROVIDED TO HOLDERS OF ALLOWED CLAIMS AND INTERESTS PURSUANT TO THE PLAN ARE IN FULL AND COMPLETE SATISFACTION OF THE ALLOWED CLAIMS AND INTERESTS ON ACCOUNT OF WHICH SUCH TREATMENT IS GIVEN, AND DISTRIBUTIONS ARE MADE.**

**V.**

**BACKGROUND**

**A. General Case Background**

On February 11, 2011, the Petition Date, the Debtors Filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. The Debtors continue to operate their business and manage their affairs as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in this Case. On May 2, 2011, the Office of the United States Trustee appointed the Committee. On October 27, 2011, the Court entered and order approving the engagement by the Debtors of Bill Hoffman of Trigild, Incorporated as CRO of the Debtors.

1 **B. General Description of the Debtors**

2 With a history stretching back to 1994, the Debtors built and maintained a successful  
3 business acquiring and syndicating interests in commercial real estate properties, most often on  
4 behalf of tenant-in-common and other private investors. The Debtors do not own any real property  
5 directly. As part of a group of private investors, however, the Debtors have significant cash equity  
6 investments in approximately sixty (60) separate limited liability companies (each a “FeeCo” and  
7 collectively the “FeeCos”). Each FeeCo owns an interest, as a tenant-in-common, in a real property  
8 asset along with other unaffiliated tenant-in-common owners. The properties in which the FeeCos  
9 own an interest (each a “Property” and collectively the “Properties”) are described on Exhibit B to  
10 the Plan.

11 One of the Debtors is the managing member of each FeeCo. While the Debtors have a  
12 minority equity interest in each of the FeeCos and contractual claims for Dispo Fees upon the  
13 Triggering Events as discussed below, neither of the Debtors control the disposition of the  
14 Properties. The Debtors do not manage the Properties nor do they control investment-making  
15 decisions for those Properties. The Debtors, therefore, do not and cannot dictate the timing and  
16 exercise of each FeeCo’s investment decisions with respect to any potential sale or refinancing of a  
17 given Property.

18 The Debtors have historically generated income by syndicating properties on behalf of  
19 investors and generating fees at the time of acquisitions and dispositions of the syndicated real  
20 estate properties. Debtors flourished for many years (e.g., in 2007, Wachovia offered to acquire a  
21 minority interest in the Debtors at a valuation substantially in excess of the companies’ total  
22 outstanding debt). After years of serving their investors faithfully, the Debtors were hard hit by the  
23 historic downturn in the real estate and credit markets of the latter part of the last decade. The  
24 collapse of these markets prevented the Debtors’ investors from monetizing the substantial real  
25 estate assets within their portfolio. Prior to filing the Cases, the Debtors worked for many months  
26 to renegotiate their debt with their principal creditors but were unsuccessful. The Debtors were  
27 compelled to File these Cases to avoid aggressive collection actions taken by a minority of their  
28

1 creditors that are successors to firms that historically had financed the Debtors' acquisition  
2 activities.

3 **C. The Debtors' Assets**

4 In addition to their equity investments in approximately sixty (60) FeeCos, as of the Petition  
5 Date, the Debtors' assets included approximately \$40 million in deferred Dispo Fees payable to the  
6 Debtors upon the voluntary or involuntary sale of the Properties, including without limitation,  
7 foreclosure proceedings, the maturity of the loans secured by the Properties (whether maturity occurs  
8 by the passage of time, acceleration of debt, or through a refinancing of the existing loans), or upon  
9 other events (collectively, the "Triggering Events"). In addition, the Debtors hold an unsecured  
10 note in the approximate amount of \$8.1 million (referred to herein as the "Duke Note") generated by  
11 amounts infused into the Erwin Plaza, aka "Duke Property," in order to protect their private  
12 investors' interests in that property. As discussed in more detail below, the owners have agreed to  
13 the sale of Erwin Plaza and the Duke Note will be paid in full at the closing of that sale. As of the  
14 date of filing this Disclosure Statement, the Debtors have approximately \$284,153 Cash on-hand.  
15 On the Effective Date, the Debtors estimate that they will have approximately \$9,100,000 Cash on  
16 hand.<sup>2</sup>

17 **D. The Debtors' Indebtedness**

18 The Debtors' have two groups of claimants who allege that they hold Secured Claims.<sup>3</sup> One  
19 is the group allegedly holding Claims secured by Collateral pursuant to the 2009 Pledge and Security  
20 Agreements regarding Loan and Placement Agreements entered into from 2003 through 2008. See  
21 Exhibits C-F to the Plan. These alleged Claims, in the approximate amount of \$7.44 million, to the  
22 extent they become Allowed Secured Claims, comprise Class 1 under the Plan. The Liquidating  
23 Trustee and the Post-Confirmation Oversight Committee reserve all rights to object to the Claims  
24

25 <sup>2</sup> The estimated amount of Cash on hand as of the Effective Date includes proceeds of the Duke Note to be received at  
26 the closing of the sale of Erwin Plaza and a tax refund currently being held in an escrow account.

27 <sup>3</sup> The Debtors and the Committee dispute, or reserve the right to dispute, the amount, validity, and/or priority of all  
28 Secured Claims asserted against the Debtors or either of them and/or their Assets. The Liquidating Trustee and the Post-  
Confirmation Oversight Committee shall have standing and the right to file objections to any Secured Claims on and  
after the Effective Date. Nothing herein will be construed as a waiver of any rights of the Debtors, the Committee, the  
Liquidating Trustee or the Post-Confirmation Oversight Committee to dispute the Secured Claims.

1 and the alleged secured status of the Claims on any basis, including, but not limited to, challenging  
2 the characterization of these “claims” as debt rather than as equity investments and the 2009 Pledge  
3 and Security Agreements as fraudulent conveyances. The Collateral held by these claimants  
4 (assuming that the “claims” are determined to be Allowed Secured Claims) is described in Exhibit D  
5 to the Plan. The value of the Collateral is unknown and will be determined upon the disposition of  
6 the Collateral, therefore, it cannot be estimated at this time how much of the amount of these  
7 “claims”, if they become Allowed Claims, will be unsecured and will, therefore, be treated as Class  
8 4 Claims.

9 The second group of claimants allege that they are holding Secured Claims in the  
10 approximate amount of \$10.8 million. See Exhibit E to the Plan. These Claims, to the extent that  
11 they become Allowed Secured Claims, comprise Class 2 of the Plan. The Debtors’ granted this  
12 group of investors the liens against and security interests in their alleged Collateral, described in  
13 Exhibit F to the Plan, on December 28, 2010, in an attempt to make the investors whole based on  
14 losses they had suffered on amounts previously invested with the Debtors. The value of the  
15 Collateral is unknown at this time and will be determined upon its disposition, therefore, it cannot be  
16 estimated at this time how much of the amount of these “claims”, if they become Allowed Claims,  
17 will be unsecured and will, therefore, be treated as Class 4 Claims. The Liquidating Trustee and the  
18 Post-Confirmation Oversight Committee reserve all rights to object to the Claims and the alleged  
19 secured status of the Claims on any basis, including, but not limited to, challenging the  
20 characterization of these “claims” as debt rather than as equity investments and that the liens and  
21 security interests granted are subject to avoidance as preferences and/or fraudulent conveyances  
22 under applicable bankruptcy and non-bankruptcy law.

23 The Administrative Claims held against the Debtors are primarily the fees and expenses of  
24 the Professionals. The estimated unpaid amount of these claims as of the Effective Date of the Plan  
25 is \$668,000. The priority claims consist of tax and wage claims in the total approximate amount of  
26 \$260,000.

1 The Debtors' principal unsecured creditors are (1) Wells Fargo Bank, NA ("Wells") and First  
2 Citizens Bank ("FCB"). Wells alleges that it holds a General Unsecured Claim in the approximate  
3 amount of \$26 million<sup>4</sup> FCB alleges that it holds a General Unsecured Claim in the approximate  
4 amount of \$18 million.<sup>5</sup> As of the Petition Date, the Debtors' owed other General Unsecured Claims  
5 in the approximate amount of \$\_\_ million, held by approximately \_\_ creditors.

6 **VI.**

7 **THE DEBTORS' CHAPTER 11 CASES**

8 **A. Retention of the Debtors' Professionals**

9 Prior to the commencement of the Case, the Debtors retained PSZ&J as bankruptcy counsel  
10 and KLR as its special corporate counsel.<sup>6</sup> The Bankruptcy Court approved the retention of these  
11 Professionals effective as of the Petition Date, pursuant to orders entered on March 29, 2011 [Docket  
12 No. 35] and March 30, 2011 [Docket No. 36], respectively. The Debtors have also retained Haskell  
13 & White as their accountants, approved by order of the Bankruptcy Court entered May 2, 2011  
14 [Docket No. 45] and Thompson & Knight LLP as their special real estate counsel, approved by order  
15 of the Bankruptcy Court entered January 3, 2012 [Docket No. 119].

16 **B. Appointment of Committee and Retention of Committee Professionals**

17 On May 2, 2011, the United States Trustee formed the Committee to represent the interests  
18 of the Holders of General Unsecured Claims. The three Creditors appointed to the Committee were  
19 (a) Mary Greco (b) Howard Simon, and (c) Wells Fargo Bank (as successor by merger to Wachovia  
20 Bank). The Committee employed LNBY&B as its bankruptcy counsel, which employment was  
21 approved by the Bankruptcy Court by order entered June 10, 2011 [Docket No. 58].

22 **C. Summary of First Day Orders**

23 Soon after the commencement of the case, the Bankruptcy Court entered orders (a) directing  
24 joint administration of the Cases [Docket No. 14], and (b) extending time for the Debtors to File  
25 their Schedules [Docket No. 17].

26 \_\_\_\_\_  
27 <sup>4</sup> Wells acquired the assets of Wachovia Bank, including the Debtors' loan portfolio, upon Wachovia's collapse.

28 <sup>5</sup> FCB acquired the assets of First Regional Bank, including the Debtors' loan portfolio, via FDIC action.

<sup>6</sup> Although KLR was nominally engaged as Debtors' special real estate counsel, as set forth in the Application to retain and employ Thompson & Knight LLP, KLR has actually been acting as the Debtors' special corporate counsel.



1 **D. Claims Bar Date**

2 On July 27, 2011, the Court entered its *Order Establishing a Bar Date for Filing Proofs of*  
3 *Claim or Interest Pursuant to 11 U.S.C. §501 Including, but not Limited to, Claims Asserted*  
4 *Pursuant to 11 U.S.C. §503(b)(9)* (the "Bar Date Order") [Docket No. 73]. The Bar Date Order  
5 established September 30, 2011 as the last date to File all Claims that arose before the Petition Date  
6 except the following: (1) Claims of "governmental units" (as defined in section 101(27) of the  
7 Bankruptcy Code); (2) Claims arising from rejection of executory contracts or unexpired leases  
8 pursuant to section 365 of the Bankruptcy Code; and (3) Claims arising as the result of transfer  
9 avoidance pursuant to chapter 5 of the Bankruptcy Code, which were subject to other bar dates.

10 **E. Plan Negotiations and Extensions of the Exclusive Periods**

11 Throughout the pendency of these Cases, the Debtors continued their diligent prepetition  
12 efforts to develop a restructuring plan that would benefit all creditors. Prior to the appointment of  
13 the Committee in May, 2011, the Debtors continued negotiations with their major Creditors,  
14 including Wells and FCB, to fashion a plan that would garner the support of these major Creditors  
15 while yielding a meaningful recovery for trade and other unsecured creditors. During this period of  
16 time, the Debtors prepared and circulated a plan term sheet, however, no consensus was reached.

17 As a result of the appointment of the Committee in May, 2011, the Debtors expanded the  
18 plan negotiation process to include the Committee. The Debtors immediately began bringing the  
19 Committee "up to speed" so that the Committee could play an active role in finalizing a plan with  
20 major creditors.

21 In order to protect the status quo during this learning period for the Committee and also to  
22 give the Debtors an opportunity to negotiate the terms of a consensual plan with the Committee and  
23 the other major creditors without the concern that another party would File a plan, on June 9, 2011,  
24 the Debtors Filed their first motion (the "First Exclusivity Motion") seeking an order extending by  
25 one hundred and twenty (120) days the time periods during which only the Debtors could File a plan  
26 and solicit acceptances of that plan [Docket No. 56]. The Debtors and the Committee reached an  
27 agreement to extend plan exclusivity for ninety (90) days. On July 21, 2011, the Court entered an  
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1 order [Docket No. 70] granting the First Exclusivity Motion and extending the exclusive period to  
2 File a plan to September 12, 2011.

3 During the period following the granting the First Exclusivity Motion, the Committee and  
4 Wells conducted substantial informal discovery by way of document requests relating to the  
5 Debtors' transactions and relationship with Debtors' management. Due to the extensive nature of  
6 documents requested, provided and reviewed, such investigation was a primary focus for the  
7 Committee and the Debtors' management. Nonetheless, the Debtors and the Committee, continued  
8 to work cooperatively toward a consensual resolution of the Cases through a chapter 11 plan,  
9 although the definitive terms of a chapter 11 plan were not yet agreed upon. Therefore, the Debtors  
10 Filed their *Second Motion for Order Pursuant to Section 1121(d) of the Bankruptcy Code Extending*  
11 *the Time Periods During Which the Debtors Have the Exclusive Right to File a Plan of*  
12 *Reorganization and to Solicit Acceptances Thereof* [Docket No. 93]. While the Debtors' second  
13 exclusivity motion was pending, the Committee requested, and the Debtors agreed, that further  
14 extensions of plan exclusivity would provide the Committee with the equal opportunity to file a  
15 chapter 11 plan as the Debtors. On October 13, 2011, the Court entered an Order [Docket No. 101]  
16 providing that only the Debtors or the Committee could File a plan during the exclusive period,  
17 which was extended through December 11, 2011.

18 Subsequently, the Debtors and the Committee agreed to the principal terms of a liquidating  
19 plan. The Debtors and the Committee, during this period, also agreed to engage a CRO who would  
20 replace the Debtors' management. It was also agreed that the CRO would serve as the Liquidating  
21 Trustee under a consensual liquidating chapter 11 plan. The Debtors and the Committee Filed a  
22 joint motion for approval of the engagement of Trigild for the purpose of providing a CRO (see  
23 Section V. F below). However, in light of these developments, additional time was necessary to  
24 prepare and File a joint plan of liquidation prior to December 11, 2011.

25 On December 9, 2011, the Debtors Filed the *Third Motion for Order Pursuant to Section*  
26 *1121(d) of the Bankruptcy Code Extending the Time Periods During Which the Debtors and the*  
27 *Committee Have the Exclusive Right to File a Plan of Reorganization and to Solicit Acceptances*  
28

1 *Thereof* [Docket No. 112]. On February 3, 2012, the Court entered an Order [Docket No. 137]  
2 extending the exclusive period for the Debtors or the Committee to File a plan to February 3, 2012.

3 The Debtors and the Committee continued to work together on the preparation of a  
4 liquidating plan for the Debtors and jointly Filed the Plan on February 3, 2012.

5 **F. Appointment of a Chief Restructuring Officer**

6 As mentioned above, the Committee conducted an investigation of the Debtors' management  
7 and subsequently requested that the Debtors agree to the engagement of a CRO. The Committee and  
8 the Debtors participated in a series of interviews of potential candidates to serve as CRO and as the  
9 Liquidating Trustee under the Plan. At the conclusion of the interviews, the Debtors and the  
10 Committee agreed to seek the Bankruptcy Court's approval of the Debtors' engagement of Trigild,  
11 Incorporated to provide a CRO for the Debtors and to provide certain Trigild employees to assist the  
12 CRO. On October 27, 2011, the Bankruptcy Court entered an Order [Docket No. 104] authorizing  
13 the retention of Trigild and the appointment of William Hoffman, the President and Chief Executive  
14 Officer of Trigild, as CRO of the Debtors.

15 **G. Settlement Regarding the Duke Note**

16 On October 31, 2011, the Debtors Filed the *Motion Pursuant to Bankruptcy Rule 9019(a) for*  
17 *Approval of Settlement Regarding Payment of Disposition Fee and Notes Relating to Erwin Plaza*  
18 *Transaction* (the "Erwin Plaza Motion") [Docket No. 105] seeking approval of a settlement that  
19 would liquidate for the benefit of creditors one of the Debtors' most valuable Assets: five notes in  
20 the total amount of \$8,076,000 (collectively, the "Duke Note") related to the property located at  
21 2200 West Main Street, in Durham, North Carolina ("Erwin Plaza").<sup>7</sup> The Duke Note resulted from  
22 the Debtors' expenditure of a substantial amount of money on Erwin Plaza, in which one of the  
23 FeeCos owned an interest, to make up for the loss of a major tenant, conduct repairs, and avoid  
24 foreclosure in order to protect their and their private investors' interests in the property.

25 In addition to the Duke Note, SCI Property Management, Inc, an affiliate of the Debtors,  
26 pursuant to the Management Agreement dated May 5, 2003, between the owners of Erwin Plaza (the  
27

28 <sup>7</sup> Erwin Plaza was also sometimes commonly referred to as the "Duke Property".

1 “EP Owners”) and SCI Property Management, claimed the right to a Disposition Fee upon the sale  
2 of Erwin Plaza. The EP Owners had agreed to the sale of Erwin Plaza, however disputes arose  
3 between the Debtors and the EP Owners regarding the Management Agreement, the sale of Erwin  
4 Plaza and the amounts due and owing on account of the Disposition Fee.

5 In order for the sale of the Erwin Plaza to proceed to closing – which, considering the current  
6 general economic times and the real estate market in particular, was in the best interests of the EP  
7 Owners and the Debtors – the EP Owners and the Debtors, with the consent of the Committee,  
8 reached a settlement of all of the disputes between them, which settlement was key to the closing of  
9 the sale. The settlement, which was conditioned upon the sale of the Erwin Plaza closing pursuant to  
10 the terms of the signed Purchase Agreement, would have resulted in payment of the Duke Note in  
11 full plus \$645,750 of the Disposition Fee,<sup>8</sup> and the exchange of mutual releases between the EP  
12 Owners and the Debtors. Once the settlement was reached, the Debtors Filed the Erwin Plaza  
13 Motion seeking Bankruptcy Court approval of the settlement.

14 Prior to the lodging of an order and filing of a declaration of non-opposition to the Erwin  
15 Plaza Motion, however, the purchaser sought and obtained the agreement of the EP Owners to  
16 revised deal terms, including a reduction of the purchase price from approximately \$41 million to  
17 approximately \$37 million. In order accommodate the sale of the Erwin Plaza in accordance with  
18 these revised deal terms, the Debtors and the EP Owners agreed to modify the terms of the  
19 settlement to provide that the Debtors would waive their right to a Disposition Fee in full. All other  
20 terms of the settlement remained the same, including that, upon the closing of the sale, the Duke  
21 Note would be paid and the Debtors would receive their distribution on account of their equity stake  
22 in the Erwin Plaza.

23 On January 5, 2012, the Debtors Filed the Supplement to the Erwin Plaza Motion [Docket  
24 No. 129] seeking the Bankruptcy Court’s approval of revised settlement terms. On January 20,  
25 2012, the Bankruptcy Court entered the Order [Docket No. 135] approving the settlement.

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28 <sup>8</sup> The payment of \$645,750 is an amount equal to one-half of the difference between 4% and the commission paid to the outside broker on the transaction (i.e., 50% of the Disposition Fee due under the Management Agreement).

