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9 **UNITED STATES BANKRUPTCY COURT**  
10 **FOR THE DISTRICT OF NEVADA**

11 In re:  
12 SPECIALTY TRUST, INC., et al.<sup>1</sup>

- 13  Affects this Debtor  
14  Affects all Debtors  
15  Affects Specialty Acquisition Corp.  
16  Affects SAC II  
17  Affects SAC D-1, LLC

Chapter 11

**Jointly Administered under  
Case No. 10-51432-GWZ**

Case Nos.  
10-51432  
10-51437  
10-51440  
10-51441

**NOTICE OF FOURTH AMENDED  
BUDGET**

**Hearing Date: July 19, 2010  
Hearing Time: 11:00 a.m.**

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21 TO THE HONORABLE BANKRUPTCY COURT AND INTERESTED PARTIES:

22 On May 3, 2010, the debtors and debtors in possession (the "Debtors") in the captioned  
23 chapter 11 cases filed the *Declaration of Nello Gonfiantini, III In Support of Debtors' Motion for*  
24 *Interim and Final Orders (A) Authorizing Debtors to Utilize Cash Collateral Pursuant to 11 U.S.C.*  
25 *§ 363 and (B) Scheduling A Final Hearing Pursuant to Bankruptcy Rule 4001* (the "Gonfiantini  
26 Declaration") and Exhibits A & B thereto, including a proposed DIP operating budget setting forth

27  
28 <sup>1</sup> The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, if applicable, are: Specialty Trust, Inc. (2463); Specialty Acquisition Corp. (3680); SAC II (2463); and SAC D-1, LLC (1858).

1 the proposed utilization of cash collateral by the Debtors for the period April 26, 2010 through  
2 August 27, 2010.

3 On May 6, 2010, the Debtors submitted the *Notice of Errata Regarding Declaration of Nello*  
4 *Gonfiantini, III In Support of Debtors' Motion for Interim and Final Orders (A) Authorizing Debtors*  
5 *to Utilize Cash Collateral Pursuant to 11 U.S.C. § 363 and (B) Scheduling A Final Hearing*  
6 *Pursuant to Bankruptcy Rule 4001*, together with an amended DIP operating budget for the period  
7 April 26, 2010 through October 1, 2010 (the "First Amended Budget").

8 On May 28, 2010, the Debtors submitted the *Notice of Second Amended Budget*, together  
9 with an amended DIP operating budget for the period April 26, 2010 through October 1, 2010 (the  
10 "Second Amended Budget").

11 On June 21, 2010, the Debtors submitted the *Notice of Third Amended Budget*, together with  
12 an amended DIP operating budget for the period April 26, 2010 through October 1, 2010 (the "Third  
13 Amended Budget").

14 Attached hereto is a further amended budget for the period July 19, 2010 through December  
15 31, 2010 (the "Fourth Amended Budget"). The Fourth Amended Budget extends the budgeted  
16 period for an additional one week, so that it ends October 8, 2010 instead of October 1, 2010.

17 In addition, the Fourth Amended Budget contains the following material amendments:

18 1. The CIC & S, LLC Advance. The Debtors propose an additional advance under its  
19 existing loan to CIC & S, LLC ("CIC&S") in the amount of \$83,500 to be used for construction  
20 costs. While Specialty Trust's existing loan to CIC&S already has a loan-to-value ratio of more than  
21 100%, without the proposed advance, the borrowers will not get the certificate of occupancy for the  
22 property and thus will be unable to make payments on the Specialty Trust loan. Specialty Trust is  
23 currently receiving \$7,500 per month on the loan. Payments will increase to \$15,000 per month  
24 once the certificate of occupancy is issued and additional units are rented. Thus, the proposed  
25 advance makes good business sense for the estates.

26 2. The Johnson Advance. The proposed advance in the amount of \$5,000 on the  
27 existing Johnson loan is a relatively small additional advance on a performing 12% loan with a loan-  
28

1 to-value ratio of less than 25%. Again, this proposed advance makes good business sense for the  
2 estates.

3 3. Deletion of the Nadador Advance. It has been determined that the Debtors no longer  
4 need to fund the \$229,000 amount on the Nadador loan that was scheduled for the week of  
5 September 20<sup>th</sup> in the Third Amended Budget, as Nadador is able to raise its own capital through a  
6 sale of one of its own assets.


