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7
8 **UNITED STATES BANKRUPTCY COURT**
9 **NORTHERN DISTRICT OF CALIFORNIA**
10 **SAN FRANCISCO DIVISION**
11

12 In re
13 THE ZUERCHER TRUST OF 1999,
14
15 Debtor.

Case No. 12-32747 HLB

Chapter 11

**CHAPTER 11 TRUSTEE'S DISCLOSURE
STATEMENT DESCRIBING CHAPTER 11
TRUSTEE'S PLAN OF LIQUIDATION**

Filing Date: September 18, 2014

Disclosure Statement Hearing

Date: November 6, 2014

Time: 10:00 a.m.

Place: Courtroom 23

235 Pine Street

San Francisco, CA 94104

JUDGE: Hon. Hannah L. Blumenstiel

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1 **I. INTRODUCTION**

2 Peter S. Kravitz is the duly appointed, qualified and acting Chapter 11 Trustee (“Trustee”) in
3 the above captioned bankruptcy case (“Case”) of debtor, The Zuercher Trust of 1999 (“Debtor”).
4 On September 26, 2012 (“Petition Date”), the Debtor commenced the Case by filing a voluntary
5 Chapter 11 petition under the United States Bankruptcy Code (“Code” or “Bankruptcy Code”), 11
6 U.S.C. §§ 101 *et seq.* On January 31, 2013, this Court entered its Order Approving Appointment of
7 Chapter 11 Trustee [Doc# 173], and on February 6, 2013, the Trustee filed his Notice of Acceptance
8 of Appointment of Chapter 11 Trustee.

9 Chapter 11 allows the Trustee, a debtor in possession, and under some circumstances,
10 creditors and others parties in interest, to propose a plan of reorganization. The Trustee is the party
11 proposing the Chapter 11 Trustee’s Plan of Liquidation under Chapter 11 of the Bankruptcy Code
12 (“Plan”) sent to you in the same envelope as this document.

13 **THE DOCUMENT YOU ARE READING IS THE DISCLOSURE STATEMENT FOR**
14 **THE ENCLOSED PLAN.**

15 The Plan sets forth the manner in which the Claims¹ against the Debtor will be treated
16 following the Debtor’s emergence from Chapter 11. This Disclosure Statement describes certain
17 aspects of the Plan, the Debtor’s current and future business operations, the proposed reorganization
18 of the Debtor, and other related matters. The proposed Plan provides for the liquidation of the
19 Debtor's assets and distribution of the Net Proceeds and other funds generated from the liquidation
20 of the Debtor’s assets including the Liquidation Claims to creditors in accordance with the
21 Bankruptcy Code’s priority scheme. The Plan provides that: (1) on the Effective Date, all assets of
22 the Debtor’s bankruptcy estate shall be transferred to a single liquidating trust, and (2) the trustee of
23 the Liquidating Trust will, among other things, administer and liquidate the Liquidating Trust
24 Assets, reconcile and, if necessary, object to claims, as appropriate, seek to avoid and recover certain
25 transfers that may be voidable or recoverable pursuant to the Avoiding Power Claims for Relief and
26 distribute the net funds held in the Liquidating Trust, after costs, to creditors holding Allowed

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28

¹ All capitalized terms not defined herein, shall have the definition ascribed to them in Article II of the Plan.

1 Claims, as set forth herein and in the Liquidating Trust Agreement. A copy of the Plan is attached
2 hereto as **Exhibit "1."** Attached to the Plan as Exhibit A is a copy of the Liquidating Trust
3 Agreement.

4 The Effective Date of the Plan will be forty-five (45) days from the date that the
5 Confirmation Order becomes final for all purposes (i.e., no outstanding appeal or collateral attack).

6 **Purpose of this Document**

7 This Disclosure Statement summarizes the Plan and tells you certain information relating to
8 the Plan and the process the Court follows in determining whether or not to confirm the Plan.

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

- 11 (1) **WHO CAN VOTE OR OBJECT;**
- 12 (2) **WHAT THE TREATMENT OF YOUR CLAIM IS (*i.e.*, what your claim will**
13 **receive if the Plan is confirmed) AND HOW THIS TREATMENT COMPARES**
14 **TO WHAT YOUR CLAIM WOULD RECEIVE IN A CHAPTER 7**
15 **LIQUIDATION;**
- 16 (3) **THE HISTORY OF THE DEBTOR AND SIGNIFICANT EVENTS DURING**
17 **THE BANKRUPTCY;**
- 18 (4) **WHAT THINGS THE BANKRUPTCY COURT WILL LOOK AT TO**
19 **DECIDE WHETHER OR NOT TO CONFIRM THE PLAN;**
- 20 (5) **WHAT IS THE EFFECT OF CONFIRMATION; AND**
- 21 (6) **WHETHER THE PLAN IS FEASIBLE.**

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

25 Be sure to read the Plan as well as the Disclosure Statement. If there are any inconsistencies
26 between the Plan and the Disclosure Statement, the Plan provisions will govern.

27 The Code requires a Disclosure Statement to contain "adequate information" concerning the
28 Plan. The Bankruptcy Court has approved this Disclosure Statement as including adequate

1 information, *i.e.*, containing enough information to enable parties affected by the Plan to make an
2 informed judgment about the Plan. Any party can now solicit votes for or against the Plan.

3 **A. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing**
4 **THE BANKRUPTCY COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN**
5 **THIS DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN**
6 **ARE NOT YET BINDING ON ANYONE. HOWEVER, IF THE BANKRUPTCY COURT**
7 **LATER CONFIRMS THE PLAN, THEN THE PLAN WILL BE BINDING ON THE**
8 **DEBTOR AND ON ALL CREDITORS AND INTEREST HOLDERS IN THIS**
9 **REORGANIZATION CASE.**

10 **1. Time and place of the Confirmation Hearing.**

11 The hearing where the Bankruptcy Court will determine whether or not to confirm the Plan
12 will take place on _____, 2015 at _____, in Courtroom 23, United States Bankruptcy
13 Court, 235 Pine Street, San Francisco, California 94104.

14 **2. Deadline For Voting For or Against the Plan.**

15 If you are entitled to vote, it is in your best interest to vote timely on the enclosed ballot and
16 return the ballot to Robyn B. Sokol, Ezra Brutzkus Gubner, LLP, 21650 Oxnard Street, Suite 500,
17 Woodland Hills, CA 91367, Tel. (818) 827-9000, or by fax to (818) 827-9099.

18 **Your ballot must be received by 5:00 p.m., PST, on _____ or it will not be**
19 **counted.**

20 **3. Deadline For Objecting to the Confirmation of the Plan.**

21 Objections to the confirmation of the Plan must be filed with the Bankruptcy Court and
22 served by _____, upon: Robyn B. Sokol, Esq., Ezra Brutzkus Gubner, LLP, 21650
23 Oxnard Street Suite 500, Woodland Hills, CA 91367, counsel for the Debtor as approved by order of
24 the Bankruptcy Court.

25 **4. Identity of Person to Contact for More Information Regarding the Plan.**

26 Any interested party desiring further information about the Plan should contact Robyn B.
27 Sokol, Ezra Brutzkus Gubner, LLP, 21650 Oxnard Street Suite 500, Woodland Hills, CA 91367,
28 Tel. (818) 827-9000, or by fax to (818) 827-9099, who is counsel for the Trustee.

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B. Disclaimer

The financial data relied upon in formulating the Plan is based on the Debtor’s books and records and the records of the Trustee with respect to the Debtor, which, unless otherwise indicated, are unaudited. The Trustee represents that everything stated in the Disclosure Statement is true to the best of the Trustee’s knowledge. The Bankruptcy Court has not yet determined whether or not the Plan is confirmable and makes no recommendation as to whether or not you should support or oppose the Plan. **The information contained herein is based upon the opinions and beliefs of the Trustee unless specifically stated otherwise.**

II. BACKGROUND

A. Description and History of the Debtor’s Business

The Debtor is a business trust established in 1999. The Debtor is and was in the business of owning and developing real properties throughout California

B. Principals/Affiliates of Debtor’s Business

1. Monica Hujazi. Monica Hujazi is the managing member, trustee, and sole beneficiary of the Debtor. The Debtor is or was a member of several limited liability companies including North Oxford Bright Horizons Group, LLC (“Oxford LLC”) and Brownstone Lofts, LLC (“Brownstone LLC”).

2. Oxford LLC. Oxford LLC filed for bankruptcy in October 2011. A Final Report was filed by the Chapter 7 trustee on June 28, 2013 with a final accounting filed on December 23, 2013. The Debtor received a disbursement of \$1 million from the Oxford LLC bankruptcy case which was used by Debtor as partial payment for the purchase of the real property located at 2400 – 2424 Bayshore Blvd., San Francisco, California 94134 (“Bayshore Property”) in June 2012. A second disbursement of \$258,211.00 was made at the end of the Oxford LLC bankruptcy case and disbursed to the Debtor in August 2013. This disbursement was used to pay administrative expenses of the Estate.

3. Brownstone LLC. Brownstone LLC filed for bankruptcy in September 2011. During the course of the Brownstone LLC bankruptcy case, two assets of the Brownstone LLC estate were the subject of relief from stay motions that were granted. As a result, the property

1 located at 1168 Bellevue, Los Angeles, California was foreclosed upon by the secured creditor.
2 Ultimately, the secured creditor released its lien on the real property located at 1919-1925 Martin
3 Luther King Junior Way, Oakland, California (“MLKJ Property”). The MLKJ Property is currently
4 the subject of an adversary proceeding filed by the Trustee, seeking to avoid and recover the transfer
5 of this asset and others by Debtor entitled *Peter S. Kravitz, Chapter 11 Trustee v. Peninsula*
6 *Commons, LLC, et al.*, Adv. No. 13-03046-HLB (“Avoidance Action”). The Brownstone LLC
7 bankruptcy case was dismissed at the request of Brownstone LLC in December 2012.

8 4. SF Corners, LLC. SF Corners, LLC (“SFC LLC”) is an entity wholly owned
9 and controlled by Monica Hujazi. In April 2011, the Debtor transferred to SFC LLC the Ellis
10 Property and the Mission Property, both defined below, which were assets of the Debtor prior to the
11 Petition Date. SFC LLC is one of three named defendants in the Avoidance Action.

12 5. Peninsula Commons, LLC. Peninsula Commons, LLC (“Peninsula LLC”) is
13 an entity wholly owned and controlled by Monica Hujazi. In April 2011, the Debtor transferred to
14 Peninsula LLC the Amphlett Property and the Raymundo Property, both defined below, which were
15 assets of the Debtor prior to the Petition Date. Peninsula LLC is one of three named defendants in
16 the Avoidance Action.

17 6. Uptown/Sterling Towers, LLC. Uptown/Sterling Towers, LLC (“Towers
18 LLC”) is an entity wholly owned and controlled by Monica Hujazi. In September 2011, the Debtor
19 transferred to Towers LLC the MLKJ Property, which was an asset of the Debtor prior to the
20 Petition Date. Towers LLC is one of three named defendants in the Avoidance Action.

21 7. Sterling Heatley. Sterling Heatley (“Heatley”) asserts a 11.5% minority co-
22 owner interest in the Bayshore Property – the main operating asset of the Debtor. Heatley also
23 asserts an 11.5% interest in the real property located at 376 Ellis Street, San Francisco, AC (“Ellis
24 Property”). The Trustee is currently investigating Heatley’s asserted interests in the Ellis Property
25 and Bayshore Property. To date, no explanation or evidence of any kind demonstrating that
26 consideration was provided in exchange for Heatley’s 11.5% interest in these properties has been
27 presented to the Trustee.

28

1 Heatley conducted other business transactions with the Debtor and its managing member
2 Monica Hujazi related to other real properties, including those involved in the Avoidance Action.
3 The Trustee hopes to resolve these issues with Heatley prior to the bar date on Avoidance Actions
4 but to date has been unsuccessful.

5 **C. Management of the Debtor Before and After Commencement of the Bankruptcy**
6 **Case**

7 1. Pre-Petition Management of the Debtor. Up until the appointment of the
8 Trustee, the Debtor was managed and controlled by Monica Hujazi. Debtor did not file a separate
9 tax return, but rather appeared as a line item on Ms. Hujazi's personal returns.² Debtor did not
10 maintain separate bank accounts from those of Ms. Hujazi. Debtor did not employ any individuals,
11 other than Ms. Hujazi to manage its assets, or conduct its day to day business operations.

12 2. Post-Petition Management of the Debtor. Debtor remained a debtor-in-
13 possession for the first three months of this case. In November 2012, the Bankruptcy Court found
14 the Debtor to have grossly mismanaged its assets and directed the U.S. Trustee's Office to appoint a
15 chapter 11 trustee. On January 16, 2013, Peter S. Kravitz was appointed as the Chapter 11 trustee.
16 The Bankruptcy Court confirmed his appointment by order entered on January 31, 2013 and the
17 appointment was accepted by Peter Kravitz on February 6, 2013. Peter S. Kravitz has served as the
18 Chapter 11 trustee since January 2013.

19 **D. Events Leading to Chapter 11 Filing**

20 According to the Debtor, issues regarding the real property located at 1639-1645 N.
21 Alexandria Avenue, Los Angeles ("**Alexandria Property**") and the real property located at 621 S.
22 Union Avenue, Los Angeles ("**Union Property**") led to the filing of the voluntary petition by the
23 Debtor.

24 The Trustee believes the following events led to the filing of this bankruptcy case.

25
26
27 ² This is true for those years where a personal return was filed by Monica Hujazi. The Trustee believes no returns were
28 filed by Ms. Hujazi for the years 2011-2013.

1 In or about June 2005, Debtor obtained a loan from East West Bank secured by a first deed of
2 trust recorded against the Alexandria Property in favor of East West Bank. This loan went into
3 default while simultaneously, a multitude of Building and Health and Safety Code violations were
4 reported against the Alexandria Property. Subsequently, the Alexandria Property was placed into the
5 REAP³ program on or about February 2010. The financing agreement, promissory note and deed of
6 trust secured by the Alexandria Property were thereafter assigned by East West Bank to Win Win
7 Alexandria Union, LLC (“**Win Win**”) in or about February 2011.

8 In or about June 2005, Debtor obtained a loan in relation to the Union Property from East
9 West Bank. This loan was secured by a first deed of trust on the Union Property. The loan went
10 into default, while simultaneously a multitude of Building and Health and Safety Code violations
11 were reported against the property. Subsequently, the Union Property was placed into the REAP
12 program in or about October 2007. The promissory note secured by the Union Property, deed of
13 trust and financing agreement were thereafter assigned by East West Bank to Win Win on or about
14 February 2011.