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**VII.**

**INVESTIGATION AND ANALYSIS OF AVOIDANCE ACTIONS**

After the Effective Date, the Liquidating Trustee, under the oversight of the Post-Confirmation Oversight Committee, will investigate all possible avoidance actions, including the avoidance actions discussed above regarding the alleged Secured Claims. THE LIQUIDATING TRUSTEE, WITH THE ADVICE AND CONSENT OF THE POST-CONFIRMATION OVERSIGHT COMMITTEE, WILL MAKE THE DECISION OF WHETHER OR NOT TO PURSUE ANY AVOIDANCE CAUSE OF ACTION. THIS DECISION WILL BE BASED UPON HIS AND THE POST-CONFIRMATION OVERSIGHT COMMITTEE'S REVIEW OF THE MERITS OF THE VARIOUS CLAIMS AS WELL AS THE COSTS REQUIRED TO PROSECUTE SUCH CLAIMS IN LIGHT OF THE LIMITED RESOURCES AVAILABLE FOR THE DISTRIBUTION TO CREDITORS. THE LIQUIDATING TRUSTEE MAY SEEK TO RETAIN COUNSEL ON A CONTINGENCY BASIS TO PROSECUTE SOME OR ALL OF SUCH CLAIMS OR MAY DECIDE NOT TO PURSUE SUCH CLAIMS AT ALL. AS SET FORTH IN THE PLAN, THE LIQUIDATING TRUSTEE, HIS EMPLOYEES, CONTRACTORS, OFFICERS, DIRECTORS, SUCCESSORS, AND ASSIGNS AND THE EMPLOYEES OF THE DEBTOR AND THEIR RESPECTIVE PROFESSIONALS AND REPRESENTATIVES SHALL NOT HAVE ANY LIABILITY ARISING OUT OF THE LIQUIDATING TRUSTEE'S GOOD FAITH DETERMINATION OF WHETHER OR NOT TO PURSUE PROSECUTION OF THE FOREGOING CLAIMS.

**VIII.**

**THE PLAN OF LIQUIDATION**

**A. Overview of the Plan**

The following is a brief summary of the treatment of Claims and Interests under the Plan. The description of the Plan set forth below is a summary only. Creditors and other parties in interest are urged to review the Plan themselves.

**B. Unclassified Claims**

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

**1. Administrative Claims**

Administrative Claims are Claims for costs or expenses of administering the Cases that are Allowed under section 507(a)(2) of the Bankruptcy Code. The Bankruptcy Code requires that all Administrative Claims be paid on the Effective Date unless a particular claimant agrees to a different treatment.

The following chart lists estimates of certain of the Debtors' known Administrative Claims and their treatment under the Plan:

<u>Name</u>	<u>Amount Owed</u> <sup>9</sup>	<u>Treatment</u>
Pachulski Stang Ziehl & Jones LLP, Debtors' bankruptcy counsel	\$150,000 (estimated)	Unless claimant agrees to a different treatment, the Allowed Administrative Claim, which is a Professional Fee Claim, will be paid in full on the later of the (a) Effective Date; and (b) date of entry of order of the Bankruptcy Court approving the Final Fee Application of the claimant.
Levene, Neale, Bender, Yoo & Brill L.L.P., Committee's general bankruptcy counsel	\$150,000 (estimated)	Unless claimant agrees to a different treatment, the Allowed Administrative Claim, which is a Professional Fee Claim, will be paid in full on the later of the (a) Effective Date; and (b) date of entry of order of the Bankruptcy Court approving the Final Fee Application of the claimant.
Thompson & Knight LLP, Debtors' special real estate counsel	\$162,000 (estimated)	Unless claimant agrees to a different treatment, the Allowed Administrative Claim, which is a Professional Fee Claim, will be paid in full on the later of the (a) Effective Date; and (b) date of entry of order of the Bankruptcy Court approving the Final Fee Application of the claimant.

<sup>9</sup> The actual amount of the respective Professional Fee Claims may be higher or lower than the estimate set forth herein. Allowed Professional Fee Claims shall be as ordered by the Bankruptcy Court.

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<u>Name</u>	<u>Amount Owed</u> <sup>9</sup>	<u>Treatment</u>
Kennerly, Lamishaw & Rossi LLP, Debtor's special corporate counsel <sup>10</sup>	\$31,000 (estimated)	Unless claimant agrees to a different treatment, the Allowed Administrative Claim, which is a Professional Fee Claim, will be paid in full on the Effective Date or as soon as practical thereafter.
Haskell & White LLP, Debtor's accountant	\$25,000 (estimated)	Unless claimant agrees to a different treatment, the Allowed Administrative Claim, which is a Professional Fee Claim, will be paid in full on the Effective Date or as soon as practical thereafter.
Trigild, Inc.	\$150,000 (estimated)	Unless claimant agrees to a different treatment, the Allowed Administrative Claim will be paid in full on the Effective Date or as soon as practical thereafter.
Franchise Tax Board	unknown	Allowed Administrative Claim that is a tax Claim to be paid in full on the Effective Date or as soon as practical thereafter.
Clerk's Office Fees	\$0	Administrative Claim for fees be paid in full on the Effective Date or as soon as practical thereafter.
Office of the U.S. Trustee Fees	\$0 (estimated)	U.S. Trustee Fees will be paid in full on the Effective Date or as soon as practical thereafter.

IF NOT PREVIOUSLY ALLOWED, ENTITIES THAT HOLD ADMINISTRATIVE CLAIMS AND THAT DO NOT TIMELY FILE AND SERVE A MOTION OR APPLICATION SEEKING PAYMENT IN ACCORDANCE WITH THIS SECTION WILL BE **FOREVER BARRED** FROM ASSERTING THOSE ADMINISTRATIVE CLAIMS AGAINST THE DEBTORS, THEIR BANKRUPTCY ESTATES, THE LIQUIDATING TRUSTEE OR THE LIQUIDATING TRUST ASSETS.

**a. Allowance of Non-Ordinary Course Administrative Claims**

Unless otherwise expressly provided in the Plan, Non-Ordinary Course Administrative Claims will be Allowed Claims only if:

<sup>10</sup> Although KLR was nominally engaged as Debtors' special real estate counsel, as set forth in the Application to retain and employ Thompson & Knight LLP, KLR is actually the Debtors' special corporate counsel.

1 (i) No later than 60 days after the Effective Date, the Holder of such Non-Ordinary  
2 Course Administrative Claim both Files with the Bankruptcy Court a motion requesting allowance  
3 of the Non-Ordinary Course Administrative Claim in accordance with applicable Bankruptcy Rules  
4 and the Local Bankruptcy Rules and serves the motion on the Liquidating Debtors, the Liquidating  
5 Trustee, the Post-Confirmation Oversight Committee and the U.S. Trustee; and

6 (ii) an order is entered by the Bankruptcy Court allowing the Non-Ordinary Course  
7 Administrative Claim.

8 **Entities holding Non-Ordinary Course Administrative Claims that do not timely File**  
9 **and serve a request for payment will be forever barred from asserting those Claims against the**  
10 **Debtors, the Liquidating Debtors, the Liquidating Trustee, the Liquidating Trust, the Estates,**  
11 **or their respective property.**

12 The Liquidating Trustee, Post-Confirmation Oversight Committee, or other party in interest  
13 with standing to do so, must File any objection to a Non-Ordinary Course Administrative Claim by  
14 no later than sixty (60) days after the deadline to File the Non-Ordinary Course Administrative  
15 Claim; provided however, this 60 day deadline may be initially extended for sixty (60) days by the  
16 Liquidating Trustee or the Post-Confirmation Oversight Committee by filing with the Bankruptcy  
17 Court a notice of such extension, subject to further extension. Thereafter, the deadline for objection  
18 to Non-Ordinary Course Administrative Claims may be further extended only by an order of the  
19 Bankruptcy Court.

20 **b. Allowance of Ordinary Course Administrative Claims**

21 Holders of Ordinary Course Administrative Claims shall not be required to File any request  
22 for payment of such Claims.

23 **c. Allowance of Professional Fee Claims**

24 Each Holder of a Professional Fee Claim (except for Professional Fee Claims falling under  
25 clause (b) of the definition of Professional Fee Claim, which claims are subject to the Non-Ordinary  
26 Course Administrative Claims Bar Date) seeking an award by the Bankruptcy Court of  
27 compensation for services rendered or reimbursement of expenses incurred through and including  
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1 the Effective Date must (i) File its Final Fee Application for allowances of compensation for  
2 services rendered and reimbursement of expenses incurred through the Effective Date by no later  
3 than the sixtieth (60th) day following the Effective Date. Any objection to such Professionals Fee  
4 Claims shall be Filed on or before the date specified in the Final Fee Applications. All such requests  
5 for payment of such Professional Fee Claims will be subject to the authorization and approval of the  
6 Bankruptcy Court.

7 **Persons holding Professional Fee Claims who do not timely File and serve a final fee**  
8 **application will be forever barred from asserting those Claims against the Debtors, the**  
9 **Liquidating Debtors, the Estates, the Liquidating Trustee, or the property of the Liquidating**  
10 **Trust.**

11 **d. Allowance of Cure Claims**

12 A Cure Claim shall become an Allowed Cure Claim when the assumption of the affected  
13 unexpired lease or executory contract is effective, pursuant to the applicable order of the Bankruptcy  
14 Court that addresses the assumption of the applicable unexpired lease or executory contract.

15 **2. Priority Tax Claims**

16 Priority Tax Claims include certain unsecured income, employment and other taxes described  
17 by section 507(a)(8) of the Bankruptcy Code. The Bankruptcy Code requires that each Holder of a  
18 Priority Tax Claim receive the present value of such Claim in regular installment payments in Cash  
19 (i) of a total value, as of the Effective Date of the Plan, equal to the allowed amount of such Claim;  
20 (ii) over a period ending not later than five (5) years after the Petition Date; and (iii) in a manner not  
21 less favorable than the most favored nonpriority Unsecured Claim provided for under the Plan.

22 The following chart lists all of the Debtors' Priority Tax Claims and their treatment under the  
23 Plan:<sup>11</sup>

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28 <sup>11</sup> The chart below is for informational purposes and is not an admission as to the validity of any particular Claim.

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DESCRIPTION	TREATMENT
<p>Priority Tax Claim of: Internal Revenue Service [SCI]</p> <p>Amount of Claim = \$2,400.00</p>	<p>Paid in full on or as soon as practicable after the Effective Date (i) if there is no dispute regarding the amount, validity and priority of such claim and (ii) if in the reasonable discretion of the Liquidating Trustee, with the consent of the Post-Confirmation Oversight Committee, sufficient cash is available in the Liquidating Trust to pay the Allowed Priority Tax Claim; but in no event, later than five (5) years after the Petition Date.</p> <p>Interest shall accrue on the principal balance of the Allowed Priority Tax Claim at 2.2% per annum commencing on the Effective Date, pursuant to IRC § 6621.</p>
<p>Priority Tax Claim of: Internal Revenue Service [Secured California]</p> <p>Amount of Claim = \$1,887.29</p>	<p>Paid in full on or as soon as practicable after the Effective Date (i) if there is no dispute regarding the amount, validity and priority of such claim and (ii) if in the reasonable discretion of the Liquidating Trustee, with the consent of the Post-Confirmation Oversight Committee, sufficient cash is available in the Liquidating Trust to pay the Allowed Priority Tax Claim; but in no event, later than five (5) years after the Petition Date.</p> <p>Interest shall accrue on the principal balance of the Allowed Priority Tax Claim at 2.2% per annum commencing on the Effective Date, pursuant to IRC § 6621.</p>
<p>Priority Tax Claim of: Franchise Tax Board [SCI]</p> <p>Amount of Claim = \$800.00</p>	<p>Paid in full on or as soon as practicable after the Effective Date (i) if there is no dispute regarding the amount, validity and priority of such claim and (ii) if in the reasonable discretion of the Liquidating Trustee, with the consent of the Post-Confirmation Oversight Committee, sufficient cash is available in the Liquidating Trust to pay the Allowed Priority Tax Claim; but in no event, later than five (5) years after the Petition Date.</p> <p>Interest shall accrue on the principal balance of the Allowed Priority Tax Claim at 3.0% per annum commencing on the Effective Date.</p>
<p><u>Priority Tax Claim of:</u> City of Los Angeles [SCI]</p> <p><u>Amount of Claim</u> = \$232,235.21</p>	<p>Paid in full on or as soon as practicable after the Effective Date (i) if there is no dispute regarding the amount, validity and priority of such claim and (ii) if in the reasonable discretion of the Liquidating Trustee, with the consent of the Post-Confirmation Oversight Committee, sufficient cash is available in the Liquidating Trust to pay the Allowed Priority Tax Claim; but in no event, later than five (5) years after the Petition Date.</p> <p>Interest shall accrue on the principal balance of the Allowed Priority Tax Claim at 3.2% per annum commencing on the Effective Date.</p>
<p><u>Priority Tax Claim of:</u> Employment Development Department [SCI]</p> <p><u>Amount of Claim</u> = \$0.00 [for information only]</p>	<p>Paid in full on or as soon as practicable after the Effective Date (i) if there is no dispute regarding the amount, validity and priority of such claim and (ii) if in the reasonable discretion of the Liquidating Trustee, with the consent of the Post-Confirmation Oversight Committee, sufficient cash is available in the Liquidating Trust to pay the Allowed Priority Tax Claim; but in no event, later than five (5) years after the Petition Date.</p> <p>Interest shall accrue on the principal balance of the Allowed Priority Tax Claim at 3.0% per annum commencing on the Effective Date, pursuant to Section 19521 of the <i>California Revenue and Taxation Code</i>.</p>

**C. Classified Claims and Interests**

**1. Classes of Secured Claims**

Secured Claims are Claims secured by Liens on property belonging to either of the Estates.

The Debtors and the Committee reserve all rights to dispute the amount, validity, and/or priority of all Secured Claims asserted against the Debtors or either of them and property of the Debtors' Estates, which rights are reserved and preserved for, by and on behalf of the Liquidating Trust and the Post-Confirmation Oversight Committee.

The following chart lists the Classes containing the alleged Secured Claim and their treatment under the Plan.

CLASS #	DESCRIPTION	INSIDER (Y/N)	IMPAIRED (Y/N)	TREATMENT
1	Secured claim of: Collateralized Parties Pursuant to 2009 Pledge and Security Agreements Re Loan and Placement Agreements entered into from 2003 – 2008  (See Plan Exhibit "C" to the Plan)  Collateral description = See Plan Exhibit "D" to the Plan  Claim Priority = Unknown  Collateral value = Unknown – to be determined upon disposition of Collateral.  Amount of Claim = Scheduled for \$7.44 million (approx.)  Interest Rate = Allowed Secured Claims shall accrue simple interest at the lower of the contract rate or prime rate plus 1% measured from the Effective Date.	N	Y  (Creditors with Claims in this Class that are not Disputed Claims are entitled to vote on the Plan)	Allowed Class 1 Claims will be paid at such time and from the Net Proceeds generated from the disposition of the Collateral securing such Claims. ("Net Proceeds" means gross proceeds less (i) commissions, fees, and costs directly associated with the disposition or collection of such proceeds and (ii) Liquidating Trustee Surcharge Amount. The Liquidating Trustee reserves his right to seek allowance of the Liquidating Trustee Surcharge Amount.)  The Liquidating Trustee and the Post-Confirmation Oversight Committee shall have standing to seek disallowance of Class 1 Claims and/or avoidance of some or all Liens or interests securing Class 1 Claims.  To the extent that Class 1 Claims are undersecured or wholly unsecured, the unsecured portion of the Claims shall be Class 4 Claims and will receive the treatment for such Claims as set forth below.

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<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>INSIDER (Y/N)</u>	<u>IMPAIRED (Y/N)</u>	<u>TREATMENT</u>
2	<p>Secured claim of: Collateralized Parties re SCICG Mezzanine Fund I, LLC</p> <p>(See Plan Exhibit "E" to the Plan)</p> <p><u>Collateral description</u> = See Plan Exhibit "F" to the Plan</p> <p><u>Claim Priority</u> = Unknown</p> <p><u>Collateral value</u> = Unknown – to be determined upon disposition of Collateral.</p> <p><u>Amount of Claim</u> = Scheduled for \$10.8 million (approx.)</p> <p><u>Interest Rate</u> = Allowed Secured Claims shall accrue simple interest at the lower of the contract rate or the prime rate plus 1% measured from the Effective Date.</p>	N	Y  (Creditors with Claims in this Class that are not Disputed Claims are entitled to vote on the Plan)	<p>Allowed Class 2 Claims will be paid at such time and from the Net Proceeds generated from the disposition of the Collateral securing such Claims by the Liquidating Trustee, if any.</p> <p>The Liquidating Trustee and the Post-Confirmation Oversight Committee shall have standing to seek disallowance of Class 2 Claims and/or avoidance of some or all Liens or interests securing Class 2 Claims.</p> <p>To the extent that Class 2 Claims are undersecured or wholly unsecured, the unsecured portion of the Claims shall be Class 4 Claims and will receive the treatment for such Claims as set forth below.</p> <p>As set forth in the Disclosure Statement, the Debtors believe that the Liens held by Holders of Class 2 Claims are subject to avoidance under Chapter 5 of the Bankruptcy Code. To avoid such litigation being Filed, a Holder of a Class 2 Claim may elect to surrender its Lien or interest by indicating such surrender on the Ballot. If a Holder of a Class 2 Claim surrenders its Lien or interest in this manner, its Class 2 Claim shall be reclassified as a Class 4 Claim and such Class 4 Claim will be treated as such for all purposes under the Plan. The surrender of such Lien or interest shall be effective upon receipt of the Ballot by the Debtors in accordance with the instructions set forth in the Disclosure Statement.</p>

**2. Class of Priority Unsecured Claims**

Certain priority claims that are referred to in sections 507(a)(3), (4), (5), (6), and (7) Bankruptcy Code are required to be placed in Classes. These Priority Unsecured Claims are entitled

1 to priority treatment as follows: the Bankruptcy Code requires that each Holder of a Priority  
 2 Unsecured Claim receive Cash on the Effective Date equal to the allowed amount of such Claim.  
 3 However, a Holders of Class 3 Claims may vote to accept deferred Cash payments of a value, as of  
 4 the Effective Date, equal to the allowed amount of such Claims. Except as set forth in the chart  
 5 below, the Proponents are not aware of any Priority Unsecured Claims. The Plan preserves all rights  
 6 of the Liquidating Trustee to dispute such Claims and File objections relating to any and all Priority  
 7 Unsecured Claims as set forth herein and in the Liquidating Trust Agreement.

<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>INSIDER (Y/N)</u>	<u>IMPAIRED (Y/N)</u>	<u>TREATMENT</u>
3	<p><u>Claims for wages under section 507(a)(4) of the Bankruptcy Code of:</u></p> <p>Marc Paul and Robert Robotti (SCI only)</p> <p><u>Amount of Claims:</u> \$23,500 total (maximum of \$11,750 per claimant)</p>	Y	<p>N</p> <p>(Creditors with Claims in this Class are <u>not</u> entitled to vote on the Plan)</p>	<p>Allowed Priority Unsecured Claims shall be paid in full on the later of (1) the Effective Date or as soon as practicable thereafter and (2) if the Priority Unsecured Claim is a Disputed Claim, after such dispute is resolved by agreement of the parties or a Final Order</p> <p>The Class 3 Claims are Disputed Claims.</p>

**2. Class of General Unsecured Claims**

General Unsecured Claims are not entitled to priority under section 507(a) of the Bankruptcy Code. The following chart identifies the Plan's treatment of General Unsecured Claims:

The Plan preserves all rights of the Liquidating Trustee to dispute and File objections relating to any and all General Unsecured Claims as set forth herein and in the Liquidating Trust Agreement.