7 4. Adjustment of professional fees. The budgeted amounts to be paid to the Debtors'  
8 professionals have been adjusted to reflect updated estimates. It should also be noted that the  
9 Debtors' bankruptcy counsel, and perhaps other estate professionals, are accruing fees greater than  
10 the amounts budgeted for in the Fourth Amended Budget. It is anticipated that those unpaid  
11 accruing amounts that are not reflected as expenditures in the Fourth Amended Budget will be  
12 sought to be paid later when cash flow improves.

13 Finally, the Third Amended Budget provided for the payment of \$50,000 of fees to the  
14 members of Specialty Trust's board of directors during the week of July 5, 2010. However, the  
15 board has voted to defer the payment of these fees and thus the \$50,000 expenditure that was  
16 previously budgeted for the week of July 5<sup>th</sup> has not been paid, nor has it been budgeted to be paid  
17 during the period of the Fourth Amended Budget.

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19 *[Remainder of page intentionally blank]*  
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Dated: July 16, 2010

DOWNEY BRAND LLP

  
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**Exhibit A**

**Fourth Amended Budget**

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Specialty Trust, Inc		DIP Operating Budget		SPECIALTY TRUST, INC.		Week Beginning		12-Jul		19-Jul		26-Jul		2-Aug		9-Aug		16-Aug	
<b>Beginning Cash Balance</b>								\$ 1,554,903	\$ 1,332,320	\$ 1,173,717	\$ 946,717	\$ 779,648	\$ 502,065						
<b>Interest Revenue</b>																			
Principal Repayments on Mortgage Loans Held for Investment																			
Sale of Real Estate Owned																			
Other Cash Receipts																			
<b>Total Cash Receipts</b>								\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,931	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Cash Disbursements</b>																			
Payroll, Servicing Dept.								1,000											
Management Fees Paid to Specialty Financial								203,475											
Management and Servicing Fees - Other								18,108											
Traditional Legal (9)																			
Accounting and Tax Services: Moss Adams 2009 audit & tax																			
Real Estate & Related Professionals																			
Other REO & Foreclosure Expense																			
Investment in Real Estate Owned and Loan fundings																			
Financing Provided for Sale of REO																			
Directors Fees																			
<b>Interest Expense</b>																			
<b>Bankruptcy Related Expenses</b>																			
Professional Fees (9)																			
Investment Banker									55,000										
Equity Committee																			
US Bank Audit Expense									8,500										
US Trustee Fees									4,875										
<b>Total Disbursements</b>								\$ 222,583	\$ 158,603	\$ 227,000	\$ 215,000	\$ 277,583	\$ -						
<b>Ending Cash Balance</b>								\$ 1,332,320	\$ 1,173,717	\$ 946,717	\$ 779,648	\$ 502,065	\$ 2,212,065						
<b>Notes:</b>																			
(1) CIC&S (83.5) and Johnson (5.0) loan fundings																			
(2) Sale of Moreau property for \$150k with financing of \$120k																			
(3) Sale of Hill property																			
(4) Property Taxes and REO appraisals.																			
(5) Reserved																			
(6) Sedona BK expense \$15k, other REO maintenance of \$70k and project specific known expenses																			
(7) Waterfront advance to cover loan payment and expenses																			
(8) Reserved																			
(9) Professionals' draw-downs on existing retainers are not reflected. It is anticipated that retainers were fully applied by June																			
(10) Equity Committee estimates they will expend \$50k per month in legal expense and \$50k per month in financial analysis																			