15 Upon obtaining the secured loans for the Alexandria Property and the Union Property, Win
16 Win filed a state court action for judicial foreclosure and sought and received appointment of a state
17 court receiver for both properties. Pursuant to the orders issued appointing a state court receiver for
18 the Alexandria Property and the Union Property, Win Win was required to pay all receivership costs,
19 all remediation costs to have the properties removed from REAP, and all day to day operating costs
20 as Debtor continued to fail to pay debt service or business operating costs for either one of the
21 properties.

22 After state court receivership orders were issued, the Alexandria Property was brought out of
23 REAP on or about July 2012. Thereafter, the Union Property was removed from REAP on or about
24 April 2013. The costs incurred by Win Win for post-Petition Date remediation, receivership, and
25

26
27 ³ REAP is an enforcement tool to encourage landlords to maintain their properties and to bring properties that have
28 existing violations into compliance. REAP is applicable to all residential units in all existing buildings, structures, and
premises which contain one or more rental units as defined in Sections 151.02 of the Los Angeles Municipal Code.
Once a property is placed in REAP, tenants are no longer required to pay the landlord. Tenants may elect to pay a
reduced rent to REAP. Penalties will accrue on a per unit monthly basis until violations are corrected.

1 operating costs were in excess of \$1.2 million by the time the Trustee was appointed. Upon removal
2 from REAP, the Alexandria Property was set for a foreclosure sale on September 27, 2012. The
3 Debtor filed this bankruptcy case on September 26, 2012 and the foreclosure was stayed.

4 **E. Significant Events During the Bankruptcy**

5 **1. Administrative Matters.**

6 On September 26, 2012, the Debtor filed a voluntary petition for relief under chapter 11 of
7 title 11 of the Code.

8 On or about October 12, 2012, the Bankruptcy Court filed Notice of Bankruptcy, Meeting of
9 Creditors and the Claims Bar Date was established as February 4, 2013.

10 On or about October 19, 2012, Debtor filed its schedules, statement of financial affairs and
11 list of 20 largest creditors, which were amended by the Debtor on January 12, 2013.

12 On or about November 6, 2012, Debtor appeared for the 341(a) meeting of creditors and
13 Initial Debtor Interview with the Office of the United States Trustee (“OUST”). The OUST
14 discovered numerous errors and omissions and promptly adjourned and rescheduled the meeting of
15 creditors to February 19, 2013.

16 On or about November 27, 2012, the Chapter 11 Status Conference was held.

17 On or about January 14, 2013, Debtor filed its Monthly Operating Reports for September
18 2012, October 2012, November 2012 and December 2012.

19 On or about January 10, 2013, the OUST filed a Motion for the Appointment of a Chapter
20 11 Trustee, which motion was granted by Order Directing Appointment of Chapter 11 Trustee,
21 entered January 16, 2013. The OUST appointed Peter S. Kravitz as the Chapter 11 Trustee. The
22 Bankruptcy Court approved this appointment by an order entered January 31, 2013.

23 On or about February 6, 2013, Peter S. Kravitz filed his notice of acceptance of appointment
24 as trustee. The Trustee has and is continuing to comply with all of his duties under the Bankruptcy
25 Code, Federal Bankruptcy Rules, and all applicable guidelines of the OUST.

26 On or about February 19, 2013, Debtor appeared for the continued 341(a) meeting of
27 creditors through its principal, Monica Hujazi, her assistant Michelle Hook, and Debtor’s counsel.
28 The Trustee and his counsel participated in the examination.

1 By order entered February 14, 2014, the Bankruptcy Court set a deadline of September 19,
2 2014 for the Trustee to file a proposed plan and disclosure statement.

3 **2. Employment of Professionals.**

4 On or about November 20, 2012, Debtor filed its application to employ counsel seeking to
5 retain Coleman Frost, LLP as its general counsel. By order entered November 7, 2013, the
6 Bankruptcy Court approved employment of Coleman Frost LLP effective as of September 24, 2012.

7 On or about December 6, 2012, Debtor also sought to employ as its co-counsel, James
8 Bulger, *pro hac vice*. The employment of Mr. Bulger was approved by the Bankruptcy Court by
9 order entered December 6, 2012, effective December 6, 2012.

10 On or about February 7, 2013, Trustee filed his application to employ as general bankruptcy
11 counsel, Ezra Brutzkus Gubner LLP. By order entered March 25, 2013, the Bankruptcy Court
12 approved the employment of Trustee's counsel effective January 31, 2013.

13 On or about August 12, 2013, Trustee filed his second amended application to employ
14 Grobstein Teeple Financial Advisory Services, LLP as his financial advisor. By order entered
15 August 21, 2013, the Bankruptcy Court approved the employment of Grobstein Teeple Financial
16 Advisory Services, LLP effective July 3, 2013.

17 On or about October 25, 2013, Trustee filed his application to employ Madison Partners and
18 ARA as his real estate brokers for the purpose of listing, marketing and selling the Bayshore
19 Property, an Estate asset. By order entered December 12, 2013, the Bankruptcy Court approved the
20 employment of Madison Partners and ARA pursuant to the terms of the listing agreement with one
21 modification; the brokers are not to represent the buyer of the Bayshore Property. By this order, the
22 Bankruptcy Court also approved the listing price for Bayshore Property.

23 On or about June 6, 2014, Trustee filed his application to employ Miller Kaplan Arase, LLP
24 as his tax advisors. By order entered July 11, 2014, the Bankruptcy Court approved the employment
25 of Miller Kaplan Arase, LLP nunc pro tunc effective May 8, 2013.

26 **3. Adversary Proceedings And Other Actions.**

27 During the course of this Bankruptcy Case, the Debtor is or was a party to the following
28 causes of action:

- 1 a. *Peter S. Kravitz, Chapter 11 Trustee v. Peninsula Commons, LLC*,
2 United States Bankruptcy Court, Central District of California, Adversary
3 Case No. 13-03046, the Avoidance Action.
- 4 b. *Bay Cities Properties v. Jeckyll & Hydro C Corp*, Alameda County
5 Superior Court, City of Oakland, Case No. RG13684312.
- 6 c. *The Zuercher Trust of 1999 v. Peter S. Kravitz, Chapter 11 Trustee*,
7 United States Bankruptcy Appellate Panel of the Ninth Circuit, Case No. NC-
8 13-1299. Appeal from the Order Approving Sale of Union Property and
9 Alexandria Property.
- 10 d. *The Zuercher Trust of 1999, et al. v. Peter S. Kravitz, Chapter 11*
11 *Trustee*, United States Bankruptcy Appellate Panel of the Ninth Circuit, Case
12 No. 14-1372. Appeal from the Order Appointing David Stapleton as receiver
13 for the Mission Property and the MLKJ Property; and Issuing Injunction in
14 Aid of Receiver, entered in the Avoidance Action.

15 *The Zuercher Trust of 1999, et al., v. Peter S. Kravitz, Chapter 11 Trustee*, United States
16 Bankruptcy Appellate Panel of the Ninth Circuit, Case No. to be determined, Appeal filed
17 September 3, 2014. Appeal from the Order Approving Sale Procedures and Overbid Protections in
18 Connection with the Sale of the Bayshore Property Free and Clear of All Liens, Claims,
19 Encumbrances and Interests and Scheduling an Auction for and Hearing to Approve the Sale.

20 **4. Use of Cash Collateral and DIP Financing.**

21 In or about March 2013, the Trustee and secured creditor, Sequoia Mortgage Capital, Inc.
22 (“**Sequoia**”), reached a tentative agreement for the use of cash collateral from the Bayshore Property
23 post appointment, contingent upon the Trustee obtaining necessary documents from the Debtor and
24 completing his investigation into the status of the Bayshore Property. The Trustee and Sequoia
25 reached a formal agreement for the continued use of cash collateral in early February 2014, and as
26 later modified in late February 2014.

27 ///

28 ///

1 **F. Summary of Assets of the Debtor.**

2 **1. Acquisition and Transfers of Assets By Debtor.**

3 a. Union Property and Alexandria Property.

4 The Debtor acquired the Union Property in or about June 2005. As of the Petition Date,
5 Debtor had been in default on the loans secured by the Alexandria Property and the Union Property
6 since 2010. In February 2011, the Los Angeles Superior Court appointed a receiver to take
7 possession and control of both the Alexandria Property and the Union Property. Both the Alexandria
8 Property and the Union Property had been placed in the REAP program due to 3,000+ violations of
9 the Los Angeles Building, Health and Safety Codes. Several tenants had also filed civil complaints
10 against Monica Hujazi and the Debtor as a result of the violations. It also appears that day to day
11 operating expenses related to the Alexandria Property and Union Property were not being paid,
12 including taxes, insurance and utilities. Pursuant to the Receivership Orders issued for the
13 Alexandria Property and the Union Property, the secured creditor was paying all receivership and
14 operating costs. These expenses continued to accrue post-petition and at the time of the Trustee’s
15 appointment in this case, those expenses had accumulated to approximately \$1.2 million in potential
16 administrative claims. Both properties were underwater as of this date.

17 In February 2013, the Trustee undertook an investigation into the value, debt and equity, if
18 any, in both the Alexandria Property and the Union Property. The Trustee obtained broker opinions
19 of fair market value as to the Alexandria Property (\$6.4 million) and the Union Property (\$3.5
20 million) on an “as-is” basis. The secured loans and on-going receivership costs, including repair
21 costs to remove both properties from REAP had resulted in total debt obligations to Win Win in
22 excess of \$8 million for the Alexandria Property and in excess of \$7.1 million for the Union
23 Property. Based on this information, the Trustee concluded that the Alexandria Property and the
24 Union Property were underwater, and there was no equity to be recovered for the benefit of the
25 Estate.

26 The Trustee reached an agreement with secured creditor Win Win for the sale of the
27 Alexandria Property and the Union Property that also resulted in the satisfaction of Win Win’s
28 secured claims and a reduced administrative claim. Pursuant to the settlement, Win Win agreed to:

1 (1) an allowed secured claim against the Alexandria Property in the amount of \$8 million; (2) an
2 allowed secured claim against Union Property in the amount of \$7.1 million; (3) credit bid up to its
3 agreed allowed secured claims for the purchase of both properties, subject to overbid and auction;
4 (4) pay the Estate \$50,000 for each property it purchased (\$100,000 total);⁴ (5) limit its
5 administrative claims, estimated in excess of \$1.2 million to no more than \$50,000, subject to
6 objection by the Trustee; and, (6) remove its entire secured claim from the properties regardless of
7 who purchased either the Alexandria Property and Union Property with any deficiency amount
8 becoming a general unsecured claim. The terms of the proposed sale were approved by the
9 Bankruptcy Court and an auction and sale confirmation hearing were held on May 30, 2013. Win
10 Win was ultimately deemed the successful purchaser of both properties pursuant to an order entered
11 June 10, 2013 (“**Alexandria and Union Sale Order**”). Escrow closed July 30, 2013. The
12 Alexandria and Union Sale Order is currently under appeal by the Debtor.

13 b. Bayshore Property.

14 Upon the initial disbursement from the Oxford LLC bankruptcy estate, in or about June 2012,
15 Debtor, through a 1031 exchange, acquired the Bayshore Property. As a result of the Alexandria and
16 Union Sale Order, the Bayshore Property is the Debtor’s sole remaining operating asset. Pursuant to
17 Bankruptcy Court order on entered February 13, 2014, the Trustee has marketed the Bayshore
18 Property for sale and entered into a sale contract in the amount of \$3,050,000, free and clear of all
19 liens, claims, interests and encumbrances, subject to Bankruptcy Court approval and overbid auction
20 to be conducted October 2, 2014. The purchase and sale contract provides, among other things, that
21 the prospective buyer will pay all closing costs, expenses, escrow fees, and transfer taxes. The sale
22 of the Bayshore Property should result in Net Proceeds of at least \$1,400,000 to the Estate. From the
23 purchase price, the following liens and interest will be satisfied:

- 24 • The Deed of Trust to secure an indebtedness in the amount of \$1,235,000.00
25 and any other amounts payable under the terms thereof in favor of Sequoia

26 _____
27 ⁴ Win Win would be entitled to a refund of the \$50,000 per property if another purchaser was deemed the successful
28 purchaser at auction, and the price actually paid was at least \$50,000 above Win Win’s capped secured claim, i.e. a
minimum price of \$8,050,000 for Alexandria Property or \$7,150,000 for Union Property.

1 Mortgage Capital, Inc. as recorded June 22, 2012 as instrument number 2012-
2 J437059-00;

- 3 • Heatley's purported 11.5% interest in the Bayshore Property;
- 4 • Broker's Commission;
- 5 • Taxes and assessments, general and special, for the fiscal year 2013-2014 in
6 the amount of Second Installment \$9,598.54 plus penalty of \$959.85 plus cost
7 of \$45.00, as identified by Bill number 171579 on Lot 001; Block 6249;
- 8 • Taxes and assessments, general and special, for the fiscal year 2013-2014 in
9 the amount of First Installment \$53.44 plus penalty of \$5.34 plus Second
10 Installment of \$53.44 plus penalty of \$5.34 plus cost of \$45.00, as identified
11 by Bill number 171581 on Lot 002A, Block 6249;
- 12 • Taxes and assessments, general and special, for the fiscal year 2013-2014 in
13 the amount of First Installment \$1,923.86 plus penalty of \$192.38 plus Second
14 Installment \$1,923.86 plus penalty of \$192.38 plus cost of \$45.00, as
15 identified by Bill number 171595 on Lot 016, Block 6249;
- 16 • Taxes and assessments, general and special, for the fiscal year 2011-2012 in
17 the amount of First Installment \$1,974.82 as identified by Default number
18 03173S on Lot 016, Block 6249;
- 19 • Taxes and assessments, general and special, for the fiscal year 2013-2014 in
20 the amount of Second Installment \$1,986.88 plus penalty of \$198.68 plus cost
21 of \$45.00 as identified by Bill number 171596 on Lot 017, Block 6249;
- 22 • Taxes and assessments, general and special, for the fiscal year 2013-2014 in
23 the amount of Second Installment \$4,608.04 plus penalty of \$460.80 plus cost
24 of \$45.00 as identified by Bill number 171597 on Lot 018, Block 6249;
- 25 • A lien in favor of San Francisco Water, Power and Sewer in the amount of
26 \$4,784.46 as recorded January 18, 2013 as instrument number 2013-J588719-
27 00 and with lienholder reference number 2344653733;
- 28 • A lien in favor of San Francisco Water, Power and Sewer Services of the San
San Francisco Public Utilities Commission in the amount of \$6,320.86 as recorded
March 21, 2013 as instrument number 2013-J623912-00 and with lienholder
reference number Lot 001, Block 6249;
- A lien in favor of San Francisco Water, Power and Sewer in the amount of
\$2,162.51 as recorded June 19, 2013 as instrument number 2013-J689326-00
and with lienholder reference number 3839451950;
- A lien in favor of San Francisco Water, Power and Sewer in the amount of
\$1,548.18 as recorded July 25, 2013 as instrument number 2013-J714549-00
and with lienholder reference number 9075793002;
- A lien in favor of San Francisco Water, Power and Sewer in the amount of
\$1,096.58 as recorded August 15, 2013 as instrument number 2013-J730574-
00 and with lienholder reference number 1685697338;

- A lien in favor of San Francisco Water, Power and Sewer in the amount of \$1,489.41 as recorded September 18, 2013 as instrument number 2013-J758266-00 and with lienholder reference number 4084888821;
- A lien in favor of San Francisco Water, Power and Sewer in the amount of \$3,539.63 as recorded November 21, 2013 as instrument number 2013-J789296-00 and with lienholder reference number 6448565237;
- A lien in favor of San Francisco Water, Power and Sewer Services of the San Francisco Public Utilities Commission in the amount of \$1,133.59 as recorded March 25, 2014 as instrument number 2014-J856009-00 and with lienholder reference number Lot 001, block 6249.