<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>INSIDER (Y/N)</u>	<u>IMPAIRED (Y/N)</u>	<u>TREATMENT</u>
4	<p><u>Claims:</u> All Allowed General Unsecured Claims</p> <p><u>Amount of Claims</u> Estimated Allowed Unsecured</p>	N	<p>Y</p> <p>(Creditors with Claims in this Class that are not Disputed Claims are entitled to vote on the Plan)</p>	<p>Interim and final Distributions to the Holders of Allowed Class 4 General Unsecured Claims will be made by the Liquidating Trustee as follows:</p> <p>(1) On the Effective Date, or as soon as practicable thereafter, the Liquidating Trustee will distribute the sums then available (after funding the Reserve Account as set forth below in Section VI.D.2.c.(10)) to the Holders of Allowed</p>

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	Claims of \$___ million. See Exhibit “2” to the Disclosure Statement regarding Filed and Scheduled Claims.			Class 4 General Unsecured Claims on a <u>pro rata</u> basis.  (2) If at any time after the Effective Date the Liquidating Trustee is holding more than \$1,000,000 in Available Cash or at such times as instructed by the Post-Confirmation Oversight Committee (unless such instruction is determined by the Court on motion by the Liquidating Trustee to be unreasonable), the Liquidating Trustee will distribute the Available Cash to the Holders of Allowed Class 4 General Unsecured Claims on a <u>pro rata</u> basis; and  (3) Upon the resolution of all Claims and litigation, and the liquidation of all Liquidating Trust Assets, the Liquidating Trustee shall distribute the all Cash remaining in the Liquidating Trust by making a final distribution to the Holders of Allowed Class 4 General Unsecured Claims, subject to the provisions of Section VI.C.2.c.(9) of the Plan.
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**4. Class of Interest Holders**

Interest Holders are the parties who hold an ownership interest (i.e., equity interest) in the Debtors. The following chart identifies the Plan’s treatment of the Class of Interest Holders.

<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>IMPAIRED (Y/N)</u>	<u>TREATMENT</u>
5	All Membership Interests in Debtors	Y  (Interest Holders are not entitled to vote but are deemed to have rejected the Plan.)	The membership interests in the Debtors are cancelled.

**D. Executory Contracts and Unexpired Leases**

**a. Assumptions**

On the Effective Date, the Liquidating Debtors will be deemed to have assumed any and all executory contracts or unexpired leases which may be in effect that were not previously rejected. The Confirmation Order, subject to the occurrence of the Effective Date, shall constitute an Order

1 approving the Debtors' assumption of all such executory contracts and unexpired leases. The  
2 Debtors will File a schedule of proposed Cure Claims and/or a statement that the Debtors are not  
3 aware of any Cure Claims due under 11 U.S.C. § 365, not later than seven (7) days before the  
4 Confirmation Hearing Date and will serve the schedule on the non-Debtor counterparties to such  
5 executor contracts and unexpired leases.

6 **b. Rejections**

7 The Debtors reserve the right to seek approval of its rejection of any executory contract or  
8 unexpired lease prior to the Confirmation Date. Debtors will File a schedule of contracts and leases  
9 to be rejected under the Plan not later than seven (7) days before the Confirmation Hearing Date and  
10 will serve the schedule on non-Debtor counterparties to such contracts and leases.

11 **c. Bar Date for Rejection Damage Claims**

12 THE BAR DATE FOR FILING A PROOF OF CLAIM BASED ON A CLAIM ARISING  
13 FROM THE REJECTION OF AN EXECUTORY CONTRACT OR UNEXPIRED LEASE WILL  
14 BE THIRTY (30) DAYS AFTER THE CONFIRMATION DATE. **Any Claim based on the**  
15 **rejection of an executory contract or unexpired lease will be barred if the proof of claim is not**  
16 **timely Filed.**

17 **E. Means of Effectuating the Plan**

18 **1. Funding for the Plan**

19 On the Effective Date, the Liquidating Trust Assets shall be transferred to the Liquidating  
20 Trust. To the extent necessary and subject to the authority set forth in the Liquidating Trust  
21 Agreement, the Liquidating Trustee may seek to fund the administration of the Liquidating Trust  
22 Assets by way of, without limitation, (i) Cash on hand, (ii) repayment of the Duke Note, (iii)  
23 collection of Dispo Fees earned upon the occurrence of Triggering Events, (iv) sales proceeds from  
24 the liquidation of Liquidating Trust Assets, (v) recoveries on claims and causes of action transferred  
25 by the Debtors to the Liquidating Trust, and (vi) obtaining financing or such other methods of  
26 raising capital as is reasonable and customary to facilitate the orderly disposition of the Liquidating  
27 Trust Assets for the benefit of the Beneficiaries. The Liquidating Trust shall also be funded by  
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1 proceeds generated from the collection by the Liquidating Trustee of any Liquidating Trustee  
2 Surcharge Amount.

3 **2. Post-Confirmation Management**

4 **a. The Liquidating Debtors**

5 Upon the occurrence of the Effective Date, the Debtors shall become the Liquidating  
6 Debtors. After the Effective Date, the Liquidating Trustee is authorized to act as management of the  
7 Liquidating Debtors and can execute such documents and enter into such transactions as necessary  
8 for purposes of consummating the Plan, with the majority consent of the Post-Confirmation  
9 Oversight Committee. If such consent from the Post-Confirmation Oversight Committee is not  
10 forthcoming, the Liquidating Trustee and/or Liquidating Debtors may seek an order from the  
11 Bankruptcy Court that the consent was unreasonably withheld, and if such an order is obtained, the  
12 Liquidating Trustee and/or Liquidating Debtors can proceed to take such action as appropriate to  
13 maximize the value of the Liquidating Trust Assets. Notwithstanding the authority granted to the  
14 Liquidating Trustee, the Liquidating Debtors shall be separate and apart from the Liquidating Trust  
15 created by the Plan, and release any and all rights, title and interest to the Liquidating Trust Assets.

16 **b. Dissolution of the Committee and Formation of the Post-Confirmation**  
17 **Oversight Committee**

18 On the Effective Date, the Committee will be deemed dissolved and its members will be  
19 released and discharged from all further duties and obligations arising from or related to the Cases.  
20 On the Effective Date, a Post-Confirmation Oversight Committee shall be appointed, which shall  
21 consist of the members of the Committee as of the date of entry of the Confirmation Order. The  
22 Post-Confirmation Oversight Committee shall serve without a bond. Except as expressly provided  
23 herein and in the Liquidating Trust Agreement, decisions of the Post-Confirmation Oversight  
24 Committee shall be made by majority vote of its members. Members of the Post-Confirmation  
25 Oversight Committee shall receive reimbursement of actual costs and expenses (but not  
26 reimbursement for individual counsel or advisor fees) in connection with their duties as members of  
27 the Post-Confirmation Oversight Committee. Any member of the Post-Confirmation Oversight  
28 Committee may opt-out of participation in the Post-Confirmation Oversight Committee by providing



1 written notice to the other members of the Post-Confirmation Oversight Committee and counsel for  
2 the Liquidating Trustee.

3 It is anticipated that Levene, Neale, Bender, Yoo & Brill, L.L.P. shall serve as counsel for the  
4 Post-Confirmation Oversight Committee, and that Thompson & Knight LLP, Pachulski Stang Ziehl  
5 & Jones LLP, Kennerly, Lamishaw & Rossi LLP and Pepper Hamilton LP (and other such counsel  
6 as the Liquidating Trustee shall employ with Court approval or with the majority consent of the  
7 members of the Post-Confirmation Oversight Committee) shall serve as counsel for the Liquidating  
8 Trustee, commencing on the Effective Date.

9 As soon as practicable after the Effective Date, the Post-Confirmation Oversight Committee  
10 shall have the right to adopt and be governed by by-laws that are customary for post-confirmation  
11 committees.

12 **c. The Liquidating Trust and the Liquidating Trustee**

13 **(1) Creation of the Liquidating Trust**

14 On the Effective Date and by operation of the Confirmation Order, a Liquidating Trust will  
15 be established for the benefit of all Beneficiaries and, to the extent that all Allowed Claims are paid  
16 in full with interest, the Holders of Allowed Interests in the Debtors. The Liquidating Trust  
17 Agreement shall be executed by the parties thereto on or before the Effective Date. The Liquidating  
18 Trust shall be a creditors' liquidating trust for all purposes, including Treasury Regulations Section  
19 301.7701-4(d). The Liquidating Trust will be organized for the purpose of identifying, recovering,  
20 preserving, monitoring, liquidating and disposing of the Liquidating Trust Assets in a manner that  
21 maximizes the value, which may take into consideration the net present value at a reasonable  
22 discount rate, of the Liquidating Trust Assets with no objective to continue or engage in the conduct  
23 of a trade or business. On the Effective Date, the Debtors shall be deemed to have transferred all of  
24 the Assets to the Liquidating Trust. The Liquidating Trust shall identify, recover, preserve, monitor,  
25 receive, liquidate and distribute the Liquidating Trust Assets in accordance with the Liquidating  
26 Trust Agreement. The Liquidating Trust is not a successor of either of the Debtors and, except as  
27 expressly provided herein, shall not have liability for any Claim, right or action of any third party  
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1 that is based on any theory of successor liability or similar legal theory or doctrine. To the extent  
2 there are any inconsistencies between the Plan and the Liquidating Trust Agreement, the terms of the  
3 Liquidating Trust Agreement shall control.

4 (2) **Appointment of the Liquidating Trustee**

5 The initial Liquidating Trustee shall be William Hoffman. The Liquidating Trustee shall be  
6 compensated at his/her customary hourly rate. The Liquidating Trustee shall administer the  
7 Liquidating Trust pursuant to the Plan and the Liquidating Trust Agreement and shall perform all of  
8 the obligations of the Liquidating Trustee under the Plan and the Liquidating Trust Agreement. The  
9 Liquidating Trustee shall be the authorized representative of the Liquidating Trust. The Liquidating  
10 Trustee shall serve without bond for the duration of the Liquidating Trust, subject to earlier death,  
11 resignation, incapacity or removal as provided in the Plan and in the Liquidating Trust Agreement.  
12 The Liquidating Trustee will also be required to do the following upon the receipt of written  
13 instruction from the Post-Confirmation Oversight Committee: (1) commence or continue to  
14 prosecute litigation with respect to any claims or causes of action on behalf of the Liquidating Trust;  
15 (2) propose, accept or reject any settlement proposals with respect to any claims or causes of action  
16 that are Liquidating Trust Assets; (3) propose, accept or reject any settlement proposals with respect  
17 to any Claim asserted against the Debtors or the Liquidating Trust Assets whether arising prior to or  
18 after the Effective Date; (4) make Distributions in accordance with the terms of the Plan or the  
19 Liquidating Trust Agreement if such has not previously been timely made by the Liquidating  
20 Trustee; (5) when appropriate, exercise the rights and powers set forth in the Liquidating Trust  
21 Agreement; and (6) perform such other reasonable and necessary acts in order to carry out the terms  
22 of the Plan, the Liquidating Trust, and/or which are in the best interests of the Beneficiaries if such  
23 does not violate any provision of the Plan, the Liquidating Trust Agreement, or applicable law. If  
24 the Liquidating Trustee disagrees with any instruction received by the Post-Confirmation Oversight  
25 Committee, then the Liquidating Trustee may seek an order from the Bankruptcy Court that the  
26 instruction received was unreasonably given, and if such an order is obtained, authorizing the  
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1 Liquidating Trustee to take such other action as appropriate to maximize the value of the Liquidating  
2 Trust Assets.

3 The Post-Confirmation Oversight Committee shall have the authority during the term of the  
4 Liquidating Trust to seek the removal and/or replacement of the Liquidating Trustee for cause shown  
5 to the Bankruptcy Court if, after consultation with the Liquidating Trustee, the matter cannot be  
6 resolved short of such action. In the event that the Liquidating Trustee is terminated by final  
7 Bankruptcy Court order, then the Liquidating Trustee and his retained professionals shall be entitled  
8 to recover all earned and unpaid fees and expenses through the date of termination. In addition, the  
9 Liquidating Trustee may resign with thirty (30) days prior written notice, provided, however, the  
10 Liquidating Trustee shall continue to act as the Liquidating Trustee until such time as the Post-  
11 Confirmation Oversight Committee shall find a suitable substitute Liquidating Trustee; provided,  
12 however, the Liquidating Trustee shall not continue to serve as the Liquidating Trustee more than  
13 one-hundred eighty (180) days after he/she submits his/her written notice of resignation. If the Post-  
14 Confirmation Oversight Committee has not found a suitable replacement for the Liquidating Trustee  
15 by the end of the one-hundred eighty (180) day period, the Post-Confirmation Oversight Committee  
16 shall perform the duties of the Liquidating Trustee until a suitable replacement can be found.

17 Annexed to the Plan as Exhibit "G" is a proposed operating budget for administration of the  
18 Liquidating Trust prepared for the period from the Effective Date through December 31, 2017,  
19 which budget shall be subject to the majority approval of the Post-Confirmation Oversight  
20 Committee (the "Initial Post-Confirmation Budget"). Budgets shall be prepared no later than (60)  
21 days in advance of the expiration of the end of each calendar year and shall be subject to majority  
22 approval of the Post-Confirmation Oversight Committee (the "Successive Post-Confirmation  
23 Budgets"). Successive Post-Confirmation Budgets shall cover a forward-looking period of not less  
24 than five years or until such earlier time as the Liquidating Trust is anticipated to terminate. If  
25 approval of the budget is not given by from the Post-Confirmation Oversight Committee, the  
26 Liquidating Trustee may seek an order from the Bankruptcy Court that the approval was  
27 unreasonably withheld, and if such an order is obtained, the Liquidating Trustee can administer the  
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1 Liquidating Trust in accordance with such Initial Post-Confirmation Budget or such Successive Post-  
2 Confirmation Budget.

3 The Liquidating Trustee shall provide a quarterly written report to the Post-Confirmation  
4 Oversight Committee regarding the status of the matters within the responsibility of the Liquidating  
5 Trustee on the twentieth (20<sup>th</sup>) day of the month (or the first Business Day thereafter if such date is  
6 on a weekend or legal holiday) following the end of the immediately preceding three calendar month  
7 period (each such period being a “quarter”, with the first quarter being that period that includes the  
8 first three full calendar months following the Effective Date) or at such other intervals and in such  
9 form as reasonably requested by the Post-Confirmation Oversight Committee (the “Periodic Trustee  
10 Reports”). The Periodic Trustee Reports shall include (i) monthly financial statements/reports  
11 generated by the Liquidating Trustee; (ii) such other information as reasonably requested regarding  
12 the Initial Post-Confirmation Budget or any Successive Post-Confirmation Budget; (iii) pertinent  
13 current or historical financial or operational information; and (iv) such other documents as are  
14 appropriate relating to the administration of the Liquidating Trust.

15 **(3) Disbursing Agent**

16 The Liquidating Trustee shall act as the Disbursing Agent for purposes of making all  
17 distributions provided for under the Plan and the Liquidating Trust Agreement. The Liquidating  
18 Trustee shall serve in this capacity without bond.

19 **(4) Transfer of the Assets to the Liquidating Trust**

20 The Debtors on the Effective Date shall transfer all Assets to the Liquidating Trust. All  
21 Liquidating Trust Assets, which include all rents, profits and proceeds from Liquidating Trust Assets  
22 and related rights and claims that may accrue after the Effective Date, shall be held in trust for the  
23 benefit of the Beneficiaries, subject to the provisions of the Plan and the Liquidating Trust  
24 Agreement. The Liquidating Debtors and their Estates shall retain no interest in the Assets or the  
25 Liquidating Trust Assets.

1 (5) **Sale or Other Disposition of Liquidating Trust Assets**

2 Except as otherwise set forth in the Plan or in the Liquidating Trust Agreement, after the  
3 Effective Date, the Liquidating Trust may use, acquire, sell or otherwise dispose of Liquidating  
4 Trust Assets. Subject to the approval of the Post-Confirmation Oversight Committee, the  
5 Liquidating Trustee shall have the authority to monetize, sell, liquidate or otherwise dispose of all  
6 Liquidating Trust Assets without need to obtain approval from the Bankruptcy Court or the United  
7 States Trustee. The Liquidating Trustee shall use reasonable commercial efforts to collect all  
8 monies owed to the Liquidating Trust whether based on a contract or any other basis. If the  
9 Liquidating Trustee wishes to settle any Monetary Claim for less than the full face amount of the  
10 Monetary Claim or monetize any other Liquidating Trust Asset, such transaction(s) shall be subject  
11 to majority approval by the Post-Confirmation Oversight Committee. Unanimous approval of the  
12 Post-Confirmation Oversight Committee is required as a condition to the Liquidating Trustee  
13 entering into any transaction or settlement that represents a discount of more than \$100,000 or 20%  
14 (whichever is less) of the face amount of the Monetary Claim. However, if the Post-Confirmation  
15 Oversight Committee does not give its consent, the Liquidating Trustee may seek a ruling from the  
16 Bankruptcy Court that the Post-Confirmation Oversight Committee's consent was unreasonably  
17 withheld, and if so, seek Bankruptcy Court approval of the proposed settlement. Any funds held or  
18 received by the Liquidating Trustee shall be maintained in one or more segregated bank accounts  
19 maintained to hold funds to be distributed under the Plan. If the Post-Confirmation Oversight  
20 Committee instructs the Liquidating Trustee to File a Litigation Claim, including any action under  
21 Chapter 5 of the Bankruptcy Code, and the Liquidating Trustee elects not to do so, the Post-  
22 Confirmation Oversight Committee shall have standing to File any such Litigation Claim in the  
23 appropriate forum.

24 The Liquidating Trustee, with the consent or upon instruction of a majority of the Post-  
25 Confirmation Oversight Committee, may, in accordance with the procedure set forth in the  
26 Liquidating Trust Agreement, abandon to the Liquidating Debtors or disclaim any interest in a Trust  
27 Asset if it is determined that the Liquidating Trust Asset is burdensome to the Liquidating Trust or  
28 that it is of inconsequential value or benefit to the Liquidating Trust.



1 (8) **Employment and Compensation of Professionals, Reimbursement**  
2 **of Expenses**

3 The Liquidating Trustee and the Post-Confirmation Oversight Committee are authorized to  
4 employ attorneys and/or other professionals as appropriate to discharge their duties without need for  
5 Bankruptcy Court approval, specifically including the payment of any professional utilized by the  
6 CRO/Liquidating Trustee in the drafting of the Plan, Liquidating Trust Agreement and all related  
7 documents drafted before the Effective Date relating to the Liquidating Trustee and the Liquidating  
8 Trust. Members of the Post-Confirmation Oversight Committee shall be entitled to reimbursement  
9 of out-of-pocket costs incurred in the course of the performance of their duties; however, such  
10 reimbursement does not apply to the fees or costs of any professionals retained by any individual  
11 member of the Post-Confirmation Oversight Committee. Professionals employed by the Liquidating  
12 Trustee and the Post-Confirmation Oversight Committee shall be compensated based on their  
13 customary rates and terms on a monthly basis without need for Court approval of fees and expenses.  
14 Professionals employed by the Liquidating Trustee and the Post-Confirmation Oversight Committee  
15 shall submit monthly bills to both the Liquidating Trustee and the Post-Confirmation Oversight  
16 Committee in the ordinary course of the professionals' billing practices. The Liquidating Trustee  
17 and the Post-Confirmation Oversight Committee shall have ten(10) calendar days to object to the  
18 payment of the fees and expenses provided in such billings (the "Fee Objection Date"). If no written  
19 objection is received by the respective professional(s) by the Fee Objection Date, then such fees  
20 shall be paid by the Liquidating Trustee in the full amount requested without need for further review  
21 or authorization.

22 The Bankruptcy Court will retain exclusive jurisdiction to resolve any fee disputes among the  
23 Liquidating Trustee, the Post-Confirmation Oversight Committee and retained professionals.

24 (9) **Distributions from the Liquidating Trust**

25 Distributions to be made by the Liquidating Trustee on the Effective Date on account of any  
26 Allowed Claim shall be made on the Effective Date or as promptly thereafter as practicable.  
27 Distributions to be made by the Liquidating Trustee under the Plan or the Liquidating Trust  
28 Agreement shall be made, after consultation with the Post-Confirmation Oversight Committee, by

1 check drawn on a domestic bank or by wire transfer. Holders of Allowed Claims shall receive  
2 distributions in their order of statutory priority as set forth above in Sections VI.A. and VI.B. of the  
3 Plan.