Specialty Trust, Inc		Week Beginning		23-Aug		30-Aug		6-Sep		13-Sep		20-Sep		27-Sep	
DIP Operating Budget															
<b>SPECIALTY TRUST, INC.</b>															
Beginning Cash Balance		\$ 2,212,065		\$ 2,153,506		\$ 1,996,640		\$ 1,885,437		\$ 1,607,854		\$ 1,532,839			
Interest Revenue				4,134		43,797								4,134	
Principal Payments on Mortgage Loans Held for Investment						150,000		(2)							
Sale of Real Estate Owned															
Other Cash Receipts															
<b>Total Cash Receipts</b>		<b>\$ -</b>		<b>\$ 4,134</b>		<b>\$ 193,797</b>		<b>\$ -</b>		<b>\$ -</b>		<b>\$ -</b>		<b>\$ 4,134</b>	
<b>Cash Disbursements</b>															
Payroll, Servicing Dept.				1,000						1,000				1,000	
Management Fees paid to Specialty Financial										203,475					
Management and Servicing Fees - Other										18,108					
Traditional Legal (9)				10,000										10,000	
Accounting and Tax Services; Moss Adams 2009 audit & tax															
Real Estate & Related Professionals															
Other REO & Foreclosure Expense				12,116 (4)		50,000 (6)						75,015 (4)		50,000 (6)	
Investment in Real Estate Owned and Loan fundings				46,443 (7)				120,000 (2)						46,443 (7)	
Financing Provided for Sale of REO															
Directors Fees															
<b>Interest Expense</b>															
<b>Bankruptcy Related Expenses</b>															
Professional Fees (9)						185,000									
Investment Banker										55,000					
Equity Committee				100,000		(10)								100,000 (10)	
US Bank Audit Expense															
US Trustee Fees															
<b>Total Disbursements</b>		<b>\$ 58,559</b>		<b>\$ 161,000</b>		<b>\$ 305,000</b>		<b>\$ 277,583</b>		<b>\$ 75,015</b>		<b>\$ 207,443</b>			
<b>Ending Cash Balance</b>		<b>\$ 2,153,506</b>		<b>\$ 1,996,640</b>		<b>\$ 1,885,437</b>		<b>\$ 1,607,854</b>		<b>\$ 1,532,839</b>		<b>\$ 1,329,530</b>			

Notes:

- (1) CIC&S (83.5) and Johnson (5.0) loan fundings
- (2) Sale of Moreau property for \$150k with financing of \$120k
- (3) Sale of Hill property
- (4) Property Taxes and REO appraisals.
- (5) Reserved
- (6) Sandoz BK expense \$15k, other REO maintenance of \$70k and projected specific known expenses
- (7) Waterfront advance to cover loan payment and expenses
- (8) Reserved
- (9) Professionals' draw-downs on existing retainers are not reflected; it is anticipated that retainers were fully applied by June
- (10) Equity Committee estimates they will expend \$50k per month in legal expense and \$50k per month in financial analysis

Specialty Trust, Inc			
DIP Operating Budget			
<b>SPECIALTY TRUST, INC.</b>			
	Week Beginning	4-Oct	
<b>Beginning Cash Balance</b>		\$ 1,329,530	
Interest Revenue		43,797	
Principal Repayments on Mortgage Loans Held for Investment			
Sale of Real Estate Owned			
Other Cash Receipts			
<b>Total Cash Receipts</b>		\$ 43,797	
<b>Cash Disbursements</b>			
Payroll, Servicing Dept.			
Management Fees paid to Specialty Financial			
Management and Servicing Fees - Other			
Traditional Legal (9)			
Accounting and Tax Services: Moss Adams 2009 audit & tax			
Real Estate & Related Professionals			
Other REO & Foreclosure Expense			
Investment in Real Estate Owned and Loan fundings			
Financing Provided for Sale of REO			
Directors Fees			
<b>Interest Expense</b>			
<b>Bankruptcy Related Expenses</b>			
Professional Fees (9)		150,000	
Investment Banker			
Equity Committee			
US Bank Audit Expense			
US Trustee Fees			
<b>Total Disbursements</b>		\$ 150,000	
<b>Ending Cash Balance</b>		\$ 1,223,327	
Notes:			
(1) CIC&S (83.5) and Johnson (5.0) loan fundings			
(2) Sale of Moreau property for \$150k with financing of \$120k			
(3) Sale of Hill property			
(4) Property Taxes and REO appraisals.			
(5) Reserved			
(6) Sedona BK expense \$15k, other REO maintenance of \$10k and project specific known expenses			
(7) Waterfront advance to cover loan payment and expenses			
(8) Reserved			
(9) Professionals' draw-downs on existing retainers are not reflected; it is anticipated that retainers were fully applied by June			
(10) Equity Committee estimates they will expend \$50k per month in legal expense and \$50k per month in financial analysis			