Currently, the Bayshore Property is generating approximately \$12,774 in monthly rental income.⁵ Its average monthly expenses run approximately \$14,665.90 depending on repair costs. Monthly Operating Reports (“**MORs**”) that detail the income and expenses related to the Bayshore Property for the period of September 2013 through the most recent MOR are attached hereto as **Exhibit “2.”**

c. Avoidance Action Properties.

The following is a summary of the properties that are the subject of the Avoidance Action. Upon its creation, the trustor, Monica Hujazi transferred the following real property to the Debtor: 1016 San Raymundo, Hillsborough, CA (“**Raymundo Property**”); 3201-3207 Mission Street, San Francisco, CA (“**Mission Property**”); the Alexandria Property; 911 N. Amphlett, San Mateo, CA (“**Amphlett Property**”); the MLKJ Property; and 994-998 Guerrero Street/3201-3204 22nd Street, San Francisco, CA (“**Guerrero Property**”).

In April and September 2011, Debtor acting through its principal transferred property of the Debtor to third party limited liability companies, wholly owned and controlled by Monica Hujazi as follows:

- In April 2011, the Mission Property was transferred by the Debtor to SFC, LLC;
- In April 2011, the Amphlett Property and the Raymundo Property were transferred by the Debtor to Peninsula LLC;

⁵ The rental income from the Bayshore Property has fluctuated since the Trustee took over control of the property based on vacancies and new tenant arrivals. Currently several tenants are in default and steps are being taken to address the defaults. In addition, certain tenants are withholding rent pending requested repairs.

- In September 2011, the MLKJ Property was transferred by Debtor to Towers LLC.
- In December 2011, Monica Hujazi directed the Debtor to transfer the sale proceeds from the sale of the Guerrero Property to SFC, LLC.

(i) **Guerrero Property**

In December 2011, Debtor sold the Guerrero Property for \$4.67 million. Through the sale, Monica Hujazi as the managing member of SFC LLC acquired, through a 1031 exchange, the Ellis Property. Title to the Ellis Property is currently held in the name of SFC LLC, with its sole member identified as Monica Hujazi as the Trustee of The Zuercher Trust of 1999.⁶

(ii) **Mission Property**

In October 2005, Debtor executed a promissory note for \$2.1 million in favor of First Republic Bank, secured by a trust deed against the Mission Property. First Republic Bank later merged with Bank of America who retained the note and trust deed. In October 2012, Monica Hujazi, in her capacity as the sole member of SFC LLC executed a loan agreement with Bank of America in the amount of \$800,000, also secured by a deed of trust against the Mission Property. Debtor and SFC LLC defaulted on the loans in or about May 2012. In 2013, both notes and both deeds of trust were assigned by Bank of America to Fairview Investment Fund I, LLC (“**Fairview**”). According to Fairview, there is currently an outstanding debt balance of \$2.8 million. In addition, a successor in interest creditor, Lion Brownstone LLC has an abstract judgment recorded against the property for \$3.2 million. The default judgment which was entered in favor of the predecessor creditor to Lion Brownstone LLC, Cathay Bank, has since been vacated, and the lien is therefore void. The Trustee and Lion Brownstone LLC have reached an agreement regarding the claim of Lion Brownstone LLC. This agreement will result in the judgment liens recorded by Cathay Bank and Lion Brownstone being removed.

The Mission Property has a value of approximately \$4.5 million, is encumbered with secured liens totaling \$3,212,229.55, and generates monthly rental income in the amount of \$32,290. Thus, the Mission Property has equity in the amount of approximately \$700,000 plus monthly rental

⁶ Sterling Heatley also claims to hold an 11.5% interest in the Ellis Property. This claim is under investigation.

1 income of \$32,290.

2 In July 2014, as part of the procedural activity in the Adversary Action, the Bankruptcy
3 Court approved a receiver, David Stapleton, to take control and operate the Mission Property and
4 MLKJ Property pending a final resolution of the Avoidance Action by summary judgment or trial.
5 According to the financial records provided by Monica Hujazi, the Mission Property is 100%
6 occupied and generated approximately \$300,000 in gross rental income for the year 2013.

7 (iii) **MLKJ Property**

8 Currently there exists no known secured debt against the MLKJ Property. However, Bank of
9 America which obtained a judgment for the \$800,000 loan referenced above, has filed an abstract
10 judgment against multiple properties owned directly or indirectly by Monica Hujazi, including the
11 MLKJ Property. Cathay Bank had previously obtained a default judgment in the amount of \$3.2
12 million against Monica Hujazi in her individual capacity and as trustee for the Debtor, but that
13 default has since been vacated. The remaining abstract judgment filed by Cathay Bank is therefore
14 void, and the Trustee has reached an agreement with the successor in interest creditor, Lion
15 Brownstone LLC, which will result in the lien being removed.

16 The Trustee believes the MLKJ Property has a current fair market value of at least \$3.3
17 million. According to the financial records provided by Monica Hujazi, the MLKJ Property is
18 currently 88% occupied and generated approximately \$211,000 in gross rental income for the year
19 2013.

20 (iv) **Amphlett Property**

21 Currently there is a mortgage in the principal amount of \$350,000.00 secured by a deed of
22 trust in favor of Michael Joseph Profit Sharing Plan. The Trustee is informed that the last debt
23 service payment was made in April 2014, and the mortgage is currently in default. The Trustee is
24 unaware of any other debts against this property. The Trustee has not yet obtained a market value
25 estimate for the Amphlett Property, but believes it to be in excess of the outstanding mortgage.
26 According to the financial records provided by Monica Hujazi, this property is currently vacant and
27 generates no rental income.

28 ///

1 (v) **Raymundo Property**

2 There is currently a mortgage on the Raymundo Property in favor of Wells Fargo Bank
3 which went into default on or about March 12, 2014. In addition, Monica Hujazi took out an equity
4 line of credit with Bank of America which went into default in or about April 2011. The Trustee is
5 trying to obtain the total amounts due on the mortgage and line of credit, but to date has been unable
6 to gain Ms. Hujazi's cooperation in disclosing this information. In addition, Bank of America
7 recorded a copy of its abstract judgment for the \$800,000 default on the Mission Property against the
8 Raymundo Property. And finally, the successor in interest, creditor Lion Brownstone LLC, has a
9 recorded abstract of judgment for \$3.2 million based on the predecessor creditor Cathy Bank's
10 default judgment. As stated above, the Trustee has reached an agreement with Lion Brownstone
11 LLC to have the liens removed and resolve their asserted claim.

12 The Trustee believes the Raymundo Property has a current market value of at least \$3.75
13 million. According to financial records provided by Monica Hujazi, the Raymundo Property
14 generated approximately \$10,000 in gross rental income for a portion of the year 2013 and is
15 currently generating monthly rental income of \$2,150.00.

16 **2. Pending and Anticipated Causes of Action.**

17 a. Avoidance Action.

18 On or about March 19, 2013, Trustee filed his complaint in the adversary proceeding styled
19 *Peter S. Kravitz, Chapter 11 Trustee v. Peninsula Commons, LLC, et al.*, Adv. No. 13-03046-HLB
20 currently pending in the United States Bankruptcy Court for the Northern District of California – the
21 Avoidance Action.

22 The Avoidance Action seeks to: (1) avoid and recover fraudulent transfers of the following
23 real property: the Raymundo Property; the Amphlett Property; the Mission Property; and the MLKJ
24 Property (collectively referred to as the “**Avoidance Action Properties**”); (2) avoid and recover the
25 transfer of sale proceeds in excess of \$4.67 million by the Debtor from the sale of the Guerrero
26 Property; and, (3) for declaratory relief that certain real estate, including the Avoidance Action
27 Properties are property of the Estate. Debtor and Monica Hujazi have denied all allegations
28 contained in the Avoidance Action.

1 By Order entered in the Avoidance Action on July 7, 2014 (“**Order Appointing Receiver**”),
2 the Trustee’s Motion to Appoint a Receiver was approved, and David Stapleton was appointed the
3 Receiver for the Mission Property and the MLKJ Property. In addition, pursuant to the Order
4 Appointing Receiver, defendants therein were enjoined from transferring and encumbering the
5 Amphlett Property and the Raymundo Property.

6 The Trustee has reviewed the documentation regarding title of the Avoidance Action
7 Properties and discovery has been conducted including the deposition of Monica Hujazi.

8 The Trustee’s Motion for Summary Judgment was filed on June 25, 2014 and scheduled for
9 hearing on September 4, 2014. Prior to the September 4, 2014 hearing, the Court issued a tentative
10 ruling which granted in part and denied in part the Motion for Summary Judgment. Both the Trustee
11 and the Defendants submitted on the tentative ruling, and the Court will issue a final order as
12 follows: (1) Summary judgment is granted as to the issue of “a transfer of the interest of the Debtor
13 in property” under section 548(a)(1)(A) and (B) with respect to the San Raymundo Property,
14 Mission Property and MLKJ Property; (2) Summary judgment is denied as to the issue of “a transfer
15 of the interest of the Debtor in property” under section 548(a)(1)(A) and (B) with respect to the
16 Amphlett Property and the transfer of sale proceeds from the sale of the Guerrero Property; (3)
17 Summary judgment is granted as to the issue of “made...within 2 years before the filing of the
18 petition” under sections 548(a)(1)(A) and (B) as to all of the transfers that the Trustee seeks to avoid
19 through the Adversary Action (“**Transfers**”); (4) Summary judgment is denied as to the issue of
20 “actual intent to hinder, delay or defraud” under section 548(A)(1)(A) with respect to all Transfers;
21 (5) Summary judgment is granted as to the issue of “received less than reasonably equivalent value”
22 under section 548(a)(1)(B)(i) with respect to all Transfers; (6) Summary judgment is denied as to the
23 issue of insolvency under sections 548(a)(1)(B)(ii)(I) and (III) with respect to all Transfers; and (7)
24 Summary judgment is denied as to recovery of avoided transfers under sections 550 with respect to
25 all Transfers. Whenever a Court finds material issues of fact to be decided a trial will be conducted.
26 A trial on the merits is scheduled for December 10, 2014 where issues of credibility, evidence and
27 factual dispute will be resolved. It is anticipated that the Trustee will be successful in avoiding the
28 transfers of Avoidance Action Properties, and as a result, the Trustee will recover significant assets

1 for the Debtor's Estate. The Defendants disagree with this assessment

2 b. Bay Cities Litigation.

3 The pending state court litigation styled *Bay Cities Properties v. Jeckyll & Hydro C Corp*,
4 Alameda County Superior Court, City of Oakland, Case No. RG13684312 is currently stayed (“**Bay**
5 **Cities Litigation**”). Bay Cities Properties is an entity owned and controlled by Monica Hujazi. On
6 or about May 30, 2014, the Trustee filed his Notice of Real Party in Interest in this litigation.
7 Therein, the Trustee informed the Alameda County Superior Court that he, as the Chapter 11 Trustee
8 of the Debtor, is the landlord of the property described as 2400 Filbert Street, Oakland, California
9 (“**Filbert Property**”), the subject property of the Bay Cities Litigation, and therefore the proper
10 party to bring this action, and that he has not authorized, assigned or otherwise granted Bay Cities
11 Properties any rights to prosecute this action in its own name, or on behalf of the real party in
12 interest, the Debtor herein.

13 The Trustee believes that the Debtor holds an interest in the Filbert Property. The Trustee
14 bases his belief on the Commercial Leasing Agreement that was attached to the Complaint filed in
15 the Bay Cities Litigation, which indicates that the Debtor is the landlord of the Filbert Property.

16 The Trustee anticipates filing an adversary proceeding against Bay Cities Properties and
17 Monica Hujazi seeking to avoid and recover for the benefit of the estate the fraudulent transfer of the
18 Debtor's interest in the Filbert Property and any post-petition unauthorized use of rental incomes.

19 c. Appeal from the Sale Order re Union Property and Alexandria
20 Property.

21 The appeal pending in the United States Bankruptcy Appellate Panel of the Ninth Circuit
22 styled *The Zuercher Trust of 1999 v. Peter S. Kravitz, Chapter 11 Trustee*, Case No. NC-13-1299, is
23 an appeal of the Order Approving Sale of two parcels of real property, Union Property and
24 Alexandria Property (“**Win Win Appeal**”). The Win Win Appeal contends that the terms of the sale
25 were unfair and thus not in good faith and that the United States Bankruptcy Court Judge, the
26 Honorable Hanna L. Blumenstiel, abused her discretion in granting the sale. The Win Win Appeal
27 has been set for oral argument on October 23, 2014.

28 ///

1 d. Anticipated Avoidance Action Against Monica Hujazi and Third
2 Parties.

3 The Trustee anticipates filing an adversary proceeding against Monica Hujazi and possible
4 multiple third parties for avoidance and recovery of preferential transfers and fraudulent transfers of
5 the Debtor's rental incomes, but is awaiting transfer documentation from Wells Fargo Bank N.A.
6 The Trustee has subpoenaed records and conducted exams pursuant to Rule 2004 of witnesses
7 identified as having information or documents related to the financial condition of the Debtor. The
8 record productions have been substantively lacking, leaving an incomplete picture of the Debtor's
9 financial condition and business leading up to the Petition Date. As the deadline for filing this action
10 is September 26, 2014, the Trustee filed an *ex parte* application for an order granting production of
11 records by Wells Fargo Bank N.A. pursuant to Bankruptcy Rule 2004, which application was
12 granted by order entered August 19, 2014. The Trustee has subpoenaed records from Wells Fargo
13 Bank, N.A., and after review and analysis of these records, the Trustee will determine what
14 avoidance actions will be filed.