4 Interim and final distributions to the Holders of Allowed Class 4 General Unsecured Claims  
5 will be made by the Liquidating Trustee as follows:

6 (1) On the Effective Date, or as soon as practicable thereafter, the Liquidating Trustee will  
7 distribute the sums then available after funding of the Reserve Account, to the Holders of Allowed  
8 Class 4 General Unsecured Claims on a Pro Rata basis;

9 (2) If at any time after the Effective Date, the Liquidating Trustee is holding more than  
10 \$1,000,000 (one million) in Cash that is not necessary to fund the Reserve Account or at such other  
11 times upon instruction of the Post-Confirmation Oversight Committee, the Liquidating Trustee will  
12 distribute the Available Cash to the Holders of Allowed Class 4 General Unsecured Claims on a Pro  
13 Rata basis; and

14 (3) Upon the resolution of all objections to Claims, litigation, and the liquidation of all  
15 Liquidating Trust Assets, the Liquidating Trustee shall distribute the remaining cash from the  
16 Liquidating Trust Assets and the Reserve Account by making a final distribution to the Holders of  
17 Allowed Class 4 General Unsecured Claims subject to the provisions of Section VI.C.2.c.(9) in the  
18 Plan.

19 Except as otherwise agreed to by the Liquidating Trustee in writing, distributions to be made  
20 to Beneficiaries may be delivered by regular mail, postage prepaid, to the address shown in the  
21 Schedules Filed with the Bankruptcy Court, as they may from time to time be amended in  
22 accordance with Bankruptcy Rule 1009, or, if a different address is stated (a) in a proof of claim duly  
23 Filed with the Court or (b) in a written notice of change of address (i) delivered by the Record Date  
24 to the Debtors or (ii) thereafter, at least thirty (30) days prior to any Distribution, to the Liquidating  
25 Trustee, to such address. If no address is available either on a proof of claim, on the Schedules or in  
26 a written notice delivered in a timely manner to the appropriate party, the Distribution will be  
27 deemed to be undeliverable and subject to the provisions below relating to "Unclaimed Property".  
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2 **(a) Minimum Amount of Interim Distributions.**

3 A Distribution made by the Liquidating Trustee to any individual Beneficiary shall not be  
4 less than \$25.00, unless such distribution constitutes the final distribution to be made to such  
5 Beneficiary under the Plan.

6 **(b) Failure to Negotiate Checks Distributed by Liquidating  
7 Trustee.**

8 Checks issued by the Liquidating Trustee to pay Allowed Claims shall be null and void if not  
9 negotiated (each, a "Void Check") within one hundred eighty (180) days after the date of issuance  
10 thereof (the "Claiming Period"). Requests for reissuance of any check by a Beneficiary to whom  
11 such check was originally issued must be received by the Liquidating Trustee prior to the expiration  
12 of the Claiming Period. After the expiration of the Claiming Period, any unclaimed property held on  
13 account of such Void Check shall be re-distributed to the remaining Beneficiaries on a pro rata basis  
14 based on their relative statutory priority under the Bankruptcy Code. After the expiration of the  
15 Claiming Period, the unpaid balance of an Allowed Claim of a Beneficiary to whom the Void Check  
16 was sent shall be disallowed, and such Beneficiary shall be forever barred, estopped and enjoined  
17 from seeking payment from the Liquidating Trust on account of such Claim.

18 **(c) Unclaimed Property.**

19 Without further Court order, and notwithstanding any federal or state escheat laws to the  
20 contrary, unclaimed funds held by the Liquidating Trust in an amount of \$10,000 or less on the date  
21 that the Liquidating Trust is terminated may be redistributed to the remaining Beneficiaries on a Pro  
22 Rata basis based on their relative statutory priority under the Bankruptcy Code, donated to a charity  
23 selected by the Post-Confirmation Oversight Committee, or may be used for such other purpose  
24 consistent with the Plan and applicable law at the discretion and instruction of the Post-Confirmation  
25 Oversight Committee. If a Distribution is returned to the Liquidating Trustee as an undeliverable  
26 Distribution or is otherwise deemed to be an undeliverable Distribution, the Liquidating Trustee will  
27 not make any further Distribution to the Beneficiary, except as provided below.  
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1 If a Distribution to a Beneficiary is returned as undeliverable or a Beneficiary fails to provide  
2 the Liquidating Trustee its Federal Tax Identification Number or Social Security Number within  
3 forty-five (45) days after the date of the Liquidating Trustee's written request, no further  
4 Distributions shall be made to such Beneficiary unless and until the Liquidating Trustee is notified in  
5 writing of such Beneficiary's then current address or requested tax identification number. Unclaimed  
6 and undeliverable Distributions shall remain in the possession of the Liquidating Trust until such  
7 time as a Distribution becomes Distributable. All unclaimed and undeliverable Cash Distributions  
8 will be held in unsegregated, noninterest-bearing bank accounts for the benefit of the entities entitled  
9 to the Distributions (the "Unclaimed Distributions Reserve"). Any Beneficiary who does not claim  
10 in writing the undeliverable or uncashed Distribution within 180 days after the date such Distribution  
11 was to be made shall be deemed to have waived all of such Beneficiary's rights and claims with  
12 respect to the unpaid balance of its Allowed Claim and such Beneficiary shall be forever barred,  
13 estopped and enjoined from seeking payment from the Liquidating Trust on account of its Allowed  
14 Claim. Such unclaimed or undeliverable Distribution shall be transferred from the Unclaimed  
15 Distributions Reserve to the applicable bank account for subsequent Distributions according to the  
16 Plan.

17 Without further Court order, at such time that all pro rata Distributions have been made to  
18 each and all Classes of creditors as required under the Plan, any unclaimed or undeliverable Cash  
19 held by the Liquidating Trust in the Unclaimed Distributions Reserve shall be redistributed to all  
20 Beneficiaries in accordance with the Plan other than those Beneficiaries whose last Distribution was  
21 unclaimed or was undeliverable; however, if such unclaimed or undeliverable Cash is \$10,000 or  
22 less, in the discretion of the Liquidating Trustee, such may be donated to a charity selected by the  
23 Liquidating Trustee and the Post-Confirmation Committee or may be used for such other purpose  
24 consistent with the Plan and applicable law.

25 Nothing in the Plan or otherwise requires the Liquidating Trustee to attempt to locate any  
26 entity holding an Allowed Claim whose Distribution is undeliverable.  
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**(d) Record Date.**

The record date for purposes of the initial Distributions under the Plan and Liquidating Trust Agreement shall be the date the Bankruptcy Court enters the Confirmation Order. The Liquidating Trustee will rely on the Schedules and/or register of proofs of claim Filed in the Cases except to the extent a notice of transfer of Claim or Interest or change of address of a Holder has been Filed with the Court prior to the Record Date pursuant to Bankruptcy Rule 3001.

**(10) Reserve Accounts**

The Liquidating Trustee will create one or more Reserve Accounts and, prior to any Distribution to Beneficiaries holding Allowed Class 4 Claims, shall establish a cash reserve in an amount that is agreed by the Post-Confirmation Oversight Committee to be sufficient at any given time for (1) all Disputed Claims; (2) expenses to administer the Liquidating Trust Assets, including all fees, costs and expenses of the Liquidating Trust and the Post-Confirmation Oversight Committee and post-confirmation professionals and employees; (3) unpaid Allowed Class 1 and Class 2 Claims, such amounts consisting of and to the extent of the realized Net Proceeds of the Collateral; (4) unpaid Allowed Priority Tax Claims and Allowed Unsecured Priority Claims; and (5) the Unclaimed Distribution Reserve (items (1) – (5) being collectively referred to as the “Reserve Account”). The amount to be deposited in the Disputed Claim Reserve shall be that which is reasonably estimated by the Liquidating Trustee, with the consent of the Post-Confirmation Oversight Committee, to be payable to the Holder of a Disputed Claim on a pro rata basis if such claim ultimately became an Allowed Claim.

The amount in the Disputed Claim Reserve, in the discretion of the Liquidating Trustee after consultation with the Post-Confirmation Oversight Committee, may be adjusted from time to time as Disputed Claims are resolved and distributions are made on account of any Disputed Claim that has become an Allowed Claim in whole or in part. The Disputed Claims Reserve shall be maintained at appropriate funding levels in the reasonable discretion of the Liquidating Plan Trustee until the resolution of all Disputed Claims. No payments of Cash or distributions of other property or other

1 consideration of any kind shall be made on account of any Disputed Claim unless and until such  
2 claim becomes an Allowed Claim or is deemed to be such for purposes of Distribution. Upon the  
3 allowance of a previously Disputed Claim, the initial Distribution to the Holder of the newly  
4 Allowed Claim will be the next Distribution Date for the applicable Class following the date on  
5 which the Disputed Claim becomes an Allowed Claim.

6 **(11) No Action Against the Liquidating Trust Without Bankruptcy**  
7 **Court Approval**

8 On and after the Effective Date, no action or proceeding may be commenced or continued by  
9 any entity in any court or other tribunal, other than the Bankruptcy Court, against the Liquidating  
10 Trust, the Liquidating Trustee, the Post-Confirmation Oversight Committee, or any of their directors,  
11 officers, shareholders, employees, professionals, agents, members or representatives, without the  
12 prior approval of the Bankruptcy Court in a final, non-appealable order. On and after the Effective  
13 Date, there shall be no act to collect or recover from, or offset against, or to create, perfect or enforce  
14 any right, claim, interest or remedy by any entity, against the Liquidating Trust, the Liquidating  
15 Trustee, the Post-Confirmation Oversight Committee, or any of their officers, employees,  
16 professionals, agents, members or representatives, without the prior approval of the Bankruptcy  
17 Court. This provision does not require that a defendant in a proceeding filed by the Liquidating  
18 Trust or Post-Confirmation Oversight Committee obtain the approval of the Bankruptcy Court to  
19 assert any defense or setoff in such proceeding.

20 **(12) Termination of the Liquidating Trust**

21 The Liquidating Trust shall be irrevocable and shall have a term of five years from and after  
22 the Effective Date, subject to extension as provided herein and the Liquidating Trust Agreement.  
23 The Liquidating Trust shall terminate when the Liquidating Trustee has performed all of his/her  
24 duties under the Plan and the Liquidating Trust Agreement, including the liquidation and distribution  
25 of all Liquidating Trust Assets. However, if warranted by the facts and circumstances, upon a  
26 determination by the Post-Confirmation Oversight Committee that an extension of the term of the  
27 Liquidating Trust is necessary to accomplish the liquidation purpose of the Liquidating Trust, the  
28 Liquidating Trust's term may be extended for a finite term based on facts and circumstances.

1 (13) **Reports by the Liquidating Debtors and the Liquidating Trustee**

2 The Liquidating Debtors will provide an accounting to the Liquidating Trustee of all cash on  
3 hand and in their attorneys' client trust account as of the date of the entry of the Confirmation Order.

4 Until the Court enters a final decree, the Liquidating Trustee shall File quarterly status  
5 reports with the Court to indicate: (a) the status of the liquidation of the Liquidating Trust Assets, (b)  
6 the total amount of Cash received and Distributions made from the Liquidating Trust, (c) the total  
7 amount held by the Liquidating Trust in the Reserve Account, (d) a list of all Holders of Unsecured  
8 Claims, (e) a list of all Disputed Claims, and (f) a list identifying the total Distributions made to date  
9 to each Holder of an Allowed Claim.

10 The Liquidating Trust shall serve the United States Trustee with any and all documents that it  
11 Files with the Bankruptcy Court after the Confirmation Date. In addition, the Liquidating Trust is  
12 responsible for the timely payment of US Trustee Fees incurred pursuant to 28 U.S.C. § 1930 (a)(6).  
13 In connection with calculating such fees, the Liquidating Trust shall File with the Bankruptcy Court  
14 and serve on the US Trustee a quarterly Post Confirmation Status Report regarding all income and  
15 disbursements for each quarter (or portion thereof) the Cases remain open. The Liquidating Trustee  
16 shall prepare and distribute any other reports or other information that may be required by the  
17 Bankruptcy Court, the Federal Rules and the Local Rules and/or that the Liquidating Trustee  
18 determines are necessary or appropriate.

19 (14) **No Recourse against the Liquidating Trustee or Post-  
20 Confirmation Oversight Committee**

21 No recourse shall ever be had, directly or indirectly, against the Liquidating Trustee, the  
22 Post-Confirmation Oversight Committee, or any of their officers, employees, professionals, agents,  
23 members or representatives, whether by legal, equitable or other proceedings, by virtue of any law,  
24 statute, regulation or otherwise, or by virtue of any indebtedness of the Debtors, the Estates or the  
25 Liquidating Trust, it being expressly understood and agreed that all liabilities of the Liquidating  
26 Trust shall be enforceable only against, and be satisfied only out of, the Liquidating Trust Assets.  
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1   **(15) Tax Treatment of the Liquidating Trust**

2           For federal income tax purposes, the Liquidating Debtors, the Liquidating Trustee and the  
3 Beneficiaries shall treat the Liquidating Trust as a liquidating trust within the meaning of Treasury  
4 Income Tax Regulation Section 301.7701-4(d). For federal income tax purposes, the transfer of  
5 assets to the Liquidating Trust under the Plan is treated as a deemed transfer to the Beneficiaries in  
6 satisfaction of their Claims followed by a deemed transfer of the assets by the Beneficiaries to the  
7 Liquidating Trust. For federal income tax purposes, the Beneficiaries will be deemed to be the  
8 grantors and owners of the assets held by the Liquidating Trust. Consequently, for federal income  
9 tax purposes, the Liquidating Trust will be taxed as a grantor trust (a non-taxable pass-through tax  
10 entity) owned by the Beneficiaries. The Liquidating Trust will file federal income tax returns as a  
11 grantor trust under IRC Section 671 and Treasury Income Tax Regulation Section 1.671-4 and  
12 report, but not pay tax on the Liquidating Trust’s tax items of income, gain, loss deductions and  
13 credits (“Tax Items”). The Beneficiaries will report on their federal income tax returns and pay any  
14 federal income tax liability attributable to such Liquidating Trust’s Tax Items. The Liquidating  
15 Debtors, the Liquidating Trustee and the Beneficiaries will use consistent valuations of the assets  
16 transferred to the Liquidating Trust for all federal income tax purposes, such valuations to be  
17 determined jointly by the Liquidating Trustee and the Post-Confirmation Oversight Committee.

18   **3. Review of and Objections to Expenses, Claims and Interests**

19           Except as otherwise set forth in the Plan, on and after the Effective Date, the Liquidating  
20 Trustee and the Post-Confirmation Oversight Committee may review all Claims Filed or deemed  
21 Filed and may object to or seek subordination of any Claim Filed or Scheduled in the Cases. Claims  
22 objections must be Filed no later than the first Business Day that is at least one calendar year after  
23 the Effective Date, subject to extension of such deadline upon petition Filed with the Bankruptcy  
24 Court by any party in interest.

25           As provided by section 502(c) of the Bankruptcy Code, the Court may estimate any  
26 contingent or unliquidated Disputed Claim for purposes of Confirmation of the Plan. The  
27 Bankruptcy Court shall retain jurisdiction over all Claims Filed or asserted against the Debtors’  
28 Estates, the Liquidating Trust to resolve objections to Claims following the Confirmation Date.

1 Nothing contained in the Plan shall constitute a waiver or release by the Debtors or the  
2 Liquidating Trust of any rights of setoff or recoupment or of any defense with respect to any Claim.

3 **4. Effective Date Payments and Distributions to Be Made From the Liquidating**  
4 **Trust**

5 Distributions required to be made on the Effective Date shall be made by the Liquidating  
6 Trustee on the Effective Date or as soon thereafter as practicable, and shall be paid by check drawn  
7 on a domestic bank or by wire transfer, at the sole election of the Liquidating Trustee. After the  
8 Effective Date, all distributions shall be made by the Liquidating Trustee.

9 **5. Exculpations and Releases**

10 *To the maximum extent permitted by law, neither the Debtors, the Estates, the CRO,*  
11 *Trigild, the Committee, nor any of their employees, officers, directors, shareholders, agents,*  
12 *members, representatives, or the professionals employed or retained by any of them, whether or*  
13 *not by Bankruptcy Court order (each, a "Released Person"), shall have or incur liability to any*  
14 *person or entity for an act taken or omission made in good faith in connection with or related to*  
15 *the formulation of the Plan, the related Disclosure Statement, or a contract, instrument, release,*  
16 *or other agreement or document created in connection therewith, the solicitation of acceptances*  
17 *for or Confirmation of the Plan, or the consummation and implementation of the Plan, the*  
18 *Liquidating Trust and the transactions contemplated therein.*

19 **6. Injunctions**

20 *As of the Effective Date, the Confirmation Order shall enjoin the prosecution, whether*  
21 *directly, derivatively or otherwise, of any Claim, obligation, suit, judgment, damage, demand, debt,*  
22 *right, cause of action, liability or interest released, discharged or terminated pursuant to the Plan.*

23 *Except as provided in the Plan or the Confirmation Order, as of the Effective Date, all*  
24 *entities that have held, currently hold, or may hold a Claim or other debt or liability that is or may*  
25 *be discharged are permanently enjoined from taking any of the following actions against the*  
26 *Debtors or their Estates or their property on account of any such claims, debts or liabilities: (1)*  
27 *commencing or continuing, in any manner or in any place, any action or other proceeding; (2)*  
28 *enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or*

1 *order; (3) creating, perfecting or enforcing any lien or encumbrance; (4) asserting a setoff, right*  
2 *of subrogation or recoupment of any kind against any debt, liability or obligation due to the*  
3 *Debtors; and (5) commencing or continuing any action in any manner, in any place that does not*  
4 *comply with or is inconsistent with the provisions of the Plan.*

5 *By accepting distributions pursuant to the Plan and the Liquidating Trust Agreement,*  
6 *each Holder of an Allowed Claim or Allowed Interest receiving distributions pursuant to the Plan*  
7 *will be deemed to have specifically consented to the injunctions set forth in this Section.*

8 **F. Other Provisions of the Plan**

9 **1. Changes in Rates Subject to Regulatory Commission Approval**

10 The Debtors are not subject to governmental regulatory commission approval of its rates.

11 **2. Retention of Jurisdiction/Consent to Jurisdiction by Holders and Parties in**  
12 **Interest**

13 After the Confirmation Date and occurrence of the Effective Date, in addition to jurisdiction  
14 which exists in any other court, the Bankruptcy Court will retain such jurisdiction as is legally  
15 permissible, and all Holders of Claims and Interests and parties in interest that have notice of the  
16 Plan shall be deemed to have consented to such jurisdiction, including for the following purposes:

- 17 a. To resolve any and all disputes regarding the operation and interpretation of  
18 the Plan, the Confirmation Order, and/or the Liquidating Trust Agreement;
- 19 b. To decide and enter orders and judgments with respect to all motions, claims  
20 or causes of action relating to the sale or other disposition of the Liquidating Trust Assets;
- 21 c. To determine and enter orders and judgments with respect to any claims,  
22 causes of action held by the Liquidating Trust or settlement of claims or causes of action,  
23 notwithstanding that settlements of any Litigation Claims need not be approved by the Court;
- 24 d. To determine and enter orders and judgments with respect to the allowance,  
25 classification, or priority of Claims and Interests upon objection by the Liquidating Trustee,  
26 the Post-Confirmation Oversight Committee, or by other parties in interest with standing to  
27 bring such objection or proceeding;
- 28



1 e. To determine and enter orders and judgments with respect to the extent,  
2 validity and priority of any Lien asserted against the Liquidating Trust Assets;

3 f. To hear actions and enter orders and judgments to implement, consummate  
4 and enforce the Plan, the Confirmation Order, the Liquidating Trust Agreement, and to  
5 determine all matters that may be pending before the Court in the Cases on or before the  
6 Effective Date with respect to any person or entity related thereto;

7 g. To determine and enter orders and judgments with respect to any request for  
8 payment of Administrative Claims;

9 h. To hear and determine any motion for surcharge of Collateral by the  
10 Liquidating Trustee;

11 i. To determine and enter orders and judgments with respect to all applications,  
12 motions, adversary proceedings, contested matters, and any other litigated matters instituted  
13 by the Debtors, the Liquidating Trustee, or the Post-Confirmation Oversight Committee  
14 during the pendency of these bankruptcy cases whether before, on, or after the Effective  
15 Date;

16 j. To determine and enter orders and judgments with respect to such other  
17 matters and for such other purposes as may be provided in the Confirmation Order;

18 k. To modify the Plan under section 1127 of the Bankruptcy Code in order to  
19 remedy any apparent defect or omission in the Plan or to reconcile any inconsistency in the  
20 Plan so as to carry out its intent and purpose;

21 l. Except as otherwise provided herein or the Confirmation Order, to issue  
22 injunctions to take such other actions or make such other orders as may be necessary or  
23 appropriate to restrain interference with the Plan or the Confirmation Order, or the execution  
24 or implementation by any Person of the Plan or the Confirmation Order;

25 m. To consider and enter any order or judgment with respect to any action Filed  
26 to remove and/or replace the Liquidating Trustee;

1 n. To resolve disputes between the Liquidating Trustee and the Post-  
2 Confirmation Oversight Committee;

3 o. To hear and resolve any action by a third party against the Liquidating Trustee  
4 and/or any member of the Post-Confirmation Oversight Committee in their representative  
5 capacities arising out of or relating to the Cases, the Plan and/or the Liquidating Trust; and

6 p. To enter a final decree closing these Cases.

7 **IX.**

8 **EFFECT OF CONFIRMATION OF PLAN**

9 **A. Discharge**

10 Subject to the provision below, Confirmation shall bind the Debtors, all Holders of Claims,  
11 all Holders of Interests, and other parties in interest to the provisions of the Plan whether or not the  
12 Claim or Interest of any such Holder is impaired under the Plan and whether or not any such Holder  
13 has accepted the Plan.

14 Except as otherwise provided in the Plan or in the Confirmation Order, on the Effective Date,  
15 to the extent applicable, the Debtors will be discharged from any debt that arose before confirmation  
16 of the Plan, and any debt of a kind specified in section 502(g) or 502(i) of the Bankruptcy Code  
17 whether or not a proof of claim based on such debt was Filed or deemed Filed under section 501 of  
18 the Bankruptcy Code, such claim was allowed under section 502 of the Bankruptcy Code or the  
19 Holder of such Claim accepted the Plan. Nothing contained herein shall limit the effect of  
20 Confirmation as described in sections 524 and/or 1141 of the Bankruptcy Code, and on the Effective  
21 Date, the Debtors shall be deemed discharged and released to the fullest extent permitted by section  
22 1141 of the Bankruptcy Code.

23 **B. Vesting of Property in the Liquidating Trust**

24 All assets of the Debtors shall be transferred to the Liquidating Trust and shall be the  
25 Liquidating Trust Assets.

1 **C. Modification of Plan**

2 The Proponents may modify the Plan at any time before Confirmation. However, the Court  
3 may require a new disclosure statement and/or re-voting on the Plan, unless the modification is non-  
4 material or relates only to the extension of the Effective Date, which modification shall not require a  
5 new disclosure statement and/or re-voting on the Plan.

6 The Proponents may also seek to modify the Plan at any time after Confirmation only if (1)  
7 the Plan has not been substantially consummated and (2) the Court authorizes the proposed  
8 modifications after notice and a hearing.

9 **D. Post-Confirmation Status Report**

10 Within no more than 120 days of the entry of the Confirmation Order, the Liquidating  
11 Trustee shall File a status report with the Bankruptcy Court explaining what progress has been made  
12 toward consummation of the confirmed Plan. The status report shall be served on the United States  
13 Trustee, the Post-Confirmation Oversight Committee and those parties who have requested special  
14 notice. Further status reports shall be Filed no more than every 120 days and served on the same  
15 parties.

16 **E. Post-Confirmation Conversion/Dismissal**

17 If for any reason the Court orders the Cases converted to chapter 7 cases after the Effective  
18 Date, such conversion will have no impact or effect on the Liquidating Trust or the Liquidating Trust  
19 Assets, and the Liquidating Trustee and the Post-Confirmation Oversight Committee shall continue  
20 to perform their duties as set forth in the Liquidating Trust Agreement.

21 The Confirmation Order may be revoked under very limited circumstances. The Court may  
22 revoke the Confirmation Order if it was procured by fraud and if the party in interest brings an  
23 adversary proceeding to revoke confirmation within 180 days after the entry of the Confirmation  
24 Order.

25 **F. Post-Confirmation U.S. Trustee Fees**

26 All fees incurred after the Effective Date pursuant to 28 U.S.C. § 1930(a)(6) shall be paid by  
27 the Liquidating Trustee from the Liquidating Trust Assets.  
28

1 **G. Confirmation of the Plan Pursuant to Bankruptcy Code § 1129(b)**

2 The Proponents request Confirmation of the Plan under section 1129(b) of the Bankruptcy  
3 Code with respect to any Impaired Class that does not accept the Plan pursuant to section 1126 of the  
4 Bankruptcy Code. The Proponents reserve the right to modify the Plan in order to satisfy the  
5 requirements of section 1129(b) of the Bankruptcy Code, if necessary.

6 **H. Final Decree**

7 Once these Estates have been fully administered as referred to in Bankruptcy Rule 3022, the  
8 Liquidating Debtors, the Liquidating Trustee or the Post-Confirmation Oversight Committee shall  
9 have authority to File a motion with the Bankruptcy Court to obtain a final decree to close the Cases.

10  
11 **X.**

12 **CERTAIN RISK FACTORS TO BE CONSIDERED**

13 Holders of Impaired Claims should read and consider carefully the factors set forth below, as  
14 well as other information set forth in this Disclosure Statement and the documents delivered together  
15 herewith and/or incorporated by reference herein, prior to voting to accept or reject the Plan.

16 **A. Risks that the Debtors Will Have Insufficient Cash for the Plan to Become Effective.**

17 The Plan cannot be confirmed by the Bankruptcy Court unless the Debtors have sufficient  
18 funds by the Effective Date to pay (or reserve for) all Allowed Administrative Claims and Allowed  
19 Priority Claims, unless particular Holders of such Claims agree to a deferred payment of their  
20 Claims. The Proponents believe that at the time of Confirmation the Debtors will have sufficient  
21 Cash to satisfy (or reserve for) all such Claims.

22 **B. Risk Regarding the Distributions to Be Made to Holders of Allowed Claims**

23 Because of the nature of the Debtors' Assets and the current state of the real estate market,  
24 the Proponents are not able to project the possible recovery by the Holders of Allowed General  
25 Unsecured Claims or the timing of Distributions to those Holders. Further, to the extent any Claims  
26 are determined to be Secured Claims, the Proponents are not able to project the value of the  
27 Collateral securing those Claims.

1 **C. Bankruptcy Risks.**

2 Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an interest in  
3 a particular class only if such claim or interest is substantially similar to the other claims or interests  
4 of such class. The Debtor believes that the classification of Claims and Interests under the Plan  
5 comply with the requirements set forth in the Bankruptcy Code. However, there can be no assurance  
6 that the Bankruptcy Court would reach the same conclusion.

7 Even if all Classes of Claims that are entitled to vote accept the Plan, the Plan might not be  
8 confirmed by the Bankruptcy Court. Section 1129 of the Bankruptcy Code sets forth the  
9 requirements for Confirmation and requires, among other things, that the Confirmation of a Plan is  
10 not likely to be followed by the liquidation or the need for further financial reorganization of the  
11 Debtors, and that the value of distributions to dissenting creditors and Interest Holders not be less  
12 than the value of distributions such creditors and Interest Holders would receive if the Debtors were  
13 liquidated under chapter 7 of the Bankruptcy Code. The Proponents believe that the Plan satisfies all  
14 the requirements for Confirmation of the Plan.

15 **XI.**

16 **VOTING PROCEDURES AND REQUIREMENTS**

17 IT IS IMPORTANT THAT HOLDERS OF CLAIMS EXERCISE THEIR RIGHT TO  
18 VOTE TO ACCEPT OR REJECT THE PLAN. All known Holders of Claims entitled to vote on the  
19 Plan have been sent a Ballot together with this Disclosure Statement. Such Holders should read the  
20 Ballot carefully and follow the instructions contained therein. Please use only the Ballot (or Ballots)  
21 that accompanies this Disclosure Statement.

22 FOR YOUR VOTE TO COUNT, YOUR BALLOT MUST BE ACTUALLY RECEIVED  
23 NO LATER THAN 5:00 P.M., PACIFIC TIME, ON \_\_\_\_\_, 2012.

24 ANY BALLOT THAT IS EXECUTED AND RETURNED BUT THAT DOES NOT  
25 INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN WILL BE DEEMED AN  
26 ACCEPTANCE OF THE PLAN. IF YOU HAVE ANY QUESTIONS CONCERNING VOTING  
27 PROCEDURES OR IF A BALLOT IS DAMAGED OR LOST, YOU MAY CONTACT  
28 DEBTORS' COUNSEL: JEFFREY W. DULBERG, PACHULSKI STANG ZIEHL & JONES LLP,

1 10100 SANTA MONICA BOULEVARD, SUITE 1300, LOS ANGELES, CA 90067;  
2 TELEPHONE: (310) 277-6910, EMAIL: JDULBERG@PSZYJW.COM OR COUNSEL TO THE  
3 COMMITTEE: DAVID L. NEALE, ESQ. OR DANIEL H. REISS, ESQ., LEVENE, NEALE,  
4 BENDER, YOO & BRILL, L.L.P., 10250 CONSTELLATION BOULEVARD, SUITE 1700, LOS  
5 ANGELES, CALIFORNIA 90067; TELEPHONE: (310) 229-1234; E-MAIL: DLN@NBYB.COM  
6 OR DHR@LNBYB.COM, RESPECTIVELY.

7 **A. Parties in Interest Entitled to Vote**

8 Subject to the provisions of the Order approving this Disclosure Statement, any Holder of a  
9 Claim against the Debtors as of the Petition Date, which Claim has not been disallowed by order of  
10 the Bankruptcy Court or is not a Disputed Claim (unless the Bankruptcy Court, upon application by  
11 such Holder, temporarily allows such Disputed Claim for the limited purpose of voting to accept or  
12 reject the Plan), is entitled to vote to accept or reject the Plan if (1) such Claim is Impaired under the  
13 Plan and is not in a Class that is deemed to have rejected the Plan pursuant to sections 1126(g) of the  
14 Bankruptcy Code, and (2) either (a) such Holder's Claim has been Scheduled by the Debtors (and  
15 such Claim is not Scheduled as disputed, contingent, or unliquidated), or (b) such Holder has Filed a  
16 proof of claim on or before the Bar Date. In addition, any Holder of an Interest in the Debtor is not  
17 entitled to vote to accept or reject the Plan because Class 5 is deemed to have rejected the Plan  
18 pursuant to section 1126(g) of the Bankruptcy Code. A vote on the Plan may be disregarded if the  
19 Bankruptcy Court determines, after notice and a hearing, that such vote was not solicited or procured  
20 in good faith or in accordance with the provisions of the Bankruptcy Code.

21 **B. Classes Impaired and Entitled to Vote Under the Plan**

22 The following chart summarizes which Classes of Claims are Impaired and which Classes of  
23 Claims are Unimpaired under the Plan.

CLASS	DESCRIPTION	IMPAIRED/ UNIMPAIRED	VOTING STATUS
Class 1	Secured Claim of: Collateralized Parties Pursuant to 2009 Pledge and Security Agreements Loan and Placement Agreements entered into from 2003-2008	Impaired	Voting

CLASS	DESCRIPTION	IMPAIRED/ UNIMPAIRED	VOTING STATUS
Class 2	Secured claim of Collateralized Parties re SCICG Mezzanine Fund I, LLC	Impaired	Voting
Class 3	Priority Wage 11 U.S.C. § 507(a)(4) Claims of Marc Paul and Robert Robotti	Unimpaired	Deemed to Accept
Class 4	General Unsecured Claims	Impaired	Voting
Class 5	Membership Interests	Impaired	Deemed to Reject

**1. Vote Required for Acceptance by Classes of Claims**

The Bankruptcy Code defines acceptance of a plan by a class of claims as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of the claims of that class that actually cast ballots for acceptance or rejection of the Plan, excluding ballots cast by insiders of the debtor. Thus, acceptance by a Class of Claims occurs only if at least two-thirds in dollar amount and a majority in number of the Holders of such Claims that vote cast their Ballots to accept the Plan. A Class of Holders of Claims shall be deemed to accept the Plan in the event that no Holder of a Claim within that Class submits a Ballot by the Ballot Date.

CREDITORS AND OTHER PARTIES IN INTEREST ARE CAUTIONED TO REVIEW THE ORDER APPROVING THE DISCLOSURE STATEMENT, A COPY OF WHICH IS ENCLOSED HEREWITH, FOR A FULL UNDERSTANDING OF VOTING REQUIREMENTS, INCLUDING WITHOUT LIMITATION, USE OF BALLOTS.

**XII.**

**CONFIRMATION OF THE PLAN**

Under the Bankruptcy Code, the following steps must be taken to confirm the Plan.

**A. Confirmation Hearing**

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, hold a hearing on confirmation of a plan. By order of the Bankruptcy Court, the hearing on the Confirmation of the Plan has been scheduled for \_\_\_\_\_, 2012 at \_:\_ 0 \_m. Pacific Time. The Confirmation hearing may be adjourned from time to time by the Bankruptcy Court without

PACHULSKI STANG ZIEHL & JONES LLP  
ATTORNEYS AT LAW  
LOS ANGELES, CA

1 further notice except for an announcement made at the Confirmation hearing or any adjournment  
2 thereof.

3 **B. Objections to Confirmation of the Plan**

4 Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to  
5 Confirmation of the Plan. Any objection to Confirmation of the Plan must be in writing, conform to  
6 the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court, set forth  
7 the name of the objecting party, the nature and amount of the Claim or Interest held or asserted by  
8 the objecting party against either of the Debtors, the basis for the objection, and the specific grounds  
9 upon which the objection is based. The objection, together with proof of service thereof, must then  
10 be Filed with the Bankruptcy Court, with a copy to chambers, and served upon counsel to the  
11 Debtor, Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica Boulevard, 13th Floor, Los  
12 Angeles, California 90067, Attn: Jeffrey W. Dulberg, Esq. and counsel to the Committee, Levene,  
13 Neale, Bender, Yoo & Brill, L.L.P., 10250 Constellation Boulevard, Suite 1700, Los Angeles,  
14 California 90067, Attn.: David L. Neale, Esq. and Daniel H. Reiss, Esq.

15 Objections to Confirmation of the Plan are governed by Federal Rule of Bankruptcy  
16 Procedure 9014. UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY AND  
17 PROPERLY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY  
18 COURT.

19 **C. Requirements for Confirmation of the Plan**

20 At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the  
21 requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for  
22 Confirmation are that the Plan (1) has been accepted by all Impaired Classes of Claims and Interests  
23 or, if rejected by an Impaired Class, that the Plan “does not discriminate unfairly” and is “fair and  
24 equitable” as to such Class, (2) is feasible, and (3) is in the “best interests” of Holders of Claims and  
25 Interests Impaired under the Plan.  
26  
27  
28



1           **1.     Acceptance**

2           Claims in Classes 1, 2, 4 and 5 are Impaired, the Holders of Claims in those Classes are  
3 entitled to vote on the Plan and, therefore, each of the Impaired Classes must accept the Plan in order  
4 for the Plan to be confirmed without application of the “fair and equitable test,” as described below  
5 in section XII.C.2, to such Class. As stated above, a Class of Claims will have accepted the Plan if  
6 the Plan is accepted by at least two-thirds in dollar amount, and a majority in number of the Claims  
7 of each such Class (other than any claims of creditors designated under section 1126(e) of the  
8 Bankruptcy Code) that have voted to accept or reject the Plan.

9           Interests in Class 5 are Impaired; however, Holders of such Interests will not receive or retain  
10 property under the Plan and, therefore, such Class is deemed have rejected the Plan. Accordingly, in  
11 order for the Plan to be confirmed over the rejection of such Class, the “fair and equitable test,” as  
12 described below in Section XII.C.2, must be applied to such Class..

13           Claims in Classes 3 are Unimpaired by the Plan, and the Holders thereof are conclusively  
14 presumed to have accepted the Plan.

15           **2.     Fair and Equitable Test**

16           The Debtors will seek to confirm the Plan notwithstanding the non-acceptance or deemed  
17 non-acceptance of the Plan by any Impaired Class of Claims or Interests. To obtain Confirmation  
18 under those circumstances, it must be demonstrated to the Bankruptcy Court that the Plan “does not  
19 discriminate unfairly” and is “fair and equitable” with respect to such dissenting Impaired Class. A  
20 plan does not discriminate unfairly if the legal rights of a dissenting class are treated in a manner  
21 consistent with the treatment of other classes whose legal rights are substantially similar to those of  
22 the dissenting class, and if no class receives more than it is entitled to for its claims or interests. The  
23 Proponents believe that the Plan satisfies this requirement.

24           The Bankruptcy Code establishes different “fair and equitable” tests for Secured Claims,  
25 Unsecured Claims and Interests, as follows:

26           **a.     Secured Claims**

27           Either the Plan must provide (i) that the Holders of such Allowed Secured Claims retain the  
28 liens securing such Claims, whether the property subject to such liens is retained by the Debtors or

1 transferred to another entity, to the extent of the Allowed amount of such Claims, and each Holder of  
2 such Allowed Secured Claim receives deferred cash payments totaling at least the Allowed amount  
3 of such Claim, of a value, as of the Effective Date of the Plan, of at least the value of such Holder's  
4 interest in the Estates' interest in such property; (ii) for the sale of any property that is subject to the  
5 liens securing such Allowed Secured Claims, free and clear of such liens, with such liens to attach to  
6 the proceeds of such sale; or (iii) for the realization by such Holders of the indubitable equivalent of  
7 such Allowed Secured Claims.

8 **b. Unsecured Claims**

9 Either (i) each Holder of an Impaired Allowed Unsecured Claim receives or retains  
10 under the Plan property of a value equal to the amount of its Allowed Claim, or (ii) the Holders of  
11 Allowed Unsecured Claims and Interests that are junior to the Claims of the dissenting Class will not  
12 receive any property under the Plan.

13 **c. Interests**

14 Either (i) each Holder of an Allowed Interest will receive or retain under the Plan property of  
15 a value equal to the greater of (y) the fixed liquidation preference or redemption price, if any, of such  
16 Interests; or (z) the value of the Interests, or (ii) the Holders of Interests that are junior to the  
17 Interests in the dissenting Class will not receive any property under the Plan.

18 THE PROPONENTS BELIEVE THAT THE PLAN MAY BE CONFIRMED ON A  
19 NONCONSENSUAL BASIS (PROVIDED AT LEAST ONE IMPAIRED CLASS OF CLAIMS  
20 VOTES TO ACCEPT THE PLAN). ACCORDINGLY, THE PROPONENTS WILL  
21 DEMONSTRATE AT THE CONFIRMATION HEARING THAT THE PLAN SATISFIES THE  
22 REQUIREMENTS OF SECTION 1129(b) OF THE BANKRUPTCY CODE AS TO ANY NON-  
23 ACCEPTING CLASS.