15 e. Anticipated Avoidance Action Against Heatley.

16 The Trustee believes that the Debtor may have an interest in the Ellis Property. Heatley has a
17 purported interest of 11.5% in the Ellis Property. The Trustee is currently investigating Heatley's
18 asserted interest in the Ellis Property and has requested evidence from Heatley explaining the
19 consideration the Debtor received in exchange for the 11.5% interest in the Ellis Property provided
20 to Heatley. To date, Heatley has not provided satisfactory evidence of consideration received by the
21 Debtor, and the Trustee anticipates filing an adversary proceeding against Heatley to avoid and
22 recover the transfer of this 11.5% interest in Ellis as a fraudulent transfer.

23 f. Appeal from Order Appointing Receiver.

24 The appeal pending in the United States Bankruptcy Appellate Panel of the Ninth Circuit
25 styled *The Zuercher Trust of 1999, et al. v. Peter S. Kravitz, Chapter 11 Trustee*, United States
26 Bankruptcy Appellate Panel of the Ninth Circuit, Case No. 14-1372, is an appeal from the Order
27 Appointing David Stapleton as receiver for the Mission Property and the MLKJ Property; and
28 Issuing Injunction in Aid of Receiver, entered in the Avoidance Action (the "**Receiver Appeal**").

1 The notice of the Receiver Appeal was filed on July 20, 2014. Briefing has been scheduled to
2 commence in mid-September 2014.

3 g. Appeal from Order Approving Bid Procedures Regarding Sale of the
4 Bayshore Property.

5 The appeal pending in the United States Bankruptcy Appellate Panel of the Ninth Circuit
6 styled *The Zuercher Trust of 1999, et al., v. Peter S. Kravitz, Chapter 11 Trustee*, United States
7 Bankruptcy Appellate Panel of the Ninth Circuit, Case No. to be determined, is an appeal from the
8 Order Approving Sale Procedures and Overbid Protections in Connection with the Sale of the
9 Bayshore Property Free and Clear of All Liens, Claims, Encumbrances and Interests and Scheduling
10 an Auction for and Hearing to Approve the Sale (“**Bayshore Property Sale Appeal**”). The
11 Bayshore Property Sale Appeal was filed September 3, 2014. The order appealed from is an
12 interlocutory order approving the auction bid procedures, and setting a hearing date on the Trustee’s
13 Motion to Sell the Bayshore Property. The Trustee believes the Ninth Circuit Bankruptcy Appellate
14 Panel will refuse to consider the appeal on the grounds that the order is non-appealable.

15 h. Anticipated Avoidance Action Against Monica Hujazi and Bay Cities
16 Properties.

17 As discussed above, the Trustee intends to file an avoidance action against Bay Cities
18 Properties and Monica Hujazi seeking to avoid and recover for the benefit of the estate the
19 fraudulent transfer of the Debtor’s interest in the Filbert Property and any post-petition unauthorized
20 use of rental incomes.

21 **III. SUMMARY OF THE PLAN OF REORGANIZATION**

22 **A. What Creditors Will Receive Under the Proposed Plan**

23 As required by the Bankruptcy Code, the Plan classifies claims and interests in various
24 classes according to their right to priority. The Plan states whether each class of claims or interests
25 is impaired or unimpaired. The Plan provides the treatment each class will receive.

26 **1. Unclassified Claims**

27 Certain types of claims are not placed into voting classes; instead they are Unclassified
28 Claims. They are not considered Impaired, and the Holders of Unclassified Claims do not vote on

1 the Plan because they are automatically entitled to specific treatment provided for them in the
 2 Bankruptcy Code. As such, the Proponent has not placed the following claims in a class:

3 a. Administrative Expenses.

4 Administrative expenses are claims for costs or expenses of administering the Debtor’s
 5 Chapter 11 case which are allowed under Code section 507(a)(2). The Bankruptcy Code requires
 6 that all administrative claims be paid on the Effective Date of the Plan, unless a particular claimant
 7 agrees to a different treatment. The following chart lists all of the Debtor’s 11 U.S.C. § 507(a)(2)
 8 administrative claims and their treatment under the Plan:

Name	Amount Owed	Treatment
Ezra Brutzkus Gubner LLP (“EBG”) – Counsel for the Trustee.	\$1,390,000 ⁷	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; or (b) date of entry of order of the Bankruptcy Court approving the Final Fee Application of the claimant.
Grobstein Teeple Financial Advisory Services, LLP (“GTFAS”) – Trustee’s Financial Advisors	\$125,000 ⁸	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; or (b) date of entry of order of the Bankruptcy Court approving the Final Fee Application of the claimant.
Office of the United States Trustee	\$0 (estimated)	Paid in full on the Effective Date.
Clerk’s Office Fees	\$0	Paid in full on the Effective Date.

25 ⁷ This is merely an estimate of the amount remaining unpaid as of the Effective Date and does not represent the total fees
 26 and costs incurred by EBG in the Case. The amounts actually due EBG may be more or less.

27 ⁸ This is merely an estimate of the amount remaining unpaid as of the Effective Date and does not represent the total fees
 28 and costs incurred by GTFAS in the Case. The amounts actually due GTFAS may be more or less.

1	Trustee	\$136,000– 460,000 (11 U.S.C. §326(a) calculation) ⁹	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; or (b) date of entry of order of the Bankruptcy Court approving the Final Fee Application of the claimant.
2			
3			
4			
5	Coleman Frost – Counsel for the Debtor.	\$207,442.35	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; or (b) date of entry of order of the Bankruptcy Court approving the Final Fee Application of the claimant.
6			
7			
8			
9	Miller Kaplan Arase LLP (“MKA”) – Tax Accountants for the Trustee	\$11,000.00 ¹⁰	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; or (b) date of entry of order of the Bankruptcy Court approving the Final Fee Application of the claimant.
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12			
13	Win Win Alexander Union, LLC	\$50,000 ¹¹	Paid in full on the Effective Date.
14	TOTAL	\$1,919,442.35 -\$2,243,442.35	

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16 Bankruptcy Court Approval of Fees Required:

17 The Bankruptcy Court must rule on all Professional Fees listed in this chart before the fees
18 will be owed. Win Win, the Clerk’s Office fees and U.S. Trustee’s fees are not Professional Fees

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21 ⁹ This is merely an estimate of the amount remaining unpaid as of the Effective Date and does not represent the total fees and costs incurred by the Trustee in the Case. The Trustee will calculate his fees pursuant to 11 U.S.C. §326(a) and will agree that his fees shall not exceed the amount he would receive if his fees were calculated on an hourly basis. The Trustee’s compensation is dependent on the total “monies disbursed or turned over” in the Case to the parties in interest including the Liquidating Trust. It is anticipated that total distributions in this Case will range from \$3,762,442 to \$14,807,000 depending upon the outcome of certain pending Litigation Claims and the sale price of the Bayshore Property.

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25 ¹⁰ This is merely an estimate of the amount remaining unpaid as of the Effective Date and does not represent the total fees and costs incurred by MKA in the Case. The amounts actually due MKA may be more or less.

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27 ¹¹ According to the Alexandria and Union Sale Order, the \$1.2 million in administrative claims of Win Win Alexandria Union LLC were limited to no more than \$50,000. The Alexandria and Union Sale Order is currently on appeal by Debtor. In the event the appeal reverses the Alexandria and Union Sale Order, the \$50,000 administrative claim will revert to the original \$1.2 million administrative claim.

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1 and do not require Bankruptcy Court Approval. Coleman Frost has already obtained Bankruptcy
2 Court approval of its fees and costs and holds an Allowed Administrative Claim in the amount set
3 forth in the chart.

4 Each Holder of a Professional Fee Claim seeking an award by the Bankruptcy Court of
5 compensation for services rendered or reimbursement of expenses incurred through and including
6 the Effective Date must (i) file its Final Fee Application for allowance of compensation for services
7 rendered and reimbursement of expenses incurred through the Effective Date by no later than the
8 thirtieth (30th) day following the Effective Date. Any objection to such Professionals Fee Claim
9 shall be filed on or before the date specified in the Final Fee Applications. All requests for payment
10 of such Professional Fee Claims will be subject to the authorization and approval of the Bankruptcy
11 Court.

12 **Persons holding Professional Fee Claims who do not timely File and serve a Final Fee**
13 **Application will be forever barred from asserting those Claims against the Debtor, the Estate,**
14 **the Liquidating Trustee, or the property of the Liquidating Trust.**

15 The Liquidating Trust will need to pay one hundred percent (100%) of Allowed
16 Administrative Claims on or as soon as reasonably practicable after the Effective Date of the Plan,
17 unless the claimant has agreed to be paid or the Bankruptcy Court has not yet ruled on the Claim.
18 As indicated elsewhere in this Disclosure Statement, there will be assets with a value of
19 approximately \$12.5 million (\$1.5 million of Cash on the Effective Date of the Plan and Causes of
20 Action valued at approximately \$11 million) that will be transferred into the Liquidating Trust. On
21 the Effective Date, the Allowed Administrative Claims of Win Win, the Clerk's Office fees, U.S.
22 Trustee's fees and Coleman Frost must be paid. There will be sufficient funds to satisfy these
23 Effective Date payments.

24 To the extent sufficient Cash is not available to satisfy Allowed Professional Fee Claims,
25 EBG, GTFAS, MKA and the Trustee will agree to share the available Cash on a Pro Rata basis on
26 the later of the Effective Date or entry of an order from the Bankruptcy Court allowing their
27 Professional Fee Claims, and receive full satisfaction of their Allowed Professional Fee Claims when
28 Cash becomes available.

b. Priority Tax Claims.

Priority Tax Claims include certain unsecured income, employment and other taxes described by § 507(a)(8) of the Bankruptcy Code. The Bankruptcy Code requires that each Holder of a Priority Tax Claim receive the present value of such Claim in regular installment payments in Cash (i) of a total value, as of the Effective Date of the Plan, equal to the allowed amount of such Claim; (ii) over a period ending not later than five (5) years after the Petition Date; and (iii) in a manner not less favorable than the most favored non-priority Unsecured Claim provided for under the Plan. The Trustee does not believe that the Debtor has any Priority Tax Claims. If Priority Tax Claims are found to exist, they will be provided the treatment set forth in 11 U.S.C. § 1129(a)(9)(C).

2. Classified Claims and Interests

The Plan classifies Claims and Interests—except for Administrative Claims and Priority Tax Claims, which are not classified. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest falls within the Class description. To the extent that part of the Claim or Interest falls within a different Class description, the Claim or Interest is classified in that different Class. The following table summarizes the Classes of Claims and Interests under the Plan:

Class	Description	Treatment	Entitled to Vote	Estimated Recovery
1	Other Priority Claims	Unimpaired.	No (deemed to accept)	100%
2 [Contingent Class – only exists if the Alexandria and Union Sale Order overturned on appeal.]	Secured Tax Claim – Los Angeles County Treasurer and Tax Collector	Unimpaired.	No (deemed to accept)	100%
3	Secured Tax Claim – City and County of San Francisco	Unimpaired.	No (deemed to accept)	100%
4	Secured Claim – Sequoia Mortgage Capital, Inc.	Unimpaired.	No (deemed to accept)	100%

1 2 3 4 5 6 7 8 9 10 11	5 [Contingent Class – only exists if the Alexandria and Union Sale Order overturned on appeal.]	Secured Claim – Win Win Alexandria Union, LLC	Unimpaired. Win Win Alexandria Union LLC held secured claims totaling approximately \$15.1 million which were paid in part through the sale of the Alexandria and Union Properties as approved by the Alexandria and Union Sale Order. The Alexandria and Union Sale Order is currently on appeal by Debtor. If the Alexandria and Union Sale Order is upheld on appeal, Win Win Alexandria Union LLC’s secured claim remains \$0, if the Alexandria and Union Sale Order is reversed on appeal, than the secured claim reverts to the original \$15.1 million (\$8 million against Alexandria and \$7.1 million against Union).	No (deemed to accept)	Will retain all rights and remedies If and only if, the Alexandria and Union Sale Order is overturned on appeal, Win Win will hold a secured claim and a very large Deficiency Claim which will be treated in Class 6.
12 13 14	6	General Unsecured Claims	Impaired. Each Holder of a General Unsecured Claim will receive its pro rata share of the Liquidating Trust Assets.	Yes	33% - 60%
15 16	7	Interests in the Debtor	Impaired. All interests are to be cancelled and receive no distribution.	Yes (deemed to reject the Plan)	0

As set forth above, Classes 1-5 are Unimpaired by the Plan, and Holders of Claims in Classes 1-5 are conclusively presumed to have accepted the Plan. Class 6 will receive Distributions under the Plan but is Impaired by the Plan; accordingly, Holders of Allowed Claims in Class 6 shall be entitled to vote to accept or reject the Plan. Holders of Interests in Class 7 will neither retain nor receive any property under the Plan and, as such are Impaired and are deemed to reject the Plan.

The treatment in the Plan is in full and complete satisfaction of the legal, contractual, and equitable rights that each entity holding an Allowed Claim or an Allowed Interest may have in or against the Estate or its property. This treatment set forth in the Plan supersedes and replaces any agreements or rights those entities have in or against the Debtor or its property. All Distributions under the Plan will be tendered to the Person holding the Allowed Claim. **EXCEPT AS SPECIFICALLY SET FORTH IN THE PLAN, NO DISTRIBUTIONS WILL BE MADE AND NO RIGHTS WILL BE RETAINED ON ACCOUNT OF ANY CLAIM THAT IS NOT**

1 **AN ALLOWED CLAIM.**

2 a. Classes of Priority Unsecured Claims

3 Certain priority claims that are referred to in Bankruptcy Code §§ 507(a)(3), (4), (5), (6), and
 4 (7) are required to be placed in classes. These claims are entitled to priority treatment as follows: the
 5 Bankruptcy Code requires that each Holder of such a claim receive cash on the Effective Date equal
 6 to the allowed amount of such Claim. However, a Class of unsecured priority Claim Holders may
 7 vote to accept deferred cash payments of a value, as of the Effective Date, equal to the allowed
 8 amount of such claims. The Trustee believes that no priority unsecured claims exist at this time, but
 9 provides the following treatment for such claims:

Class #	DESCRIPTION	INSIDER	IMPAIRED	TREATMENT
1	The Trustee does not believe any Bankruptcy Code §§ 507(a) (3), (4), (5), (6), and (7) Claims exist.	No	No Claims in this Class are not entitled to vote on the Plan.	Except to the extent that a Holder of an Allowed Class 1 Claim against the Debtor has agreed to a different treatment of such Claim, each such Holder shall receive, in full satisfaction of such Claim, Cash in an amount equal to such Claim, on or as soon as reasonably practicable after the latest of (i) the Effective Date, (ii) the date such Claim becomes Allowed or (iii) the date for payment provided by any agreement or understanding between the Liquidating Trustee and the Holder of such Claim.