24 **3. Feasibility**

25 The Bankruptcy Code requires that confirmation of a plan is not likely to be followed by the  
26 liquidation, or the need for further financial reorganization of a debtor. The Plan contemplates that  
27 all Assets of the Debtors will be transferred to the Liquidating Trust and that ultimately the  
28

1 Liquidating Trustee will dispose of all Liquidating Trust Assets and all proceeds of the Liquidating  
2 Trust Assets will be distributed to the Holders of Allowed Claims pursuant to the terms of the Plan.  
3 Since no further financial reorganization of the Debtors will be possible, the Proponents believe that  
4 the Plan meets the feasibility requirement. In addition, subject to the discussion of “Risk Factors”  
5 set forth above, the Proponents believe that sufficient funds will exist at Confirmation to make all  
6 payments required by the Plan to be made on or near the Effective Date.

7 **4. “Best Interests” Test**

8 With respect to each Impaired Class of Claims and Interests, Confirmation of the Plan  
9 requires that each Holder of an Impaired Claim or Interest either (a) accepts the Plan, or (b) receives  
10 or retains under the Plan property of a value, as of the Effective Date of the Plan, that is not less than  
11 the value such Holder would receive or retain if the Debtors were liquidated under chapter 7 of the  
12 Bankruptcy Code. This analysis requires the Bankruptcy Court to determine what the Holders of  
13 Allowed Claims and Allowed Interests in each Impaired Class would receive from the liquidation of  
14 the Debtors’ Assets in the context of a chapter 7 liquidation case.

15 Most importantly, the Plan provides for an orderly administration of the primary assets of the  
16 Estates – the Dispo Fees. As stated above, approximately \$40 million in deferred Dispo Fees are  
17 payable upon the occurrence of certain Triggering Events - voluntary or involuntary sale of the  
18 Properties, including without limitation, foreclosure proceedings, the maturity of the loans secured  
19 by the Properties (whether maturity occurs by the passage of time, acceleration of debt, or through a  
20 refinancing of the existing loans), or such other disposition events as specified in the various  
21 transaction documents. It is anticipated that the Dispo Fees will be collected over the next five to  
22 seven years. The Proponents believe that the value to be realized by the Debtors’ creditors will be  
23 far greater if the Dispo Fees are collected upon the occurrence of the Triggering Events, rather than a  
24 sale by a chapter 7 trustee of the Estates’ rights to future Dispo Fees to one or more speculators in  
25 today’s unpredictable real estate derivatives market.

26 Further, if the Cases were converted to cases under chapter 7, a liquidation under chapter 7  
27 would result in the incurrence of administrative costs in excess of those to be incurred under the Plan  
28

1 because a chapter 7 trustee would likely seek to retain counsel and perhaps other professionals and  
2 that are completely unfamiliar with the Debtors' atypical assets and liabilities. Also, a new time  
3 period for the filing of Claims would commence under Bankruptcy Rule 1019(2), possibly resulting  
4 in the filing of additional Claims against the Estates. Conversion of the Case to a case under chapter  
5 7 and appointment of a trustee for administration of the Estate could also delay liquidation and the  
6 prosecution of the Avoidance Actions. The Liquidating Trustee's familiarity with the Debtors'  
7 operations, because he has previously served as the Debtors' CRO, will allow him to complete  
8 liquidation of the Assets and distribute the proceeds more efficiently than a chapter 7 trustee, while  
9 maximizing the value of the Estates' assets for the benefit of creditors.

10 **XIII.**

11 **FINANCIAL INFORMATION**

12 Attached hereto as **Exhibit "3"** are financial statements for SCI Real Estate Investments,  
13 LLC for the years 2009 and 2010 and attached as **Exhibit "4"** are financial statements for Secured  
14 California Investments, Inc. for 2009 and 2010. Additional information regarding the Debtors'  
15 financial performance after the Petition Date is contained in the Debtors' Monthly Operating Reports  
16 which are Filed with the Bankruptcy Court.

17 **XIV.**

18 **ALTERNATIVES TO CONFIRMATION**

19 **AND CONSUMMATION OF THE PLAN; LIQUIDATION ANALYSIS**

20 The Proponents have thoroughly evaluated all alternatives to the Plan. After studying these  
21 alternatives, the Proponents have concluded that the Plan is the best alternative, and will maximize  
22 recoveries by parties in interest, assuming Confirmation of the Plan. The Plan provides that all of  
23 the Debtors' Assets will be transferred to the Liquidating Trust and for the orderly liquidation of the  
24 Liquidating Trust Assets by the Liquidating Trustee, who has served as the Debtors' CRO and as  
25 such is familiar with the Debtors' business and Assets. The Proponents are not aware of any  
26 possible reorganization of the Debtors as there are not funds available for such reorganization and  
27 the Debtors have been unable to secure any financing. As discussed above in the Section on the Best  
28

1 Interests of Creditors Test, converting the Cases to chapter 7 liquidating cases would slow the  
2 process down and would result in additional fees and expenses having to be paid from the proceeds  
3 of such liquidation. The Proponents, therefore, do not believe that there is any better alternative to  
4 the Plan.

5 **XV.**

6 **CERTAIN U.S. FEDERAL AND STATE INCOME**

7 **TAX CONSEQUENCES OF THE PLAN**

8 THE FOLLOWING IS INTENDED TO BE ONLY A SUMMARY OF SELECTED  
9 FEDERAL AND STATE INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A  
10 SUBSTITUTE FOR CAREFUL TAX PLANNING WITH, AND RECEIPT OF TAX ADVICE  
11 FROM, A TAX PROFESSIONAL. THE SELECTED FEDERAL AND STATE TAX  
12 CONSEQUENCES THAT ARE DESCRIBED HEREIN AND OTHER FEDERAL, STATE AND  
13 LOCAL TAX CONSEQUENCES THAT ARE NOT ADDRESSED HEREIN ARE COMPLEX  
14 AND, IN SOME CASES, UNCERTAIN. SUCH TAX CONSEQUENCES MAY ALSO VARY  
15 BASED ON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF AN ALLOWED  
16 CLAIM AGAINST OR INTEREST IN THE DEBTORS. ACCORDINGLY, AS NOTED ABOVE,  
17 EACH HOLDER OF AN ALLOWED CLAIM OR INTEREST IS STRONGLY ADVISED TO  
18 CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE AND  
19 LOCAL TAX CONSEQUENCES OF THE PLAN.

20 THE DEBTORS DO NOT INTEND TO REQUEST A TAX RULING FROM THE  
21 INTERNAL REVENUE SERVICE OR ANY OTHER TAXING AUTHORITY WITH RESPECT  
22 TO ANY OF THE TAX CONSEQUENCES OF THE PLAN. CONSEQUENTLY, THE  
23 INTERNAL REVENUE SERVICE OR ANOTHER TAXING AUTHORITY MAY DISAGREE  
24 WITH AND MAY CONTEST ONE OR MORE OF THE TAX CONSEQUENCES DESCRIBED  
25 HEREIN.

26 During the Cases, some of the Debtors' Assets were liquidated or are in the process of being  
27 liquidated, and some of the proceeds of such liquidation have been used to fund the costs of  
28

1 administering the Estates prior to the Effective Date. The federal and state income tax consequences  
2 with respect to the liquidation of these Assets have or will be reflected on the Debtors' federal and/or  
3 state income tax returns. Depending on the Debtors' federal and state income tax classification  
4 status, any gains of the Debtors as a result of the liquidation of Assets during the Cases may result in  
5 tax liability to the Debtors.

6 **A. Federal Income Tax Consequences to the Creditors**

7 The character, amount and timing of income, gain or loss the holders of Allowed Claims  
8 recognize as a consequence of the Distributions under the Plan will depend upon, among other  
9 things, (i) the manner in which the Claim or Interest was acquired, (ii) the length of time the Claim  
10 was held, (iii) whether the Claim was acquired at a discount, (iv) whether the Holder of an Allowed  
11 Claim has taken a bad debt deduction for the Claim, (v) whether the Holder has previously included  
12 accrued but unpaid interest with respect to the Claim, (vi) the Holder's method of tax accounting,  
13 (vii) whether the Claim is an installment obligation under the tax laws, and (viii) the type of  
14 consideration received or deemed received by the Holder of the Claim in exchange for its Claim. In  
15 addition, in the event interest is paid on the Claim, the Holder may have interest income. Therefore,  
16 Holders of Allowed Claims should consult their tax advisors for information that may be relevant to  
17 their particular situations and circumstances and the particular tax consequences to such Holders as a  
18 result thereof.

19 Depending on the nature of the Claim, the Liquidating Trust may be required to file  
20 information returns with the appropriate taxing agencies to report payments to the Holders of  
21 Allowed Claims. In order to make Distributions, the Liquidating Trustee will require that Holders of  
22 Allowed Claims provide certain federal income taxpayer information, such as the Holder's taxpayer  
23 identification number. Should the Holder fail to do so within forty-five days of the request, the  
24 Liquidating Trustee may withhold and bar any Distribution to that Holder, and the other Holders'  
25 proportionate shares of the amount to be distributed will be recalculated.

1 **B. Transfer Taxes**

2 Pursuant to section 1146(a) of the Bankruptcy Code, any transfer, or the making or delivery  
3 of an instrument of transfer, of real property interests from or by the Debtors or Liquidating Debtors  
4 to the Liquidating Trust or Liquidating Trustee or any other person or entity pursuant to the Plan,  
5 including, without limitation, the Liquidating Trust Assets, shall not be subject to any document  
6 recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real  
7 estate transfer tax, mortgage recording tax, or other similar tax or governmental assessment, and the  
8 Confirmation Order shall direct the appropriate state or local governmental officials or agents to  
9 forego the collection of any such tax or governmental assessment and to accept for filing and  
10 recordation any of the foregoing instruments or other documents without the payment of any such  
11 tax or governmental assessment.


12  
13 **XVI.**

14 **RECOMMENDATION**

15 The Proponents recommend that all creditors receiving a Ballot vote in favor of the Plan.  
16 The Proponents believe that the Plan maximizes recoveries to all creditors and, thus, is in their best  
17 interests. The Plan as structured, among other things, allows creditors to obtain distributions in  
18 excess of those that would be available if the Debtors were liquidated under chapter 7 of the  
19 Bankruptcy Code and minimizes delays in recoveries to all creditors.

20 Dated: February 3, 2012

21 **SCI Real Estate Investments, LLC**  
Secured California Investments, Inc.

22 By: 

23  
24 **Official Committee of Unsecured Creditors**

25  
26 By: : \_\_\_\_\_  
Wells Fargo Bank, NA  
27 Chair of the Official Committee of  
Unsecured Creditors through its authorized  
28 representative Gail E. Tubbs, Vice President

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Presented By:

PACHULSKI STANG ZIEHL & JONES LLP

By: /s/ Jeffrey W. Dulberg  
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SCI Real Estate Investments, LLC  
Secured California Investments, Inc.  
Debtors and Debtors in Possession

and

LEVENE, NEALE, BENDER, YOO  
& BRILL, L.L.P.

By:   
DAVID L. NEALE  
DANIEL H. REISS  
Attorneys for Co-Proponent  
Official Committee of Unsecured Creditors

PACHULSKI STANG ZIEHL & JONES LLP  
ATTORNEYS AT LAW  
LOS ANGELES, CA



# **EXHIBIT 1**

**The Plan of Liquidation has been  
filed as a separate document**

## **EXHIBIT 2**

**To Be Filed at a Later Date**

# **EXHIBIT 3**

SCI Real Estate Invstmtns, LLC (9900a)

**Balance Sheet (With Period Change)**

Period = Dec 2009

Book = Accrual

		Balance Current Period
1000-0000	ASSET	
1100-0000	CASH	
1111-0000	Operating Cash 1	66,822.62
1113-0000	Operating Cash 3	8,848.66
1114-0000	Operating Cash 4	0.00
1115-0000	Operating Cash 5	0.00
1116-0000	Operating Cash 6	6,108.75
1150-0000	Petty Cash	500.00
1159-9999	TOTAL CASH	82,280.03
1200-0000	ACCOUNTS RECEIVABLE	
1210-0000	Accounts Receivable	7,400.66
1212-0000	Accounts Receivable-WIP	35,565.34
1215-0000	Accounts Receivable-Intercompany	573,112.14
1220-0000	Fees Receivable	94,435.17
1249-9999	TOTAL ACCOUNTS RECEIVABLE	710,513.31
1250-0000	DUE FROM AFFILIATES	
1255-0000	Due from shareholders/members	4,752.04
1299-9999	TOTAL DUE FROM AFFILIATES	4,752.04
1300-0000	NOTES RECEIVABLE	
1320-0000	Notes Receivable-Related Party	15,676,841.62
1339-9999	TOTAL NOTES RECEIVABLE	15,676,841.62
1400-0000	LOANS RECEIVABLE	
1410-0000	Loans to Properties	0.00
1450-0000	Loans to LLC's	82,260.57
1470-0000	Loans Receivable	25,000.00
1499-9999	TOTAL LOANS RECEIVABLE	107,260.57
1500-0000	PREPAID EXPENSES	
1510-0000	Prepaid Insurance	7,864.44
1530-0000	Prepaid Expenses-Other	2,138.42
1559-9999	TOTAL PREPAID EXPENSES	10,002.86
1699-9999	TOTAL CURRENT ASSETS	10,002.86
1700-0000	ESCROW DEPOSITS	
1730-0000	Escrow Deposits	910,285.26
1749-9999	TOTAL ESCROW DEPOSITS	910,285.26
1750-0000	INVESTMENTS IN LLC'S	
1755-0000	Capital Contributions	9,357,315.38
1760-0000	Capital Distributions	-118,498.42
1770-9999	TOTAL INVESTMENTS IN LLC'S	9,238,816.96
1780-0000	PROPERTY HELD FOR SALE	
1782-0000	Investment in Property Held for Sale	0.00
1783-0000	Advances to Real Estate Investments	2,755,158.73
1784-0000	Income/(Loss) from Inventory	0.00
1789-9998	TOTAL PROPERTY HELD FOR SALE	2,755,158.73
1800-0000	FIXED ASSETS	
1810-0000	Leasehold Improvements	209,903.28
1820-0000	A/D-Leasehold Improvements	-173,539.28
1830-0000	Furniture & Fixtures	211,390.91
1835-0000	A/D-Furniture & Fixtures	-194,002.29
1840-0000	Office/Computer Equipment	465,241.81
1845-0000	A/D-Office Equipment	-409,139.57
1855-9999	TOTAL FIXED ASSETS (NET)	109,854.86
1899-0000	OTHER ASSETS	
1920-0000	Leasehold Deposits	6,154.00
1930-0000	Deferred Fees Receivable	34,433,222.64
1932-0000	Credit Enhancement Fee Receivable	1,078,350.00

SCI Real Estate Invstmts, LLC (9900a)

**Balance Sheet (With Period Change)**

Period = Dec 2009

Book = Accrual

		<b>Balance Current Period</b>
1934-0000	Discount-Deferred Fees	-2,718,050.87
1936-0000	Discount-Credit Enhancement Fees	0.00
1998-9999	<b>TOTAL OTHER ASSETS</b>	<b>32,799,675.77</b>
1999-9999	<b>TOTAL ASSETS</b>	<b>62,405,442.01</b>
2100-0000	CURRENT LIABILITIES	
2110-0000	Accounts Payable	264,351.85
2120-0000	Mezz Interest Payable	152,194.34
2130-0000	Other Liabilities	123,200.33
2132-0000	Other Liabilities-Intercompany	0.00
2138-0000	Security Deposits	0.00
2145-0000	Due to Related Party	2,566,000.00
2150-0000	PAYROLL LIABILITIES	
2167-0000	Other Salary Deductions	0.00
2175-0000	Accrued Vacation	0.00
2185-0000	Accrued 401k Contribution	0.00
2190-0000	Payroll Suspense	-679.37
2198-9999	<b>TOTAL PAYROLL LIABILITIES</b>	<b>-679.37</b>
2199-9999	<b>TOTAL CURRENT LIABILITIES</b>	<b>3,105,067.15</b>
2300-0000	NOTES PAYABLE	
2310-0000	Placement Agreements	6,049,684.60
2325-0000	Note Payable-Accrued Rent	467,377.76
2330-0000	Stock Redemption Payable	0.00
2339-9999	<b>TOTAL NOTES PAYABLE</b>	<b>6,517,062.36</b>
2500-0000	BANK LOANS	
2510-0000	First Regional Bank LOC1	15,000,000.00
2511-0000	First Regional Bank LOC2	3,000,000.00
2520-0000	Wachovia LOC1	3,555,685.00
2530-0000	Other Loans Payable	0.00
2599-9999	<b>TOTAL BANK LOANS</b>	<b>21,555,685.00</b>
2999-9999	<b>TOTAL LIABILITIES</b>	<b>31,177,814.51</b>
3000-0000	EQUITY	
3040-0000	Distributions to Owners	-7,569,704.60
3050-0000	Contributions from Owners	-3,265,000.00
3200-0000	Retained Earnings	42,062,332.10
3998-9999	<b>TOTAL EQUITY</b>	<b>31,227,627.50</b>
3999-9999	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>62,405,442.01</b>

**Income Statement**

Period = Jan 2009-Dec 2009

Book = Accrual

		Year to Date
4000-0000	<b>INCOME</b>	
4020-0000	Acquisition Fees	140,008.00
4050-0000	Asset Management Fees	34,555.99
4060-0000	Leasing Commissions	19,128.61
4160-0000	Miscellaneous Income	102,250.00
4200-0000	Interest Income	5,322.58
4210-0000	Interest Income-Intercompany	345,168.05
4250-0000	Interest Income-Discounts(fees)	1,386,706.74
4450-0000	LLC Distributions	156,579.64
4455-0000	Rental Income/(Loss)-Net	667.60
4531-0000	Gain/(Loss)-Investments	-27,969.12
4999-9999	<b>TOTAL INCOME</b>	<b>2,162,418.09</b>
6000-0000	<b>EXPENSES</b>	
6010-0000	PERSONNEL COSTS	
6011-0000	Wages	
6015-0000	Base Salary	417,046.55
6032-0000	Bonus-Incentive	47,307.62
6035-0000	Overtime	3,079.26
6036-0000	Severance	291,270.50
6039-0000	Total Wages	758,703.93
6040-0000	Employer Taxes & Insurance	
6041-0000	Employer FICA Taxes	49,861.74
6042-0000	Employer Medicare Taxes	12,227.33
6043-0000	Employer FUTA Taxes	950.84
6044-0000	Employer SUI Taxes	6,914.55
6046-0000	Worker's Compensation	2,057.51
6047-0000	Total Employer Taxes & Insurance	72,011.97
6050-0000	Employee Benefits	
6051-0000	Employee Health Care	106,990.00
6053-0000	Employee Dental	8,846.40
6056-0000	Employee Disability	5,633.03
6057-0000	Employee Life Insurance	14,238.85
6058-0000	Employee 401 K Contributions	-63,000.00
6060-9999	Total Employee Benefits	72,708.28
6065-0000	Other Employee Costs	
6069-0000	Payroll Service	4,567.89
6071-0000	Employee Benefit Plan Expense	11,216.04
6073-0000	Education & Training	-90.48
6077-0000	Misc Employee Costs	2,229.85
6079-9999	Total Other Employee Costs	17,923.30
6080-0000	Outside Services	
6081-0000	Outside Services	298,730.96
6083-0000	Outside Services/Consulting (temp)	40,942.95
6085-0000	Total Outside Services	339,673.91
6090-0000	Guaranteed Payments	480,000.00
6099-9999	<b>TOTAL PERSONNEL COSTS</b>	<b>1,741,021.39</b>
6100-0000	EQUITY RAISE COMMISSION	
6111-0000	In House Brokers	207,870.54
6112-0000	Outside Brokers	100,226.62
6114-0000	Finder's Fee	2,350.94
6115-0000	Equity Commission (payroll)	8,815.33
6120-9999	<b>TOTAL EQUITY RAISE COMMISSION</b>	<b>319,263.43</b>
6202-0010	Property Promotion (Property)	6,074.16
6202-0015	Investor Promotion (General)	18,630.14
6202-9999	Investor Relations	24,704.30
6204-0015	Attendee Registration	1,200.00
6204-0035	Display Shipping & Storage	2,081.17
6204-0045	Program/Directory Advertising	1,800.00
6204-0055	Promotional Support	124.49
6204-0060	Misc. Conventions/Seminars	375.00
6204-9999	Conventions & Seminars	5,580.66