17 b. Classes of Secured Claims.

18 Secured Claims are Claims secured by liens on property of the estate. The Trustee and
 19 Liquidating Trustee reserve all rights to dispute the amount, validity, and/or priority of all Secured
 20 Claims asserted against the Debtor and property of the Debtor's Estate, which rights are reserved and
 21 preserved for, by and on behalf of the Liquidating Trust. The following chart lists all classes
 22 containing Debtor's secured claims and their treatment under the Plan:

CLASS #	DESCRIPTION	INSIDE R (Y/N)	IMPAIRED (Y/N)	TREATMENT
2 Contingent Class. This Class will only exist if the Alexandria and Union	Allowed Secured Tax Claims Claimant: Los Angeles County Treasurer and Tax Collector Priority of security	Not an Insider	N This Class is Unimpaired This Class is not entitled to vote on the Plan.	On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Secured Tax Claim shall receive, at the option of the Liquidating Trustee, (i) such treatment that leaves unaltered the legal, equitable and contractual rights to which the Holder of such Allowed Secured Tax Claim is entitled; (ii) such other distribution as necessary to satisfy the

1	Sale Order is overturned on appeal	int.=1 st position Collateral = Union Property Collateral value = The Trustee believes the value of the Union Property is approximately \$2,700,000 Principal owed = \$31,933.31 as of January 8, 2013.			requirements of the Bankruptcy Code; or (iii) as agreed by the Holder of any particular Claims within this Class. The Trustee and Liquidating Trustee specifically reserve the right to challenge the validity, nature and perfection of, and to avoid pursuant to the provisions of the Bankruptcy Code and other applicable law, any purported liens relating to the Secured Tax Claims.
2	3	Allowed Secured Tax Claims Claimant: City and County of San Francisco Priority of security int.=1 st position Collateral description = Bayshore Property Collateral value = According to the Debtor's Schedules, the Bayshore Property has a value of \$3,500,000. The Trustee believes the Bayshore Property has a value of between \$3,000,000 - \$3,500,000. Principal owed = 0 Trustee believes this tax claim was fully satisfied on June 30, 2012. Claimant has filed a proof of claim for \$2,290.20.	Not an Insider	N This Class is Unimpaired This Class is not entitled to vote on the Plan	On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Secured Tax Claim shall receive, at the option of the Liquidating Trustee, (i) such treatment that leaves unaltered the legal, equitable and contractual rights to which the Holder of such Allowed Secured Tax Claim is entitled; (ii) such other distribution as necessary to satisfy the requirements of the Bankruptcy Code; or (iii) as agreed by the Holder of any particular Claims within this Class. Allowed Class 3 Claims will be paid from the Net Proceeds generated from the disposition of the Collateral securing the Allowed Secured Tax Claim. The Trustee and Liquidating Trustee specifically reserve the right to challenge the validity, nature and perfection of, and to avoid pursuant to the provisions of the Bankruptcy Code and other applicable law, any purported liens relating to the Secured Tax Claims.
3	4	Allowed Secured Claim of Sequoia Mortgage Capital, Inc. Collateral description =	Not an Insider	N This Class is Unimpaired This Class is not entitled	On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Secured Class 4 Claim shall receive, at the option of the Liquidating Trustee, (i) such treatment that leaves unaltered the legal, equitable and contractual rights to which the Holder of

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	<p>Bayshore Property</p> <p>Collateral value = approximately \$3,000,000 - \$3,500,000</p> <p>Priority of security int.= 2nd position on Bayshore Property</p> <p>Principal owed = \$1,235,000</p> <p>Total claim amount = Approximately \$1,235,000</p>		<p>to vote on the Plan.</p>	<p>such Allowed Secured Class 4 Claim is entitled; (ii) such other distribution as necessary to satisfy the requirements of the Bankruptcy Code; or (iii) as agreed by the Holder of any particular Claims within this Class.</p> <p>When the Bayshore Property is sold, Allowed Class 4 Claims will be paid from the Net Proceeds generated from the disposition of the Collateral securing the Allowed Class 4 Secured Claim.</p> <p>The Trustee and Liquidating Trustee specifically reserve the right to challenge the validity, nature and perfection of, and to avoid pursuant to the provisions of the Bankruptcy Code and other applicable law, any purported liens relating to the Class 4 Claims.</p>
<p>5</p> <p>Contingent Class.</p> <p>This Class will only exist if the Alexandria and Union Sale Order is overturned on appeal.</p> <p>The Trustee does not believe that the appeal of the Alexandria and Union Sale Order will be successful.</p>	<p>Allowed Secured Claim of Win Win Alexandria Union LLC</p> <p>Collateral description = Alexandria Property and Union Property.</p> <p>Collateral value = The Trustee believes the value of the Alexandria Property is \$4,500,000 and that the Union Property has a value of \$2,700,000.</p> <p>The Debtor's Schedules indicate a value of \$10,800,000 for the Union Property and \$9,700,000 for the Alexandria Property</p> <p>Priority of security int. = 1st with respect to Union Property and 1st with respect to Alexandria</p>	<p>Not an Insider</p>	<p>N</p> <p>This Class is Unimpaired</p> <p>This Class is not entitled to vote on the Plan.</p>	<p>Win Win Alexandria Union LLC is not currently an Allowed Secured Creditor. If and only if the Alexandria and Union Sale Order is overturned on appeal, then this Claim will be treated as follows: on or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Secured Class 5 Claim shall receive, at the option of the Liquidating Trustee, (i) such treatment that leaves unaltered the legal, equitable and contractual rights to which the Holder of such Allowed Secured Class 5 Claim is entitled; (ii) such other distribution as necessary to satisfy the requirements of the Bankruptcy Code; or (iii) as agreed by the Holder of any particular Claims within this Class.</p> <p>If and only if the Alexandria and Union Sale Order is reversed on appeal, then the Liquidating Trustee will seek the immediate sale of the Alexandria Property and Union Property.</p> <p>Allowed Class 5 Claims shall be paid from the Net Proceeds generated from the disposition of the Collateral securing the Allowed Class 5 Claims. Any Deficiency Claim held by the Class 5 Claimant shall be treated in Class 6.</p> <p>The Allowed Class 5 Claimant has credit bid the secured portion of its claim with respect to the Bankruptcy Court approved sale of the Alexandria Property and the Union Property and currently holds a</p>

1	Property.			general unsecured claim in the amount of
2	Total claim amount			\$5,200,000, pursuant to the terms of the
3	= \$13,037,914.64			Alexandria and Union Sale Order.

4 c. Class of General Unsecured Claims.

5 General Unsecured Claims are unsecured claims not entitled to priority under Bankruptcy
6 Code § 507(a). The Plan preserves all rights of the Liquidating Trustee to dispute and file objections
7 relating to any and all General Unsecured Claims as set forth herein and in the Liquidating Trust
8 Agreement. The following chart identifies the Plan’s treatment of the class containing Debtor’s
9 General Unsecured Claims:

10 CLASS #	DESCRIPTION	IMPAIRED	TREATMENT
11 6	12 General Unsecured Claims 13 Amount of Claims: 14 approximately \$15.7 million – 15 \$29 million. 16 The Trustee believes Allowed 17 Claims will be closer to \$15.7 18 million once the claims 19 objections process is complete.	20 This Class is 21 Impaired. 22 Claims in this 23 Class are 24 entitled to vote 25 on the Plan.	26 Distributions to the Holders of Allowed Class 27 6 General Unsecured Claims will be made by 28 the Liquidating Trustee as follows: 29 Upon the resolution of all Claims and 30 litigation, liquidation of all Liquidating Trust 31 Assets and the satisfaction of all senior classes 32 of creditors, the Liquidating Trustee shall 33 distribute all Cash remaining in the Liquidating 34 Trust by making a Pro Rata Distribution to the 35 Holders of Allowed Class 6 General 36 Unsecured Claims. 37 It is anticipated that Allowed Class 6 General 38 Unsecured Claimants will receive a 39 Distribution equal to 33% to 60% of their 40 Allowed Claim. This anticipated Distribution 41 is dependent upon the actual liquidation value 42 of the Liquidating Trust Assets and the total 43 amount of Allowed Class 6 Claims.

44 d. Classes of Interest Holders.

45 Interest Holders are the parties who hold ownership (i.e., equity interest) in the Debtor. The
46 following chart identifies the Plan’s treatment of the class of Interest Holders:

47 CLASS #	DESCRIPTION	IMPAIRED	TREATMENT
48 7	49 All Interests in Debtor	50 This Class is 51 impaired. 52 The Class is 53 deemed to 54 reject the Plan.	55 On the Effective Date the Interests held by 56 Allowed Interest Holders shall be deemed 57 cancelled and receive no distribution under the 58 Plan.

1 **3. Means of Effectuating The Plan**

2 a. Funding For The Plan

3 On the Effective Date, the Liquidating Trust Assets shall be transferred to the Liquidating
4 Trust. To the extent necessary and subject to the authority set forth in the Liquidating Trust
5 Agreement, the Liquidating Trustee may seek to fund the administration of the Liquidating Trust
6 Assets by way of, without limitation, (i) Cash on hand, (ii) collection of funds owing to the Debtor
7 or the Estate, (iii) Net Proceeds from the liquidation of Liquidating Trust Assets, and, (iv) recoveries
8 on Litigation Claims vested in the Liquidating Trust pursuant to the Plan.

9 b. Dissolution Of The Debtor

10 On the Effective Date, the Debtor shall be deemed dissolved for all purposes without the
11 necessity for any other or further actions to be taken by or on behalf of the Debtor or payments to be
12 made in connection therewith.

13 c. The Liquidating Trust

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

1 Liquidating Trust Agreement, the terms of the Liquidating Trust Agreement shall control.

2 d. The Liquidating Trustee

3 The Liquidating Trustee shall administer the Liquidating Trust pursuant to the Plan and the
4 Liquidating Trust Agreement, and shall perform all of the obligations of the Liquidating Trustee
5 under the Plan and the Liquidating Trust Agreement. The Liquidating Trustee shall be the
6 authorized representative of the Liquidating Trust. The Liquidating Trustee shall serve without bond
7 for the duration of the Liquidating Trust, subject to earlier death, resignation, incapacity or removal
8 as provided herein and in the Liquidating Trust Agreement.

9 (i) **Selection of the Liquidating Trustee**

10 Counsel for the Trustee polled the scheduled and/or filed undisputed claimants with the
11 exception of the municipality creditors which are small in number and amount in this Bankruptcy
12 Case¹² regarding the selection of an Entity to serve as the Liquidating Trustee. These creditors were
13 provided with the names and credentials of the following potential Persons to serve in the capacity of
14 the Liquidating Trustee: (1) Peter S. Kravitz; (2) R. Todd Neilson; and (3) Alfred H. Siegel. Each
15 one of the creditors polled selected Peter S. Kravitz to serve as the Liquidating Trustee. All the
16 creditors indicated that the unique nature of this case would require the retention of Peter Kravitz.

17 (ii) **Appointment**

18 The appointment of the Liquidating Trustee shall be effective as of the Effective Date.
19 Successor Liquidating Trustee(s) shall be appointed as set forth in the Liquidating Trust Agreement.
20 Peter S. Kravitz shall be appointed as the Liquidating Trustee.

21 (iii) **Term**

22 Unless the Liquidating Trustee resigns or dies earlier, the Liquidating Trustee's term shall
23 expire upon termination of the Liquidating Trust pursuant to the Plan and/or the Liquidating Trust
24 Agreement.

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27 ¹² The Petitioning Creditor's in Monica Hujazi's Pending Involuntary case were not polled even though they filed claims
28 in this Estate.

1 (iv) **Powers and Duties**

2 The Liquidating Trustee shall have the rights and powers set forth in the Liquidating Trust
3 Agreement including, but not limited to, the powers of a debtor-in-possession under Bankruptcy
4 Code §§ 1107 and 1108. The Liquidating Trustee's actions shall be governed by the terms of the
5 Liquidating Trust Agreement and the Plan. The Liquidating Trustee shall administer the Liquidating
6 Trust, and its assets, and make Distributions from the proceeds of the Liquidating Trust in
7 accordance with the Plan. In addition, the Liquidating Trustee shall, in accordance with the terms of
8 the Plan and the Liquidating Trust Agreement, take all actions necessary to wind down the affairs of
9 the Debtor consistent with the Plan and applicable non-bankruptcy law. Without limitation, the
10 Liquidating Trustee shall file final federal, state, foreign and, to the extent applicable, local, tax
11 returns. Subject to the terms of the Liquidating Trust Agreement, the Liquidating Trustee shall be
12 authorized, empowered and directed to take all actions the Liquidating Trustee determines are
13 necessary to comply with the Plan and exercise and fulfill the duties and obligations arising
14 thereunder, including, without limitation, to:

- 15 (1) object to the allowance of Claims;
- 16 (2) open, maintain and administer bank accounts as necessary to discharge the
17 duties of the Liquidating Trustee under the Plan and the Liquidating Trust Agreement;
- 18 (3) pay reasonable and necessary professional fees, costs, and expenses as set
19 forth in the Plan;
- 20 (4) investigate, analyze, commence, prosecute, litigate, compromise, and
21 otherwise administer the Litigation Claims and all related Liens for the benefit of the Liquidating
22 Trust and its Beneficiaries, and take all other necessary and appropriate steps to collect, recover,
23 settle, liquidate, or otherwise reduce to Cash the Litigation Claims, including all receivables, and to
24 negotiate and effect settlements and lien releases with respect to all related Claims and all related
25 Liens;
- 26 (5) administer, sell, liquidate, or otherwise dispose of all Collateral and all other
27 Assets of the Estate in accordance with the terms of the Plan and the Liquidating Trust Agreement;

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1 (6) represent the Estate and the Liquidating Trust before the Bankruptcy Court
2 and other courts of competent jurisdiction with respect to matters concerning the Liquidating Trust;

3 (7) seek the examination of any entity under and subject to the provisions of
4 Bankruptcy Rule 2004;

5 (8) comply with applicable orders of the Bankruptcy Court and any other court of
6 competent jurisdiction over the matters set forth herein;

7 (9) comply with all applicable laws and regulations concerning the matters set
8 forth herein;

9 (10) exercise such other powers as may be vested in the Liquidating Trust pursuant
10 to the Liquidating Trust Agreement, the Plan, or other Final Orders of the Bankruptcy Court; and

11 (11) execute any documents, instruments, contracts, and agreements reasonably
12 necessary and appropriate to carry out the powers and duties of the Liquidating Trust.