**Income Statement**

Period = Jan 2009-Dec 2009

Book = Accrual

		Year to Date
6206-0020	Web Site Links & Banner Ads	480.00
6206-0025	Web Site Design & Maint.	850.00
6206-0030	Hosting Services	2,968.36
6206-9999	Advtsg (Web/Electronic/Video)	4,298.36
6208-0030	Misc. Advertising Production	210.00
6208-9999	Advertising Production	210.00
6212-0025	Miscellaneous Printing	-1,010.47
6212-0030	Investment Summary	-3,985.66
6212-0035	2-Pagers	-562.04
6212-9999	Printing	-5,558.17
6214-0020	News Releases Property	460.00
6214-9999	Public Relations	460.00
6218-0010	Printing	381.24
6218-0025	Training	2,100.00
6218-9999	Regional Director Support	2,481.24
6220-0010	Misc. Marketing Services	-4,881.19
6220-9999	Marketing (Office & Corporate)	-4,881.19
6299-9999	TOTAL ADVERTISING & MARKETING	27,295.20
6311-0000	Office Rent	521,749.63
6312-0000	Office CAM	8,274.20
6316-0000	Office Utilities	162.61
6318-0000	Office Cleaning	428.60
6320-0000	Storage	6,612.75
6321-0000	Plants/Interior Design	650.00
6325-0000	Parking-Reserved Space	10,815.00
6326-0000	Parking-Non Reserved Space	10,875.00
6327-0000	Parking-Visitor	2,548.00
6329-9999	Total Occupancy Cost	562,115.79
6400-0000	Office Supplies	
6401-0000	Office Supplies-General	6,925.25
6403-0000	Computer Supplies	1,803.11
6410-0000	Total Office Supplies	8,728.36
6425-0000	Computer Expense	
6427-0000	Computer Equipment	-200.00
6429-0000	Computer Contract	2,378.63
6433-0000	Computer Software/Warranty	20,822.55
6435-0000	Computer Misc Supplies	7,679.73
6439-0000	Office Internet	7,192.01
6441-0000	Home Office Internet	1,724.31
6450-0000	Total Computer Expense	39,597.23
6500-0000	Printing & Copy Expense	
6510-0000	Printing & Copying Fees	-1,898.80
6515-0000	Copy Machine Contract	19,471.45
6517-0000	Copy Machine Repair & Maint.	5,873.85
6520-0000	Total Printing & Copy Expense	23,446.50
6530-0000	Telephone Expenses	
6532-0000	Telephone-Office Local	14,615.14
6534-0000	Telephone-Conference	1,772.03
6540-0000	Telephone-Blackberry	17,555.74
6542-0000	Telephone-Repair & Maint.	995.39
6544-0000	Telephone-Equipment & Supplies	525.82
6550-0000	Total Telephone Expenses	35,464.12
6560-0000	Postage & Shipping	
6562-0000	Postage	9,788.12
6564-0000	Postage Machine	2,691.91
6566-0000	Federal Express	6,127.18
6570-0000	Messenger	330.93
6580-0000	Total Postage & Shipping	18,938.14
6600-0000	Misc Office Expense	
6605-0000	Dues & Subscriptions	15,449.52
6615-0000	Filing Fees	2,989.66

**Income Statement**

Period = Jan 2009-Dec 2009

Book = Accrual

		Year to Date
6620-0000	Bank Charges	876.00
6625-0000	Moving	1,350.00
6690-0000	Total Misc Office Expense	20,665.18
6700-0000	Insurance	
6700-1000	Insurance-General Liability	8,667.78
6700-1010	Insurance-D&O	61,299.18
6700-1030	Insurance-Life	1,248.26
6700-1050	Insurance-Other	1,793.00
6700-9999	Total Insurance	73,008.22
6749-9999	TOTAL OFFICE ADMIN. EXPENSES	781,963.54
6750-0000	TRAVEL & ENTERTAINMENT	
6750-1000	Automobile Expenses	
6750-1010	Auto Allowance	48,395.33
6750-1020	Auto Gas Expense	5,231.41
6750-1050	Total Automobile Expenses	53,626.74
6755-0000	Lodging	10,859.50
6760-0000	Meals	22,130.94
6765-0000	Transportation	12,418.84
6766-0000	Auto Mileage Reimbursement	154.00
6780-0000	Travel Misc	3.00
6782-0000	Client Entertainment-Meals	771.13
6783-0000	Client Entertainment-Other	93.67
6785-0000	Memberships	21,403.81
6786-0000	Employee Meal & Lunches	2,921.44
6787-0000	Office Meals/Parties	1,007.04
6788-0000	Miscellaneous Travel and Entertainment	100.00
6799-9999	TOTAL TRAVEL & ENTERTAINMENT	125,490.11
6800-0000	PROFESSIONAL SERVICES	
6810-0000	Accounting Fees	44,571.87
6840-0000	Legal Fees-Corporate	213,556.23
6855-0000	Other Professional Services	4,958.35
6899-9999	TOTAL PROFESSIONAL SERVICES	263,086.45
6900-0000	PROPERTY/ACQUISITION EXPENSE	
6902-0000	Due Diligence Expenses	7,121.41
6906-0000	Property Professional Fees	330,000.00
6910-9999	TOTAL PROPERTY/ACQUISITION EXPENSE	337,121.41
6952-0000	Local Business Taxes	11,513.97
6954-0000	License/Permits	1,488.28
6965-0000	Sales Tax	993.04
6970-0000	TOTAL BUSINESS TAXES & LICENSE	13,995.29
6999-9999	<b>TOTAL OPERATING EXPENSES</b>	<b>3,609,236.82</b>
8000-0000	DEBT SERVICE	
8110-0000	Interest Expense-Line of Credit	443,625.00
8130-0000	Interest Expense-PA	193,152.23
8140-0000	Interest Expense-Wachovia Line	-11,941.18
8150-0000	Interest Expense-Mezzanine	310,513.42
8299-9999	TOTAL DEBT SERVICE	935,349.47
8800-9999	TOTAL EXPENSES	4,544,586.29
8900-9999	<b>NET OPERATING INCOME/LOSS</b>	<b>-2,382,168.20</b>
9000-0000	OTHER INCOME (EXPENSES)	
9100-0000	Depreciation Expense	294,283.15
9455-0000	State Income Taxes	19,390.00
9500-9999	TOTAL OTHER INCOME (EXPENSES)	313,673.15
9899-9999	<b>NET INCOME/LOSS</b>	<b>-2,695,841.35</b>



SCI Real Estate Invstmtns, LLC (9900a)

**Balance Sheet (With Period Change)**

Period = Dec 2010

Book = Accrual

		Balance Current Period
1000-0000	ASSET	
1100-0000	CASH	
1111-0000	Operating Cash 1	-10,505.64
1113-0000	Operating Cash 3	0.00
1116-0000	Operating Cash 6	0.00
1117-0000	Operating Cash 7	24,501.16
1150-0000	Petty Cash	0.35
1159-9999	TOTAL CASH	13,995.87
1200-0000	ACCOUNTS RECEIVABLE	
1210-0000	Accounts Receivable	-0.50
1212-0000	Accounts Receivable-WIP	7,718.60
1215-0000	Accounts Receivable-Intercompany	897,952.18
1220-0000	Fees Receivable	94,435.17
1249-9999	TOTAL ACCOUNTS RECEIVABLE	1,000,105.45
1250-0000	DUE FROM AFFILIATES	
1255-0000	Due from shareholders/members	0.00
1299-9999	TOTAL DUE FROM AFFILIATES	0.00
1300-0000	NOTES RECEIVABLE	
1320-0000	Notes Receivable-Related Party	16,151,629.64
1331-0000	Note Receivable-Provasi MMLLC	110,000.00
1339-9999	TOTAL NOTES RECEIVABLE	16,261,629.64
1400-0000	LOANS RECEIVABLE	
1450-0000	Loans to LLC's	75,183.01
1470-0000	Loans Receivable	32,000.00
1499-9999	TOTAL LOANS RECEIVABLE	107,183.01
1500-0000	PREPAID EXPENSES	
1510-0000	Prepaid Insurance	46,191.58
1530-0000	Prepaid Expenses-Other	9,508.42
1559-9999	TOTAL PREPAID EXPENSES	55,700.00
1699-9999	TOTAL CURRENT ASSETS	55,700.00
1700-0000	ESCROW DEPOSITS	
1730-0000	Escrow Deposits	910,285.26
1749-9999	TOTAL ESCROW DEPOSITS	910,285.26
1750-0000	INVESTMENTS IN LLC's	
1755-0000	Capital Contributions	9,368,607.02
1760-0000	Capital Distributions	-119,801.99
1770-9999	TOTAL INVESTMENTS IN LLC'S	9,248,805.03
1780-0000	PROPERTY HELD FOR SALE	
1783-0000	Advances to Real Estate Investments	2,769,992.07
1789-9998	TOTAL PROPERTY HELD FOR SALE	2,769,992.07
1800-0000	FIXED ASSETS	
1810-0000	Leasehold Improvements	209,903.28
1820-0000	A/D-Leasehold Improvements	-185,655.92
1830-0000	Furniture & Fixtures	211,390.91
1835-0000	A/D-Furniture & Fixtures	-202,313.38
1840-0000	Office/Computer Equipment	465,241.81
1845-0000	A/D-Office Equipment	-440,865.50
1855-9999	TOTAL FIXED ASSETS (NET)	57,701.20
1899-0000	OTHER ASSETS	
1920-0000	Leasehold Deposits	6,154.00
1930-0000	Deferred Fees Receivable	34,433,222.64
1932-0000	Credit Enhancement Fee Receivable	1,078,350.00

SCI Real Estate Invstmtns, LLC (9900a)

**Balance Sheet (With Period Change)**

Period = Dec 2010

Book = Accrual

		<b>Balance Current Period</b>
1934-0000	Discount-Deferred Fees	-1,391,969.55
1998-9999	<b>TOTAL OTHER ASSETS</b>	<b>34,125,757.09</b>
1999-9999	<b>TOTAL ASSETS</b>	<b>64,551,154.62</b>
2100-0000	<b>CURRENT LIABILITIES</b>	
2110-0000	Accounts Payable	51,335.99
2120-0000	Mezz Interest Payable	482,951.45
2130-0000	Other Liabilities	2,197,668.95
2142-0000	Loan from Property	82,000.00
2145-0000	Due to Related Party	2,799,967.55
2150-0000	<b>PAYROLL LIABILITIES</b>	
2190-0000	Payroll Suspense	0.00
2198-9999	<b>TOTAL PAYROLL LIABILITIES</b>	<b>0.00</b>
2199-9999	<b>TOTAL CURRENT LIABILITIES</b>	<b>5,613,923.94</b>
2300-0000	<b>NOTES PAYABLE</b>	
2310-0000	Placement Agreements	7,664,667.20
2325-0000	Note Payable-Accrued Rent	467,377.76
2339-9999	<b>TOTAL NOTES PAYABLE</b>	<b>8,132,044.96</b>
2500-0000	<b>BANK LOANS</b>	
2510-0000	First Regional Bank LOC1	15,000,000.00
2511-0000	First Regional Bank LOC2	3,000,000.00
2520-0000	Wachovia LOC1	3,555,685.00
2599-9999	<b>TOTAL BANK LOANS</b>	<b>21,555,685.00</b>
2999-9999	<b>TOTAL LIABILITIES</b>	<b>35,301,653.90</b>
3000-0000	<b>EQUITY</b>	
3040-0000	Distributions to Owners	-7,571,233.85
3050-0000	Contributions from Owners	-3,265,000.00
3200-0000	Retained Earnings	40,085,734.57
3998-9999	<b>TOTAL EQUITY</b>	<b>29,249,500.72</b>
3999-9999	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>64,551,154.62</b>

**Income Statement**

Period = Jan 2010-Dec 2010

Book = Accrual

		Year to Date
4000-0000	<b>INCOME</b>	
4060-0000	Leasing Commissions	10,808.68
4070-0000	Disposition Fees	1,250.00
4160-0000	Miscellaneous Income	1,790.40
4200-0000	Interest Income	3.10
4210-0000	Interest Income-Intercompany	324,840.04
4250-0000	Interest Income-Discounts(fees)	1,326,081.32
4450-0000	LLC Distributions	105,740.89
4999-9999	<b>TOTAL INCOME</b>	<b>1,770,514.43</b>
6000-0000	<b>EXPENSES</b>	
6010-0000	PERSONNEL COSTS	
6011-0000	Wages	
6015-0000	Base Salary	186,931.87
6030-0000	Bonus-Transaction	7,960.00
6031-0000	Bonus-Year End	6,000.00
6039-0000	Total Wages	200,891.87
6040-0000	Employer Taxes & Insurance	
6041-0000	Employer FICA Taxes	12,441.22
6042-0000	Employer Medicare Taxes	2,909.65
6043-0000	Employer FUTA Taxes	112.00
6044-0000	Employer SUI Taxes	868.00
6046-0000	Worker's Compensation	879.15
6047-0000	Total Employer Taxes & Insurance	17,210.02
6050-0000	Employee Benefits	
6051-0000	Employee Health Care	121,629.27
6053-0000	Employee Dental	10,708.00
6056-0000	Employee Disability	4,118.13
6057-0000	Employee Life Insurance	3,983.88
6060-9999	Total Employee Benefits	140,439.28
6065-0000	Other Employee Costs	
6069-0000	Payroll Service	3,875.37
6071-0000	Employee Benefit Plan Expense	-5,535.80
6077-0000	Misc Employee Costs	939.93
6079-9999	Total Other Employee Costs	-720.50
6080-0000	Outside Services	
6081-0000	Outside Services	56,603.85
6082-0000	Outside Services (RD)	-2,000.00
6083-0000	Outside Services/Consulting (temp)	20,498.94
6085-0000	Total Outside Services	75,102.79
6090-0000	Guaranteed Payments	216,600.00
6099-9999	<b>TOTAL PERSONNEL COSTS</b>	<b>649,523.46</b>
6100-0000	EQUITY RAISE COMMISSION	
6111-0000	In House Brokers	1,000.00
6120-9999	<b>TOTAL EQUITY RAISE COMMISSION</b>	<b>1,000.00</b>
6202-0015	Investor Promotion (General)	880.65
6202-9999	Investor Relations	880.65
6204-0010	Sponsorship/Space Rental	2,023.41
6204-9999	Conventions & Seminars	2,023.41
6206-0020	Web Site Links & Banner Ads	-1,657.14
6206-0030	Hosting Services	2,067.00
6206-9999	Advrtsg (Web/Electronic/Video)	409.86
6212-0015	Signs/Banners	299.62
6212-9999	Printing	299.62
6218-0030	Miscellaneous RD Support	-1,600.00
6218-9999	Regional Director Support	-1,600.00
6299-9999	<b>TOTAL ADVERTISING &amp; MARKETING</b>	<b>2,013.54</b>
6311-0000	Office Rent	27,525.00

**Income Statement**

Period = Jan 2010-Dec 2010

Book = Accrual

		Year to Date
6317-0000	Office Repairs	95.00
6319-0000	Office Keys & Locks	2.80
6320-0000	Storage	4,196.40
6321-0000	Plants/Interior Design	-250.00
6325-0000	Parking-Reserved Space	13,881.87
6326-0000	Parking-Non Reserved Space	5,568.00
6327-0000	Parking-Visitor	368.00
6329-9999	Total Occupancy Cost	51,387.07
6400-0000	Office Supplies	
6401-0000	Office Supplies-General	2,159.96
6403-0000	Computer Supplies	282.05
6410-0000	Total Office Supplies	2,442.01
6425-0000	Computer Expense	
6427-0000	Computer Equipment	708.21
6429-0000	Computer Contract	299.40
6433-0000	Computer Software/Warranty	8,044.62
6435-0000	Computer Misc Supplies	1,571.10
6439-0000	Office Internet	1,192.35
6441-0000	Home Office Internet	1,322.51
6450-0000	Total Computer Expense	13,138.19
6500-0000	Printing & Copy Expense	
6515-0000	Copy Machine Contract	4,724.57
6517-0000	Copy Machine Repair & Maint.	-7,467.74
6520-0000	Total Printing & Copy Expense	-2,743.17
6530-0000	Telephone Expenses	
6532-0000	Telephone-Office Local	4,806.13
6538-0000	Telephone-Mobile	291.22
6540-0000	Telephone-Blackberry	8,921.17
6542-0000	Telephone-Repair & Maint.	50.64
6544-0000	Telephone-Equipment & Supplies	50.98
6550-0000	Total Telephone Expenses	14,120.14
6560-0000	Postage & Shipping	
6562-0000	Postage	4,261.72
6564-0000	Postage Machine	766.55
6566-0000	Federal Express	538.10
6570-0000	Messenger	13.63
6580-0000	Total Postage & Shipping	5,580.00
6600-0000	Misc Office Expense	
6605-0000	Dues & Subscriptions	7,003.08
6610-0000	Donations	1,050.00
6615-0000	Filing Fees	2,311.86
6620-0000	Bank Charges	30.00
6625-0000	Moving	1,500.00
6690-0000	Total Misc Office Expense	11,894.94
6700-0000	Insurance	
6700-1010	Insurance-D&O	39,718.60
6700-1020	Insurance-E&O	109.30
6700-1050	Insurance-Other	5,882.80
6700-9999	Total Insurance	45,710.70
6749-9999	TOTAL OFFICE ADMIN. EXPENSES	141,529.88
6750-0000	TRAVEL & ENTERTAINMENT	
6750-1000	Automobile Expenses	
6750-1010	Auto Allowance	20,318.23
6750-1020	Auto Gas Expense	6,238.70
6750-1050	Total Automobile Expenses	26,556.93
6755-0000	Lodging	2,743.45
6760-0000	Meals	20,569.11

### Income Statement

Period = Jan 2010-Dec 2010

Book = Accrual

		Year to Date
6765-0000	Transportation	6,727.22
6782-0000	Client Entertainment-Meals	141.36
6785-0000	Memberships	5,160.89
6786-0000	Employee Meal & Lunches	1,133.84
6787-0000	Office Meals/Parties	200.23
6799-9999	<b>TOTAL TRAVEL &amp; ENTERTAINMENT</b>	<b>63,233.03</b>
6800-0000	PROFESSIONAL SERVICES	
6810-0000	Accounting Fees	41,259.32
6820-0000	Accounting Consulting	-1,000.00
6840-0000	Legal Fees-Corporate	208,326.86
6855-0000	Other Professional Services	-18,961.25
6899-9999	<b>TOTAL PROFESSIONAL SERVICES</b>	<b>229,624.93</b>
6900-0000	PROPERTY/ACQUISITION EXPENSE	
6902-0000	Due Diligence Expenses	-4,400.00
6907-0000	Property Expenses	-2,122.29
6910-9999	<b>TOTAL PROPERTY/ACQUISITION EXPENSE</b>	<b>-6,522.29</b>
6952-0000	Local Business Taxes	1,328.34
6956-0000	Personal Property Taxes	198.78
6958-0000	Fines & Penalties	3,498.34
6970-0000	<b>TOTAL BUSINESS TAXES &amp; LICENSE</b>	<b>5,025.46</b>
6999-9999	<b>TOTAL OPERATING EXPENSES</b>	<b>1,085,428.01</b>
8000-0000	DEBT SERVICE	
8100-0000	Interest Expense	500.00
8110-0000	Interest Expense-Line of Credit	1,885,125.00
8130-0000	Interest Expense-PA	210,650.15
8140-0000	Interest Expense-Wachovia Line	180,898.03
8150-0000	Interest Expense-Mezzanine	330,757.11
8299-9999	<b>TOTAL DEBT SERVICE</b>	<b>2,607,930.29</b>
8800-9999	<b>TOTAL EXPENSES</b>	<b>3,693,358.30</b>
8900-9999	<b>NET OPERATING INCOME/LOSS</b>	<b>-1,922,843.87</b>
9000-0000	OTHER INCOME (EXPENSES)	
9100-0000	Depreciation Expense	52,153.66
9455-0000	State Income Taxes	1,600.00
9500-9999	<b>TOTAL OTHER INCOME (EXPENSES)</b>	<b>53,753.66</b>
9899-9999	<b>NET INCOME/LOSS</b>	<b>-1,976,597.53</b>