13 (v) **Fees and Expenses**

14 Except as otherwise provided in the Plan, compensation of the Liquidating Trustee and the
15 costs and expenses of the Liquidating Trustee and the Liquidating Trust (including, without
16 limitation, professional fees and expenses) shall be paid from the Liquidating Trust. The Liquidating
17 Trustee shall pay, without further order, notice, or application to the Bankruptcy Court, the
18 reasonable fees and expenses of professionals employed by the Liquidating Trust (“**Liquidating**
19 **Trust Professionals**”), as necessary to discharge the Liquidating Trustee’s duties under the Plan and
20 the Liquidating Trust Agreement. Payments to the Liquidating Trustee, or to the Liquidating Trust
21 Professionals, shall not require notice to any party, or an order of the Bankruptcy Court approving
22 such payments.

23 After the Effective Date, the Liquidating Trustee shall receive: (i) compensation on an
24 hourly basis at the hourly rate of \$500; and, (ii) reimbursement for actual and necessary costs for
25 services rendered as the Liquidating Trustee.

26 (vi) **Retention of Professionals and Compensation Procedure**

27 On and after the Effective Date, subject to the terms of the Liquidating Trust Agreement, the
28 Liquidating Trustee may engage such professionals and experts as may be deemed necessary and

1 appropriate by the Liquidating Trustee to assist the Liquidating Trustee in carrying out the
2 provisions of the Plan and the Liquidating Trust Agreement, including, but not limited to,
3 professionals retained prior to the Effective Date by the Trustee. Subject to the terms of the
4 Liquidating Trust Agreement, for services performed from and after the Effective Date, Liquidating
5 Trust Professionals shall receive compensation and reimbursement of expenses in a manner to be
6 determined reasonable by the Liquidating Trustee.

7 (vii) **Compromising Claims**

8 As of the Effective Date, the Liquidating Trustee is authorized to approve compromises of
9 the Causes of Action and all Claims, Disputed Claims, and Liens and to execute necessary
10 documents, including Lien releases and stipulations of settlement or release, without notice to any
11 party and without further order of the Bankruptcy Court.

12 (viii) **Investment Powers**

13 The powers of the Liquidating Trustee to invest any Cash that is held by the Liquidating
14 Trust, other than those powers reasonably necessary to maintain the value of the assets and to further
15 the Liquidating Trust's liquidating purposes, shall be limited to powers to invest in demand and time
16 deposits, such as short-term certificates of deposit, in banks or other savings institutions, or other
17 temporary liquid investments, such as treasury bills. The Liquidating Trustee is prohibited from
18 continuing or engaging in the conduct of a trade or business, except to the extent reasonably
19 necessary to and consistent with the liquidating purpose of the Liquidating Trust.

20 (ix) **Vesting of Assets**

21 On the Effective Date, all of the Liquidating Trust Assets shall automatically vest in the
22 Liquidating Trust free and clear of all Liens, Claims, encumbrances, and other interests and shall
23 thereafter be administered, liquidated by sale, collection, recovery, or other disposition and
24 distributed by the Liquidating Trust in accordance with the terms of the Liquidating Trust
25 Agreement.

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1 (x) **Disbursing Agent**

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

5 e. Distributions

6 (i) **Manner of Cash Payments Under the Plan**

7 Except as otherwise provided herein, Cash payments made pursuant to the Plan shall be in
8 United States dollars by checks drawn on a domestic bank or by wire transfer from a domestic bank,
9 at the option of the Liquidating Trustee.

10 (ii) **Unclaimed Distributions**

11 Distributions to Holders of Allowed Claims will be made either: (a) to the addresses set forth
12 in the Proof of Claim filed by the Creditor; or (b) to the address set forth in any written notice of
13 address change delivered to the Trustee or Liquidating Trustee after the date on which any related
14 Proof of Claim was filed; or (c) to the address reflected in the Schedules relating to the applicable
15 Allowed Claim if no Proof of Claim has been filed by the Creditor and neither the Trustee nor the
16 Liquidating Trustee have received a written notice of a change of address.

17 The Liquidating Trustee shall not be required to perform any investigation or inquiry as to
18 the proper address for such Creditor and may rely on the address stated in any Proof of Claim filed
19 by the Creditor, written notice of change of address filed by the Creditor, or the Schedules if the
20 Creditor has not filed a Proof of Claim.

21 Any Unclaimed Distribution provided for under the Plan will be retained by the Liquidating
22 Trust. Following the earlier to occur of: (a) one year after a Distribution becomes an Unclaimed
23 Distribution, or (b) ninety (90) days after the making of the final Distribution under the Plan, such
24 Unclaimed Distribution will become property of the Liquidating Trust, free and clear of any
25 restrictions thereon, and the Holders of Allowed Claims otherwise entitled to such Unclaimed
26 Distributions will cease to be entitled thereto and their Claims based thereon will be deemed
27 discharged, waived, and forever barred.

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1 (iii) **Compliance with Tax Requirements**

2 The Disbursing Agent may withhold and pay to the appropriate taxing authority all amounts
3 required to be withheld pursuant to the Tax Code or any provision of any foreign, state or local tax
4 law with respect to any payment or Distribution on account of Claims. All such amounts withheld
5 and paid to the appropriate taxing authority shall be treated as amounts distributed to such Holders of
6 the Claims. The Disbursing Agent shall be authorized to collect such tax information from the
7 Holders of Claims (including social security numbers or other tax identification numbers) as it in its
8 sole discretion deems necessary to effectuate the Plan. In order to receive Distributions under the
9 Plan, all Holders of Claims will need to identify themselves to the Disbursing Agent and provide all
10 tax information the Disbursing Agent deems appropriate (including completing the appropriate Form
11 W-8 or Form W-9, as applicable to each Holder). The Disbursing Agent may refuse to make a
12 Distribution to any Holder of a Claim that fails to furnish such information within the time period
13 specified by the Disbursing Agent and such Distribution shall be deemed an Unclaimed Distribution
14 under the Plan, and, *provided further* that, if the Disbursing Agent fails to withhold amounts
15 received or distributable with respect to any such Holder and the Disbursing Agent is later held
16 liable for failing to withhold, such Holder shall reimburse the Disbursing Agent for such liability.

17 (iv) **Interest on Claims**

18 Except as specifically provided for in the Plan or the Confirmation Order or required by the
19 Bankruptcy Code, interest shall not accrue on Claims and no Holder of a Claim shall be entitled to
20 interest on any Claim accruing on or after the Petition Date. Interest shall not accrue on any General
21 Unsecured Claim that is a Disputed Claim in respect of the period from the Effective Date to the date
22 a final Distribution is made thereon if and after that Disputed Claim becomes an Allowed Claim.
23 Except as expressly provided herein or in a Final Order of the Bankruptcy Court, no prepetition
24 Claim shall be Allowed to the extent that it is for post-petition interest or similar charges.

25 (v) ***De Minimis* Distributions**

26 The Liquidating Trustee shall not be required to make a Distribution to any Creditor if the
27 dollar amount of the Distribution is less than \$50 or otherwise so small that the cost of making that
28 Distribution exceeds the dollar amount of such Distribution.

1 f. Sale Or Other Disposition Of Liquidating Trust Assets

2 Except as otherwise set forth herein or in the Liquidating Trust Agreement, after the
3 Effective Date, the Liquidating Trustee may use, acquire, sell or otherwise dispose of Liquidating
4 Trust Assets. The Liquidating Trustee shall have the authority to monetize, sell, liquidate or
5 otherwise dispose of all Liquidating Trust Assets without need to obtain approval from the
6 Bankruptcy Court or the United States Trustee. The Liquidating Trustee shall collect all monies
7 owed to the Liquidating Trust whether based on a contract or any other basis.

8 g. Investigation And Prosecution Of Claims

9 All Litigation Claims held by the Debtor and its Estate as of the Effective Date shall be, as a
10 matter of law, transferred free and clear of liens and Interests, Claims and encumbrances to the
11 Liquidating Trust as part of the Liquidating Trust Assets. The Liquidating Trustee shall have the
12 standing and authority to initiate, prosecute, compromise or otherwise resolve any and all Litigation
13 Claims.

14 The Liquidating Trustee shall have the duty to investigate all Litigation Claims and
15 determine which, if any, should be prosecuted for the benefit of the Liquidating Trust. All Litigation
16 Claims are preserved by the Plan, and the Liquidating Trustee shall have the authority to settle,
17 adjust, retain, enforce or abandon any Litigation Claim as the representative of the Debtor's Estate
18 under § 1123(b)(3)(B) of the Bankruptcy Code without supervision of, or need for approval by, the
19 Bankruptcy Court.

20 The Litigation Claims include but are not limited to the following:

- 21 a. Avoidance Action;
- 22 b. Bay Cities Litigation;
- 23 c. Win Win Appeal;
- 24 d. Anticipated avoidance action against Monica Hujazi and third parties, as
25 described in Section II. F.2.d;
- 26 e. Anticipated avoidance action against Heatley, as described in Section II. F.2.e,
27 above;
- 28 f. Receiver Appeal;

1 g. Bayshore Property Sale Appeal; and,
2 h. Anticipated avoidance against Monica Hujazi and Bay Cities Properties, as
3 described in Section F.2.h, above.

4 i. Possible Motion to have Ms. Hujazi deemed a vexatious litigant by the
5 Bankruptcy Court. In the Trustee's experience where actions are commenced and appeals are taken
6 without merit simply because the principal of the Debtor has been disposed, requiring leave of court
7 before initiating such actions will go far to reduce administrative expenses and the costs associated
8 with liquidating the Estate.

9 h. Bankruptcy Powers

10 The Liquidating Trust shall have, and the Debtor shall be deemed to have preserved,
11 transferred and assigned to the Liquidating Trust on the Effective Date, all of the rights, claims,
12 powers, objections, counterclaims, defenses, setoffs and actions of the Debtor and its Estate under
13 the Bankruptcy Code. After the Effective Date, all claims, rights and causes of action of the Debtor
14 and its Estate shall be filed and prosecuted in the name of the Liquidating Trust. The entry of a final
15 decree or order closing the Case shall not alter, impair, diminish or otherwise eliminate any Claim,
16 right or cause of action, or any counterclaim, defense or objection that existed prior to such final
17 decree or order closing the Case, and the Bankruptcy Court shall retain jurisdiction as set forth in
18 Section VI.E. of the Plan notwithstanding such final decree or closure of the Case.

19 i. No Action Against The Liquidating Trust Without Bankruptcy Court
20 Approval

21 On and after the Effective Date, no action or proceeding may be commenced or continued by
22 any entity in any court or other tribunal, other than the Bankruptcy Court, against the Liquidating
23 Trust, the Liquidating Trustee, or any of their directors, officers, shareholders, employees,
24 professionals, agents, members or representatives, without the prior approval of the Bankruptcy
25 Court in a final, non-appealable order. On and after the Effective Date, there shall be no act to
26 collect or recover from, or offset against, or to create, perfect or enforce any right, Claim, Interest or
27 remedy by any entity, against the Liquidating Trust, the Liquidating Trustee, Net Proceeds of the
28 Collateral or the Liquidating Trust Assets.

1 I. Indemnification Of The Liquidating Trustee

2 The Indemnified Persons shall be held harmless and shall not be liable for actions taken or
3 omitted in their capacity as, or on behalf of, the Liquidating Trustee, except those acts that are
4 determined by Final Order of the Bankruptcy Court to have arisen out of their own intentional fraud,
5 willful misconduct or gross negligence, and each shall be entitled to be indemnified, held harmless,
6 and reimbursed for fees and expenses including, without limitation, reasonable attorney's fees,
7 which such Persons and Entities may incur or may become subject to or in connection with any
8 action, suit, proceeding or investigation that is brought or threatened against such Persons or Entities
9 in respect of that Person's or Entity's or the Liquidating Trustee's actions or inactions regarding the
10 implementation or administration of the Plan, or the discharge of their duties hereunder, except for
11 any actions or inactions that are determined by Final Order of the Bankruptcy Court to have arisen
12 from intentional fraud, willful misconduct or gross negligence. Any Claim of the Indemnified
13 Persons to be indemnified held harmless, or reimbursed shall be satisfied from the Liquidating Trust
14 Assets, or any applicable insurance coverage.

15 4. Disputed Claims

16 a. Objections To Claims.

17 From and after the Effective Date, the Liquidating Trustee shall be entitled to file objections
18 to all Claims that are not Allowed by the Plan or a Final Order.

19 b. Estimation Of Claims.

20 The Liquidating Trustee may at any time request that the Bankruptcy Court estimate any
21 Disputed Claim pursuant to § 502(c) of the Bankruptcy Code, regardless of whether an objection
22 was previously filed with the Bankruptcy Court with respect to such Claim, or whether the
23 Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction
24 to estimate any Claim at any time during litigation concerning any objection to any Claim, including,
25 without limitation, during the pendency of any appeal relating to any such objection. In the event
26 that the Bankruptcy Court estimates any Disputed Claim, the amount so estimated shall constitute
27 either the allowed amount of such Claim or a maximum limitation on such Claim, as determined by
28 the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of

1 such Claim, the Liquidating Trustee may pursue supplementary proceedings to object to the
2 allowance of such Claim. All of the aforementioned objection, estimation and resolution procedures
3 are intended to be cumulative and not exclusive of one another. Except as provided in the Plan,
4 Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any
5 mechanism approved by the Bankruptcy Court.

6 c. Distributions Relating To Disputed Claims.

7 Notwithstanding any provision in the Plan to the contrary, except as otherwise agreed by the
8 Liquidating Trustee in its sole discretion, no partial payments and no partial distributions will be
9 made with respect to a Disputed Claim until the resolution of any such disputes by settlement or
10 Final Order. To the extent that a Disputed Claim becomes an Allowed Claim after the Effective
11 Date, a distribution shall be made to the holder of such Allowed Claim in accordance with the
12 provisions of the Plan. As soon as reasonably practicable after the date that the order or judgment of
13 the Bankruptcy Court allowing any Disputed Claim becomes a Final Order, the Disbursing Agent
14 shall provide to the Holder of such Claim, the Distribution to which such Holder is entitled under the
15 Plan.

16 d. Preservation Of Rights To Settle Claims.

17 In accordance with § 1123(b) of the Bankruptcy Code, the Liquidating Trustee shall retain
18 and may enforce, sue on, settle or compromise (or decline to do any of the foregoing) all Claims,
19 rights, causes of action, suits and proceedings, whether in law or in equity, whether known or
20 unknown, that the Debtor or the Estate may hold against any person or entity without the approval of
21 the Bankruptcy Court, subject to the terms of the Plan, the Confirmation Order and the Liquidating
22 Trust Agreement.

23 e. Disallowed Claims.

24 All Claims held by persons or entities against whom or which the Trustee has commenced a
25 proceeding asserting a cause of action under §§ 542, 543, 544, 545, 547, 548, 549 and/or 550 of the
26 Bankruptcy Code shall be deemed “disallowed” claims pursuant to § 502(d) of the Bankruptcy Code
27 and Holders of such Claims shall not be entitled to vote to accept or reject the Plan. Claims that are
28 deemed disallowed pursuant to this section shall continue to be disallowed for all purposes until the

1 **IV. OTHER PLAN PROVISIONS**

2 **A. Executory Contracts and Unexpired Leases.**

3 The Estate is a party to the following unexpired leases and contracts that will be assumed
4 pursuant to the Plan and will become Liquidating Trust Assets¹³:

5

CONTRACTING / LEASING PARTY	DESCRIPTION OF CONTRACT OR LEASE
6 Shun Lee Market	Lease agreement -- 2400 Bayshore Blvd., San Francisco (lease ended 2002, currently month to month)
7 Hawk Lee	2408 Bayshore Blvd., San Francisco (current option expires June 30, 2017, second five year option on lease remains)
8 Watts, Kevin	2420 Bayshore Blvd., #3, San Francisco (lease expired 2004, currently month to month)
9 Lara, Guadalupe	2420 Bayshore Blvd., #4, San Francisco (lease expires December 31, 2014)
10 Ramirez, Zuleima	2420 Bayshore Blvd., #5, San Francisco (lease expires December 31, 2014)
11 Guerra, Roberto	2420 Bayshore Blvd., #6, San Francisco (lease expires December 31, 2014)
12 Gordon, Billy	2420 Bayshore Blvd., #7, San Francisco (lease expires December 31, 2014)
13	Tenant owes a part or all rent for at least one month as of January 2014 but is working out payments with the Trustee
14 Davis-Hines, Jamilla	2420 Bayshore Blvd., #8, San Francisco (lease expires December 31, 2014)
15 Milan, Laura	2420 Bayshore Blvd., #9, San Francisco (lease expires December 31, 2014)
16 Sanders, Stephen	2420 Bayshore Blvd., #10, San Francisco (lease expires December 31, 2014)
17	Tenant working with Trustee on payment plan

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22

23
24 The Debtor, Estate and Trustee are conclusively deemed to have rejected all executory
25 contracts and/or unexpired leases not listed above and not previously assumed as of the Effective
26

27
28 ¹³ This list of unexpired leases and contracts assumes that the sale of the Bayshore Property does not close prior to the Effective Date. If the Bayshore Property sale closes before the Effective Date, all of these unexpired leases will be rejected.

1 Date.

2 **THE BAR DATE FOR FILING A PROOF OF CLAIM BASED ON A CLAIM**
3 **ARISING FROM THE REJECTION OF ANY EXECUTORY CONTRACT OR**
4 **UNEXPIRED LEASE WHICH IS REJECTED ON THE EFFECTIVE DATE SHALL BE**
5 **THIRTY (30) DAYS AFTER THE EFFECTIVE DATE.** Any claim based on the rejection of an
6 unexpired lease or executory contract will be barred if the proof of claim is not timely filed, unless
7 the Bankruptcy Court orders otherwise. Any Allowed Claim resulting from the rejection of an
8 unexpired lease or executory contract will be classified and treated as a Class 6 Allowed Claim.

9 **B. Injunction Enjoining Holders Of Claims Against Debtor, Liquidating Trustee**
10 **And Liquidating Trust.**

11 The Plan is the sole means for resolving, paying or otherwise dealing with Claims and
12 Interests. To that end, except as expressly provided in the Plan, at all times on and after the
13 Effective Date, all Persons who have been, are, or may be Holders of Claims against or Interests in
14 the Debtor or Estate arising prior to the Effective Date, shall be permanently enjoined from taking
15 any of the following actions, on account of any such Claim or Interest, against the Debtor, its Estate,
16 the Liquidating Trustee, the Liquidating Trust or its property (other than actions brought to enforce
17 any rights or obligations under the Plan and any adversary proceedings or contested matters pending
18 in the Case as of the Effective Date): (1) commencing, conducting or continuing in any manner,
19 directly or indirectly any suit, action, or other proceeding of any kind against the Debtor, its Estate,
20 the Liquidating Trust, their successors, or their respective property or assets; (2) enforcing, levying,
21 attaching, executing, collecting, or otherwise recovering by any manner or means whether directly or
22 indirectly any judgment, award, decree, or order against the Debtor, its Estate, the Liquidating
23 Trustee, Liquidating Trust, their successors, or their respective property or assets; (3) creating,
24 perfecting, or otherwise enforcing in any manner, directly or indirectly, any lien, security interest or
25 encumbrance against the Debtor, its Estate, the Reorganized Debtor, their successors, or their
26 respective property or assets; and (4) proceeding in any manner in any place whatsoever against the
27 Debtor, its Estate, the Liquidating Trust, their successors, or their respective property or assets, that
28 does not conform to or comply with the provisions of the Plan.

1 **C. Controlling Law.**

2 Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code
3 or Bankruptcy Rules), the laws of the State of California govern the Plan and any agreements,
4 documents, and instruments executed in connection with the Plan, except as otherwise provided in
5 the Plan.

6 **D. Retention Of Causes Of Action/Reservations Of Rights.**

7 Nothing contained in the Plan or in the Confirmation Order shall be deemed to be a waiver or
8 the relinquishment of any Litigation Claims. Nothing contained in the Plan or in the Confirmation
9 Order shall be deemed to be a waiver or relinquishment of any claim, cause of action, right of setoff
10 or other legal or equitable defense which the Debtor had immediately prior to the Petition Date,
11 against or with respect to any Claim left unimpaired by the Plan. The Liquidating Trustee shall
12 have, retain, reserve and be entitled to assert all such claims, causes of action, rights of setoff and
13 other legal or equitable defenses which the Debtor had immediately prior to the Petition Date fully as
14 if the Case had not been commenced, and all of the Debtor's legal and equitable rights respecting
15 any Claim left unimpaired by the Plan may be asserted after the Confirmation Date to the same
16 extent as if the Case had not been commenced.

17 **E. Retention Of Jurisdiction By Bankruptcy Court.**

18 Under Bankruptcy Code §§ 105(a) and 1142, and notwithstanding entry of the Confirmation
19 Order, substantial consummation of the Plan and occurrence of the Effective Date, the Bankruptcy
20 Court shall retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 11
21 Case and the Plan to the fullest extent permitted by law, including, among other things, jurisdiction
22 to:

23 (1) Allow, disallow, determine, liquidate, classify, estimate or establish the
24 priority or secured or unsecured status of any Claim or Interest, including the resolution of any
25 request for payment of any Administrative Claim, the resolution of any objections to the allowance
26 or priority of Claims or Interests and the determination of requests for the payment of Claims
27 entitled to priority under Bankruptcy Code § 507(a)(1), including compensation of any
28 reimbursement of expenses of parties entitled thereto;

1 (2) Hear and determine all applications for compensation and reimbursement of
2 expenses of Professionals under the Plan or under Bankruptcy Code §§ 330, 331, 503(b), 1103, and
3 1129(a)(4); provided, however, that from and after the Effective Date, the payment of the fees and
4 expenses of the retained Professionals of the Liquidating Trust and/or the Liquidating Trustee shall
5 be made in the ordinary course of business and shall not be subject to the approval of the Bankruptcy
6 Court;

7 (3) Hear and determine all matters with respect to the assumption or rejection of
8 any executory contract or unexpired lease to which the Debtor is a party or with respect to which the
9 Debtor may be liable, and to hear, determine and, if necessary, liquidate any Claims arising
10 therefrom;

11 (4) Effectuate performance of and payments under the provisions of the Plan;

12 (5) Hear and determine any and all adversary proceedings, motions, applications
13 and contested or litigated matters arising out of, under or related to the Case, the Plan or the
14 Liquidating Trust Agreement;

15 (6) Enter such orders as may be necessary or appropriate to execute, implement or
16 consummate the provisions of the Plan and all contracts, instruments, releases and other agreements
17 or documents created in connection with the Plan or the Confirmation Order;

18 (7) Hear and determine disputes arising in connection with the interpretation,
19 implementation, consummation or enforcement of the Plan, including disputes arising under
20 agreements, documents or instruments executed in connection with the Plan;

21 (8) Consider any modifications of the Plan, cure any defect or omission or
22 reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the
23 Confirmation Order;

24 (9) Issue injunctions, enter and implement other orders or take such other actions
25 as may be necessary or appropriate to restrain interference by any entity with implementation,
26 consummation, or enforcement of the Plan or the Confirmation Order;

27 (10) Enter and implement such orders as may be necessary or appropriate if the
28 Confirmation Order is for any reason reversed, stayed, revoked, modified or vacated;

1 (11) Hear and determine any matters arising in connection with or relating to the
2 Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other
3 agreement or document created in connection with the Plan, the Disclosure Statement or the
4 Confirmation Order;

5 (12) Enforce all orders, judgments, injunctions, releases, exculpations,
6 indemnifications and rulings entered in connection with the Chapter 11 Case;

7 (13) Except as otherwise limited herein, recover all Assets of the Debtor and
8 property of the Estate, wherever located;

9 (14) Hear and determine matters concerning state, local and federal taxes in
10 accordance with Bankruptcy Code §§ 346, 505 and 1146;

11 (15) Hear and determine the Causes of Action;

12 (16) Hear and determine all disputes involving the existence, nature or scope of the
13 injunctions, indemnification, exculpation and releases granted pursuant to the Plan;

14 (17) Hear and determine all matters related to (i) the property of the Estate from
15 and after the Confirmation Date, (ii) the winding up of the Debtor's affairs, and (iii) the activities of
16 the Liquidating Trust and/or the Liquidating Trustee, including (A) challenges to or approvals of the
17 Liquidating Trustee's activities, (B) resignation, incapacity or removal of the Liquidating Trustee
18 and successor Liquidating Trustees, (C) reporting by, termination of and accounting by the
19 Liquidating Trustee, and (D) release of the Liquidating Trustee from its duties;

20 (18) Hear and determine disputes with respect to compensation of the Liquidating
21 Trustee and the Liquidating Trust Professionals;

22 (19) Hear and determine all disputes involving the existence, nature and/or scope
23 of the injunctions and releases provided herein, including any dispute relating to any liability arising
24 out of any termination of employment or the termination of any employee or retiree benefit
25 provision, regardless of whether such termination occurred prior to or after the Effective Date;

26 (20) Hear and determine such other matters as may be provided in the
27 Confirmation Order or as may be authorized under, or not inconsistent with, provisions of the
28 Bankruptcy Code;

1 (21) Enforce all orders previously entered by the Bankruptcy Court; and,

2 (22) Enter a final decree closing the Case.

3 **F. Modification Of Plan**

4 The Plan may be amended, modified or supplemented by the Trustee in the manner provided
5 for by § 1127 of the Bankruptcy Code or as otherwise permitted by law without additional disclosure
6 pursuant to § 1125 of the Bankruptcy Code. In addition, after the Confirmation Date, the Trustee or
7 Liquidating Trustee may institute proceedings in the Bankruptcy Court to remedy any defect or
8 omission or reconcile any inconsistencies in the Plan or the Confirmation Order with respect to such
9 matters as may be necessary to carry out the purposes and effects of the Plan.

10 **G. Revocation Of Plan.**

11 The Trustee reserves the right to revoke or withdraw the Plan prior to the entry of the
12 Confirmation Order, and to file subsequent Chapter 11 plans. If the Trustee revokes or withdraws
13 the Plan or if entry of the Confirmation Order or the Effective Date does not occur, then: (1) the
14 Plan shall be null and void in all respects; (2) any settlement or compromise embodied in the Plan,
15 assumption or rejection of executory contracts effected by the Plan, and any document or agreement
16 executed pursuant hereto shall be deemed null and void; and (3) nothing contained in the Plan shall:
17 (a) constitute a waiver or release of any Claims by or against the Estate; (b) prejudice in any manner
18 the rights of the Estate; or (c) constitute an admission of any sort by the Trustee.

19 **H. Binding Effect.**

20 On the Effective Date, the provisions of the Plan shall bind any Holder of a Claim against, or
21 Interest in, the Debtor and such Holder's respective successors and assigns, whether or not the Claim
22 or Interest of such Holder is Impaired under the Plan, whether or not such Holder has accepted the
23 Plan and whether or not such Holder is entitled to a Distribution under the Plan.

24 **I. Reservation Of Rights.**

25 Except as expressly set forth herein, the Plan shall have no force or effect unless and until the
26 Effective Date occurs. Neither the filing of the Plan, any statement or provision contained herein,
27 nor the taking of any action by the Trustee with respect to the Plan shall be or shall be deemed to be
28 an admission or waiver of any rights of: (1) the Trustee with respect to the Holders of Claims or

1 Interests or other parties-in-interest; or (2) any holder of a Claim or other party-in-interest prior to
2 the Effective Date.

3 **J. Section 1146 Exemption.**

4 Pursuant to § 1146(a) of the Bankruptcy Code, any transfers of property pursuant hereto shall
5 not be subject to any stamp tax or other similar tax or governmental assessment in the United States,
6 and the Confirmation Order shall direct the appropriate state or local governmental officials or
7 agents to forego the collection of any such tax or governmental assessment and to accept for filing
8 and recordation instruments or other documents pursuant to such transfers of property without the
9 payment of any such tax or governmental assessment.

10 **K. Section 1125(E) Good Faith Compliance.**

11 Confirmation of the Plan shall act as a finding by the Bankruptcy Court that the Trustee and
12 each of his representatives acted in “good faith” under § 1125(e) of the Bankruptcy Code.