# **EXHIBIT 4**

Secured California Investments, Inc. (9800)

**Balance Sheet (With Period Change)**

Period = Dec 2009

Book = Accrual

		Balance Current Period
1000-0000	ASSET	
1100-0000	CASH	
1111-0000	Operating Cash 1	30,218.08
1112-0000	Operating Cash 2	5,100.00
1159-9999	TOTAL CASH	35,318.08
1200-0000	ACCOUNTS RECEIVABLE	
1210-0000	Accounts Receivable	0.00
1249-9999	TOTAL ACCOUNTS RECEIVABLE	0.00
1250-0000	DUE FROM AFFILIATES	
1255-0000	Due from shareholders/members	175,000.00
1299-9999	TOTAL DUE FROM AFFILIATES	175,000.00
1300-0000	NOTES RECEIVABLE	
1320-0000	Notes Receivable-Related Party	8,186,987.70
1338-0000	Discount-Notes Receivable	0.00
1339-9999	TOTAL NOTES RECEIVABLE	8,186,987.70
1400-0000	LOANS RECEIVABLE	
1450-0000	Loans to LLC's	94,079.70
1499-9999	TOTAL LOANS RECEIVABLE	94,079.70
1750-0000	INVESTMENTS IN LLC'S	
1755-0000	Capital Contributions	13,911,705.94
1760-0000	Capital Distributions	-1,016,862.47
1770-9999	TOTAL INVESTMENTS IN LLC'S	12,894,843.47
1800-0000	FIXED ASSETS	
1830-0000	Furniture & Fixtures	122,500.00
1835-0000	A/D-Furniture & Fixtures	-122,500.00
1840-0000	Office/Computer Equipment	157,159.68
1845-0000	A/D-Office Equipment	-157,159.68
1855-9999	TOTAL FIXED ASSETS (NET)	0.00
1899-0000	OTHER ASSETS	
1932-0000	Credit Enhancement Fee Receivable	503,750.00
1936-0000	Discount-Credit Enhancement Fees	0.00
1998-9999	TOTAL OTHER ASSETS	503,750.00
1999-9999	<b>TOTAL ASSETS</b>	<b>21,889,978.95</b>
2100-0000	CURRENT LIABILITIES	
2110-0000	Accounts Payable	5,372.43
2130-0000	Other Liabilities	0.00
2132-0000	Other Liabilities-Intercompany	345,168.05
2145-0000	Due to Related Party	10,486,499.02
2199-9999	TOTAL CURRENT LIABILITIES	10,837,039.50
2300-0000	NOTES PAYABLE	
2310-0000	Placement Agreements	638,459.00
2320-0000	Notes Payable	3,216,675.00
2339-9999	TOTAL NOTES PAYABLE	3,855,134.00
2999-9999	<b>TOTAL LIABILITIES</b>	<b>14,692,173.50</b>
3000-0000	EQUITY	
3010-0000	Common Stock	1,000.00
3020-0000	Additional Paid In Capital	465,534.00
3040-0000	Distributions to Owners	-5,092,875.13
3050-0000	Contributions from Owners	-500,000.00
3200-0000	Retained Earnings	12,324,146.58
3998-9999	<b>TOTAL EQUITY</b>	<b>7,197,805.45</b>
3999-9999	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>21,889,978.95</b>

Secured California Investments, Inc. (9800)

### Income Statement

Period = Jan 2009-Dec 2009

Book = Accrual

		Year to Date
4000-0000	<b>INCOME</b>	
4060-0000	Leasing Commissions	1,752.27
4160-0000	Miscellaneous Income	23,196.59
4250-0000	Interest Income-Discounts(fees)	12,932.66
4255-0000	Interest Income-Discount(notes)	595,251.26
4450-0000	LLC Distributions	152,175.62
4531-0000	Gain/(Loss)-Investments	-115,473.27
4999-9999	<b>TOTAL INCOME</b>	<b>669,835.13</b>
6000-0000	<b>EXPENSES</b>	
6010-0000	PERSONNEL COSTS	
6065-0000	Other Employee Costs	
6073-0000	Education & Training	90.00
6079-9999	Total Other Employee Costs	90.00
6080-0000	Outside Services	
6081-0000	Outside Services	4,600.00
6085-0000	Total Outside Services	4,600.00
6099-9999	TOTAL PERSONNEL COSTS	4,690.00
6560-0000	Postage & Shipping	
6566-0000	Federal Express	19.01
6580-0000	Total Postage & Shipping	19.01
6600-0000	Misc Office Expense	
6615-0000	Filing Fees	1,329.60
6690-0000	Total Misc Office Expense	1,329.60
6749-9999	TOTAL OFFICE ADMIN. EXPENSES	1,348.61
6800-0000	PROFESSIONAL SERVICES	
6810-0000	Accounting Fees	15,823.16
6840-0000	Legal Fees-Corporate	3,027.82
6899-9999	TOTAL PROFESSIONAL SERVICES	18,850.98
6952-0000	Local Business Taxes	689.52
6954-0000	License/Permits	295.00
6956-0000	Personal Property Taxes	6,072.81
6970-0000	TOTAL BUSINESS TAXES & LICENSE	7,057.33
6999-9999	<b>TOTAL OPERATING EXPENSES</b>	<b>31,946.92</b>
8000-0000	DEBT SERVICE	
8120-0000	Interest Expense-Intercompany	345,168.05
8130-0000	Interest Expense-PA	31,129.58
8299-9999	TOTAL DEBT SERVICE	376,297.63
8800-9999	TOTAL EXPENSES	408,244.55
8900-9999	<b>NET OPERATING INCOME/LOSS</b>	<b>261,590.58</b>
9000-0000	OTHER INCOME (EXPENSES)	
9455-0000	State Income Taxes	-21,928.19
9500-9999	TOTAL OTHER INCOME (EXPENSES)	-21,928.19
9899-9999	<b>NET INCOME/LOSS</b>	<b>283,518.77</b>



Secured California Investments, Inc. (9800)

**Balance Sheet (With Period Change)**

Period = Dec 2010

Book = Accrual

		Balance Current Period
1000-0000	ASSET	
1100-0000	CASH	
1111-0000	Operating Cash 1	1,281.65
1112-0000	Operating Cash 2	0.00
1159-9999	TOTAL CASH	1,281.65
1250-0000	DUE FROM AFFILIATES	
1255-0000	Due from shareholders/members	175,000.00
1299-9999	TOTAL DUE FROM AFFILIATES	175,000.00
1300-0000	NOTES RECEIVABLE	
1320-0000	Notes Receivable-Related Party	8,186,987.70
1339-9999	TOTAL NOTES RECEIVABLE	8,186,987.70
1400-0000	LOANS RECEIVABLE	
1450-0000	Loans to LLC's	94,079.70
1499-9999	TOTAL LOANS RECEIVABLE	94,079.70
1750-0000	INVESTMENTS IN LLC'S	
1755-0000	Capital Contributions	9,223,941.18
1760-0000	Capital Distributions	-208,974.08
1770-9999	TOTAL INVESTMENTS IN LLC'S	9,014,967.10
1800-0000	FIXED ASSETS	
1830-0000	Furniture & Fixtures	122,500.00
1835-0000	A/D-Furniture & Fixtures	-122,500.00
1840-0000	Office/Computer Equipment	157,159.68
1845-0000	A/D-Office Equipment	-157,159.68
1855-9999	TOTAL FIXED ASSETS (NET)	0.00
1899-0000	OTHER ASSETS	
1932-0000	Credit Enhancement Fee Receivable	503,750.00
1998-9999	TOTAL OTHER ASSETS	503,750.00
1999-9999	<b>TOTAL ASSETS</b>	<b>17,976,066.15</b>
2100-0000	CURRENT LIABILITIES	
2110-0000	Accounts Payable	10,105.42
2132-0000	Other Liabilities-Intercompany	670,008.09
2145-0000	Due to Related Party	10,951,991.62
2199-9999	TOTAL CURRENT LIABILITIES	11,632,105.13
2300-0000	NOTES PAYABLE	
2310-0000	Placement Agreements	0.00
2320-0000	Notes Payable	3,216,675.00
2339-9999	TOTAL NOTES PAYABLE	3,216,675.00
2999-9999	<b>TOTAL LIABILITIES</b>	<b>14,848,780.13</b>
3000-0000	EQUITY	
3010-0000	Common Stock	1,000.00
3020-0000	Additional Paid In Capital	465,534.00
3040-0000	Distributions to Owners	-5,092,875.13
3050-0000	Contributions from Owners	-500,000.00
3200-0000	Retained Earnings	8,253,627.15
3998-9999	<b>TOTAL EQUITY</b>	<b>3,127,286.02</b>
3999-9999	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>17,976,066.15</b>

Secured California Investments, Inc. (9800)

### Income Statement

Period = Jan 2010-Dec 2010

Book = Accrual

		Year to Date
4000-0000	<b>INCOME</b>	
4030-0000	Loan Fees	89,665.00
4060-0000	Leasing Commissions	17,790.46
4070-0000	Disposition Fees	232,041.10
4160-0000	Miscellaneous Income	3,511.25
4450-0000	LLC Distributions	141,226.32
4532-0000	Gain/(Loss) on Sale	-3,887,941.73
4999-9999	<b>TOTAL INCOME</b>	<b>-3,403,707.60</b>
6000-0000	<b>EXPENSES</b>	
6010-0000	PERSONNEL COSTS	
6080-0000	Outside Services	
6081-0000	Outside Services	1,350.00
6084-0000	Outside Services - (WIP)	250.00
6085-0000	Total Outside Services	1,600.00
6099-9999	TOTAL PERSONNEL COSTS	1,600.00
6100-0000	EQUITY RAISE COMMISSION	
6111-0000	In House Brokers	281,766.10
6114-0000	Finder's Fee	20,600.00
6120-9999	TOTAL EQUITY RAISE COMMISSION	302,366.10
6208-0030	Misc. Advertising Production	110.00
6208-9999	Advertising Production	110.00
6299-9999	TOTAL ADVERTISING & MARKETING	110.00
6400-0000	Office Supplies	
6401-0000	Office Supplies-General	1,042.90
6410-0000	Total Office Supplies	1,042.90
6560-0000	Postage & Shipping	
6566-0000	Federal Express	63.84
6580-0000	Total Postage & Shipping	63.84
6600-0000	Misc Office Expense	
6605-0000	Dues & Subscriptions	658.00
6615-0000	Filing Fees	1,668.50
6690-0000	Total Misc Office Expense	2,326.50
6749-9999	TOTAL OFFICE ADMIN. EXPENSES	3,433.24
6800-0000	PROFESSIONAL SERVICES	
6810-0000	Accounting Fees	22,382.75
6899-9999	TOTAL PROFESSIONAL SERVICES	22,382.75
6952-0000	Local Business Taxes	126.75
6954-0000	License/Permits	300.00
6956-0000	Personal Property Taxes	9,139.45
6970-0000	TOTAL BUSINESS TAXES & LICENSE	9,566.20
6999-9999	<b>TOTAL OPERATING EXPENSES</b>	<b>339,458.29</b>
8000-0000	DEBT SERVICE	
8120-0000	Interest Expense-Intercompany	324,840.04
8130-0000	Interest Expense-PA	913.50
8299-9999	TOTAL DEBT SERVICE	325,753.54
8800-9999	TOTAL EXPENSES	665,211.83
8900-9999	<b>NET OPERATING INCOME/LOSS</b>	<b>-4,068,919.43</b>
9000-0000	OTHER INCOME (EXPENSES)	
9455-0000	State Income Taxes	1,600.00
9500-9999	TOTAL OTHER INCOME (EXPENSES)	1,600.00
9899-9999	<b>NET INCOME/LOSS</b>	<b>-4,070,519.43</b>

**NOTE:** When using this form to indicate service of a proposed order, **DO NOT** list any person or entity in Category I. Proposed orders do not generate an NEF because only orders that have been entered are placed on the CM/ECF docket.

### PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:  
10100 Santa Monica Blvd., 13<sup>th</sup> Floor, Los Angeles, CA 90067

A true and correct copy of the foregoing document described as **DISCLOSURE STATEMENT DESCRIBING JOINT CHAPTER 11 PLAN OF LIQUIDATION FOR SCI REAL ESTATE INVESTMENTS, LLC AND SECURED CALIFORNIA INVESTMENTS, INC. DATED FEBRUARY 3, 2012** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner indicated below:

**I. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF")** – Pursuant to controlling General Order(s) and Local Bankruptcy Rule(s) ("LBR"), the foregoing document will be served by the court via NEF and hyperlink to the document. On **February 3, 2012**, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following person(s) are on the Electronic Mail Notice List to receive NEF transmission at the email address(es) indicated below:

Service information continued on attached page

**II. SERVED BY U.S. MAIL OR OVERNIGHT MAIL**(indicate method for each person or entity served):

On **February 3, 2012**, I served the following person(s) and/or entity(ies) at the last known address(es) in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States Mail, first class, postage prepaid, and/or with an overnight mail service addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

**III. SERVED BY PERSONAL DELIVERY, FACSIMILE TRANSMISSION OR EMAIL** (indicate method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **February 3, 2012**, I served the following person(s) and/or entity(ies) by personal delivery, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on the judge will be completed no later than 24 hours after the document is filed.

**VIA HAND DELIVERY**

The Honorable Peter H. Carroll  
U.S. Bankruptcy Court  
255 E. Temple Street, Courtroom 1539  
Los Angeles, CA 90012

Service information continued on attached page

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

February 3, 2012

Date

Myra Kulick

Type Name

/s/ Myra Kulick

Signature

**ADDITIONAL SERVICE LIST**

**2:11-bk-15975-PC Notice will be electronically mailed to:**

Tali L Alban on behalf of Creditor Wells Fargo Bank, N.A.  
tlalban@kilpatricktownsend.com, ecasillas@kilpatricktownsend.com

Heather D Brown on behalf of Creditor SCI Verdea Fund, LLC  
hbrown@kkgpc.com

Jeffrey W Dulberg on behalf of Attorney Pachulski Stang Ziehl & Jones LLP  
jdulberg@pszjlaw.com

James A Dumas on behalf of Creditor SCI Northbay Commerce Fune 12, LLC & Arthur Baca  
jdumas@dumas-law.com

John-patrick M Fritz on behalf of Creditor Committee The Official Committee of Unsecured Creditors  
jpf@lnbrb.com

Richard W Havel on behalf of Creditor Wells Fargo Bank, N.A.  
rhavel@sidley.com

Kenneth G Lau on behalf of U.S. Trustee United States Trustee (LA)  
kenneth.g.lau@usdoj.gov

David L. Neale on behalf of Creditor Committee The Official Committee of Unsecured Creditors  
dln@lnbrb.com

Steven G Polard on behalf of Creditor U.S. Bank National Association, as Trustee, as successor in interest to  
Bank of America, N.A., as Trustee  
stevenpolard@dwt.com

Jeffrey N Pomerantz on behalf of Debtor SCI Real Estate Investments, LLC  
jpomerantz@pszjlaw.com

Daniel H Reiss on behalf of Creditor Committee The Official Committee of Unsecured Creditors  
dhr@lnbyb.com

Allan D Sarver on behalf of Creditor Bruce Hensel  
ADSarver@aol.com

Kelly Ann M Tran on behalf of Creditor Lawrence Lewis and Lois H. Lewis, Trustee of the Lewis Family 2005  
Trust Dated July 20, 2005  
ktran@mkblaw.com

United States Trustee (LA)  
ustpreion16.la.ecf@usdoj.gov

Pamela Jan Zylstra on behalf of Interested Party Courtesy NEF  
zylstralaw@gmail.com

**2:11-bk-15975-PC Notice will be sent via U.S. mail to:**

**SEE ATTACHED 2002 SERVICE LIST:**

**2002  
SERVICE LIST**

Secured California Investments, Inc.  
11620 Wilshire Blvd., 10th Floor  
Los Angeles, CA 90025

First Citizenz Bank  
655 N. Central Avenue, Suite 1500  
Glendale, CA 91203-1437  
Attn: John Schulhof

Martin Schiff  
TTEE, Schiff Family Trust  
1220 Corsica Drive  
Pacific Palisades, CA 90272

Irvin Sobel  
Irvin Q. & Marilyn Sobel, TTEE  
10490 Wilshire Blvd., #1404  
Los Angeles, CA 90024

Richard and Pauline R. Schneider  
905 Buena Vista Street  
So. Pasadena, CA 91030

Fidelity International, Inc.  
c/o Wayne Pridgeon  
4265 Marina City Drive, #917  
Marina Del Rey, CA 90292

Howard Lettner  
Bruce Hensel MD  
Def Benefit Pen. Plan  
9100 Wilshire Blvd., #400W  
Beverly Hills, CA 90212

Denise Simon  
4926 Louise Avenue  
Encino, CA 91316  
818-789-6605

Robert and Linda Hart  
TTEE of Hart Family Trust  
2433 1/2 Abbot Kinney Blvd.  
Venice, CA 90291

Neal Handel, TTEE  
13400 Riverside Dr., #101  
Sherman Oaks, CA 91423

Philip L. Grauman  
1801 Casselberry Road  
Louisville, KY 40205

Klaus Friederic  
17653 Camino De Yatasto  
Pacific Palisades, CA 90272

Barry & Gabriella Brock, TTEE  
13325 Valley Vista Blvd.  
Sherman Oaks, CA 91423

Harold J. Stanton, TTEE  
16530 Ventura Blvd., #205  
Encino, CA 91436

Howard & Marsha Spike, TTEE  
6222 Kentland Avenue  
Woodland Hills, CA 91367

The R&J Family Limited Partnership  
914 Westwood Blvd., # 535  
Los Angeles, CA 90024  
Attn: Ron Behling

Howard and Denise Simon  
4926 Louise Avenue  
Encino, CA 91316

Punam Patel or Vidya Patel, TTEE  
13468 Alvarado Court  
Saratoga, CA 95070

Lawrence M. & Sunnie L. Daniels  
1301 Walnut Avenue  
Manhattan Beach, CA 90266

Modris A. and Jann E. Tidemanis  
18 Calle Pastadero  
San Clemente, CA 92672

SCI Gateway at College Station Fund 22, LLC  
c/o Jean D. Berry  
PETUNIA FIVE, LLC  
PO Box 26222  
Tempe, AZ 85285

Richard W. Havel, Esq.  
Joshua E. Anderson, Esq.  
Sidley Austin LLP  
555 West Fifth Street Suite 4000  
Los Angeles, CA 90013-1010

SCI Real Estate Investments, LLC  
Secured California Investments, Inc.  
11620 Wilshire Blvd., 10th Floor  
Los Angeles, CA 90025

Russell Clementson  
Office of the U.S. Trustee  
725 S. Figueroa St., 26th Floor  
Los Angeles, CA 90017

Gary Baddin, Analyst  
Office of the U.S. Trustee  
725 S. Figueroa St., 26th Floor  
Los Angeles, CA 90017

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