13 **V. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

14 The following disclosure of possible tax consequences is intended solely for the purpose of
15 alerting readers about possible tax issues the Plan may present. The Trustee CANNOT and DOES
16 NOT represent that the tax consequences contained below are the only tax consequences of the Plan
17 because the Tax Code embodies many complicated rules which make it difficult to state completely
18 and accurately all the tax implications of any action. CREDITORS AND INTEREST HOLDERS
19 CONCERNED WITH HOW THE PLAN MAY AFFECT THEIR TAX LIABILITY SHOULD
20 CONSULT WITH THEIR OWN ACCOUNTANTS, ATTORNEYS, AND/OR ADVISORS.

21 The following discussion summarizes certain federal income tax consequences of the
22 transactions that are described herein and in the Plan. This disclosure is provided for information
23 purposes only; it is not intended to constitute legal or tax advice to any Person. The disclosure does
24 not take into account those facts and circumstances specific to individual Creditors and/or Holders of
25 Interests that may affect the tax consequences to them of the Plan. This summary is based upon the
26 U.S. Tax Code, Treasury Regulations, judicial authority and current administrative rulings and
27 practice now in effect. Changes in any of these authorities or in the interpretation thereof, any of
28

1 which may have retroactive effect, may cause the federal income tax consequences of the Plan to
2 differ materially from the consequences described below.

3 Under the Tax Code and Treasury Regulations, there are certain significant federal income
4 tax consequences associated with the Plan, Creditors, and Holders of Interests in the Debtor. Certain
5 tax consequences described below are subject to significant uncertainty due to (i) the complexity of
6 the transactions contemplated by the Plan, (ii) the uncertainty as to the tax consequences of events in
7 prior years, (iii) the differences in nature of the Claims of the various Creditors, their taxpayer status,
8 residence and methods of accounting, and (iv) the possibility that events or legislation subsequent to
9 the date hereof could change the Federal tax consequences of the transactions. As noted above, there
10 may also be state, local, or foreign tax issues that may affect particular Creditors and Holders of
11 Interests.

12 **CREDITORS AND INTEREST HOLDERS ARE ADVISED TO CONSULT WITH**
13 **THEIR OWN TAX ADVISORS RESPECTING THE INDIVIDUAL TAX CONSEQUENCES**
14 **OF THE PLAN, INCLUDING FEDERAL, STATE AND LOCAL TAXES.**

15 As a result of the implementation of the Plan, the Debtor's aggregate outstanding
16 indebtedness will effectively be reduced to zero at some point in time. In general, the Tax Code
17 provides that a taxpayer that realizes a "discharge of indebtedness" must include the amount of
18 discharged indebtedness in taxable gross income to the extent that indebtedness discharged exceeds
19 any consideration given for such discharge. Any claims against Debtor that are discharged solely by
20 payment to a creditor of cash under the Plan, or waiver of such claim by the creditor, will result in
21 the creation of a discharge of indebtedness to the extent that the face amount of the debt discharged
22 (plus accrued interest) exceeds the payment made in cancellation hereof. To the extent
23 implementation of the Plan results in payment of creditor claims in full, the Debtor should not
24 realize income from discharge of indebtedness, except to the extent of interest discharge.
25 Furthermore, § 108(e)(2) of the Tax Code provides that there is no income from discharge of
26 indebtedness to the extent that payment of the liability would have given rise to a deduction. The
27 Tax Code further provides that a discharge of indebtedness is not required to be included in a
28 taxpayer's gross income if (i) such taxpayer is in a title 11 case and such discharge of indebtedness is

1 pursuant to a plan approved by the Bankruptcy Court, or (ii) such taxpayer is insolvent, and the
2 amount by which the taxpayer is insolvent immediately before the discharge equals or exceeds the
3 amount of such discharged indebtedness. Accordingly, the Debtor should not be required to include
4 in income any amount resulting from any discharge of such indebtedness.

5 As the Debtor is a trust, it is not taxed separately. Rather all tax liabilities run through the
6 Debtor to Monica Hujazi.

7 **VI. CONFIRMATION REQUIREMENTS AND PROCEDURES**

8 The following discussion is intended solely for the purpose of alerting readers about basic
9 confirmation issues, which they may wish to consider, as well as certain deadlines for filing claims.
10 The Debtor CANNOT and DOES NOT represent that the discussion contained below is a complete
11 summary of the law on this topic.

12 PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OF THE PLAN
13 SHOULD CONSULT WITH THEIR OWN ATTORNEYS BECAUSE THE LAW ON
14 CONFIRMING A PLAN OF REORGANIZATION IS VERY COMPLEX.

15 Many requirements must be met before the Bankruptcy Court can confirm the Plan. Some of
16 the requirements include that the Plan must be proposed in good faith, acceptance of the Plan by
17 claimants, whether the Plan pays creditors at least as much as creditors would receive in a Chapter 7
18 liquidation, and whether the Plan is feasible. These requirements are not the only requirements for
19 confirmation.

20 Section 1129 of the Bankruptcy Code sets forth the requirements that must be satisfied to
21 confirm a plan of reorganization. The Trustee believes that the Plan complies or will comply with
22 each of these requirements.

23 **A. Who May Vote or Object**

24 **1. Who May Object to Confirmation of the Plan**

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

27 ///

28 ///

1 2. Who May Vote to Accept/ Reject the Plan

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

5 a. What Is an Allowed Claim/Interest

6 As noted above, a creditor or interest holder must first have an allowed claim or interest to
7 have the right to vote. Generally, any proof of claim or interest will be allowed unless a party in
8 interest brings a motion objecting to the claim. When an objection to a claim or interest is filed, the
9 creditor or interest holder holding the claim or interest cannot vote unless the Bankruptcy Court,
10 after notice and hearing, either overrules the objection or allows the claim or interest for voting
11 purposes.

12 THE BAR DATE FOR FILING A PROOF OF CLAIM OR INTEREST IN THE
13 REORGANIZATION CASE WAS FEBRUARY 4, 2013. A notice of the claims bar date was
14 served upon all creditors and interested parties on October 14, 2012. A creditor or interest holder
15 may have an allowed claim or interest even if a proof of claim or interest was not timely filed. A
16 claim is deemed allowed if (1) it is scheduled on the Debtor's schedules and such claim is not
17 scheduled as disputed, contingent, or unliquidated, and (2) no party in interest has objected to the
18 claim. An interest is deemed allowed if it is scheduled and no party in interest has objected to the
19 interest. Attached hereto as **Exhibit "3"** is a chart setting forth all scheduled and filed Claims.
20 Consult **Exhibit "3"** to see how the Debtor has characterized your claim or interest, but note that the
21 Debtor and other parties in interest have the right to object to your claim or interest regardless of
22 how it is characterized in **Exhibit "3."**

23 b. What Is an Impaired Claim/Interest

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

28 ///

1 In this case, the Trustee believes that Claims in Class and 6 and Equity Interest Holders in
2 Class 7 are impaired. Holders of Allowed Claims in Class 6 are entitled to vote to accept or reject
3 the Plan. Equity Interest Holders in Class 7 do not vote as they are deemed to have rejected the Plan
4 because they are not receiving or retaining any value under the Plan. Holders of Allowed Claims in
5 Classes 1, 2, 3, 4 and 5 are unimpaired and therefore do not have the right to vote to accept or reject
6 the Plan. Parties who dispute the Trustee's characterization of their claim or interest as being
7 impaired or unimpaired may file an objection to the Plan contending that the Trustee has incorrectly
8 characterized their Claim or Interest.

9 **3. Who is Not Entitled to Vote**

10 The following four types of claims are not entitled to vote: (1) claims that have been
11 disallowed; (2) claims in unimpaired classes; (3) claims entitled to priority pursuant to Code sections
12 507(a)(2), (a)(3), and (a)(8); and (4) claims in classes that do not receive or retain any value under
13 the Plan. Claims in unimpaired classes are not entitled to vote because such classes are deemed to
14 have accepted that Plan. Claims entitled to priority pursuant to Code sections 507(a)(2), (a)(3), and
15 (a)(7) are not entitled to vote because such claims are not placed in classes and they are required to
16 receive certain treatment specified by the Code. Claims in classes that do not receive or retain any
17 value under the Plan do not vote because such classes are deemed to have rejected the Plan. EVEN
18 IF YOUR CLAIM IS OF THE TYPE DESCRIBED ABOVE, YOU MAY STILL HAVE THE
19 RIGHT TO OBJECT TO CONFIRMATION OF THE PLAN.

20 **4. Who Can Vote in More Than One Class**

21 A creditor whose claim has been allowed in part as a secured claim and in part as an
22 unsecured claim is entitled to accept or reject a Plan in both capacities by casting one ballot for the
23 secured part of the claim and another ballot for the unsecured claim. In this case, the Trustee
24 believes that no creditor is entitled to cast more than one ballot in respect of its Claim.

25 **5. Votes Necessary to Confirm the Plan**

26 If impaired classes exist, the Bankruptcy Court cannot confirm the Plan unless (1) at least
27 one impaired class has accepted the Plan without counting the votes of any insiders within that class,
28

1 and (2) all impaired classes have voted to accept the Plan unless the Plan is eligible to be confirmed
2 by “cramdown” on non-accepting classes, as discussed later in Section 7 herein.

3 **6. Votes Necessary for a Class to Accept the Plan**

4 A class of claims is considered to have accepted the Plan when more than one-half (1/2) in
5 number and at least two-thirds (2/3) in dollar amount of the claims which actually voted, voted in
6 favor of the Plan. A class of interests is considered to have accepted the Plan when at least two-
7 thirds (2/3) in amount of the interest holders of such class which actually voted, voted to accept the
8 Plan.

9 **7. Treatment of Nonaccepting Classes**

10 As noted above, even if all impaired classes do not accept the proposed Plan, the Bankruptcy
11 Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner
12 required by the Code. The process by which nonaccepting classes are forced to be bound by the
13 terms of the Plan is commonly referred to as “cramdown.” The Code allows the Plan to be
14 “crammed down” on nonaccepting classes of claims or interests if it meets all requirements except
15 the voting requirements of 1129(a)(8) and if the Plan does not “discriminate unfairly” and is “fair
16 and equitable” toward each impaired class that has not voted to accept the Plan as referred to in 11
17 U.S.C. § 1129(b) and applicable case law.

18 **8. Request for Confirmation Despite Nonacceptance by Impaired Classes**

19 Classes 6 and 7 are impaired classes. If any of these classes fails to accept the Plan, the
20 Trustee will seek “cramdown” as a remedy, provided that at least one impaired class votes to accept
21 the Plan. The Trustee will be required to “cramdown” the Plan with respect to Class 7 because
22 Classes 7 is deemed to have rejected the Plan.

23 **B. Liquidation Analysis**

24 Another confirmation requirement is the “Best Interest Test,” which requires a liquidation
25 analysis. Under the Best Interest Test, if a claimant or Interest Holder does not vote to accept the
26 Plan, then that claimant or Interest Holder must receive or retain under the Plan property of a value
27 not less than the amount that such Holder would receive or retain if the Debtor were liquidated under
28 Chapter 7 of the Bankruptcy Code.

1 In a Chapter 7 case, the Debtor's assets are usually sold by a Chapter 7 trustee. Secured
2 creditors are paid first from the sales proceeds of properties on which the secured creditor has a lien,
3 Administrative claims are paid next. Next, unsecured creditors are paid from any remaining sales
4 proceeds, according to their rights to priority. Unsecured creditors with the same priority share in
5 proportion to the amount of their allowed claim in relationship to the amount of total allowed
6 unsecured claims. Finally, Interest Holders receive the balance that remains after all creditors are
7 paid, if any.

8 For the Bankruptcy Court to be able to confirm the Plan, the Bankruptcy Court must find that
9 all creditors and Interest Holders who do not accept the Plan will receive at least as much under the
10 Plan as such Holders would receive under Chapter 7 liquidation.

11 The Trustee maintains that this requirement is met here because this is a liquidating plan of
12 reorganization that provides for the liquidation of the Debtor's assets and distribution of the net
13 proceeds from such liquidation to creditors in accordance with the Bankruptcy Code's priority
14 scheme. The Plan provides that: (1) on the Effective Date, assets of the Debtor's Estate shall be
15 transferred to the Liquidating Trust, and (2) the Liquidating Trustee will, among other things,
16 administer and liquidate the Liquidating Trust Assets, reconcile and, if necessary, object to claims,
17 as appropriate, seek to avoid and recover certain transfers that may be voidable or recoverable
18 pursuant to the Avoiding Power Claims for Relief, prosecute and resolve Litigation Claims, and
19 distribute the net funds held in the Liquidating Trust, after costs, to creditors holding Allowed
20 Claims, as set forth in the Plan and in the Liquidating Trust Agreement.

21 The following is a summary of the analysis of the Estate if liquidated in Chapter 7 case:

22 **LIQUIDATION ANALYSIS:**

23 **CURRENT ASSETS¹⁴**
24 (as of September 10, 2014)

25	Cash on Hand	\$90,000
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26 _____
27 ¹⁴ This analysis of assets does not include all of the Litigation Claims. It is anticipated that certain other Litigation Claims
28 may result in additional cash or assets. At this time, the Trustee is unable to place a value on any of the other Litigation
Claims. The values placed on the above assets are estimates based on the information currently in the possession of the
Trustee. These assets may ultimately have a great or lesser value.

1	Bayshore Property Sale	\$1,400,000
2	Anticipated Net Proceeds from sale of	
3	Bayshore Property – Sale price of	
4	\$3,050,000 less satisfaction of secured	
5	liens, costs of sale, tax liens and other	
6	costs and payments associated with the	
7	sale of the property.	
8	Avoidance Action	
9	Anticipated recovery from Avoidance	\$10,000,000
10	Action – recovery of Avoidance Action	
11	Properties less liens on the properties	
12	and expenses related to liquidating the	
13	properties and liquidation of judgment.	
14	Preferential and Fraudulent Transfer	\$1,000,000
15	Actions against Monica Hujazi as	
16	evidenced by the Wells Fargo Bank	
17	Statements	
18	Anticipated recovery from action to	
19	avoid fraudulent and preferential	
20	transfers based on information and	
21	evidence ascertained from Wells Fargo	
22	Bank records and other discovery.	
23	TOTAL ANTICIPATED ASSETS	\$12,490,000
24	LESS EXPENSES:	
25	Estimated Chapter 7 Fees and Expenses	\$1,500,000
26	Estimated Chapter 11 Administrative	\$2,243,442.35
27	Expenses	
28	BALANCE FOR UNSECURED	
29	CREDITORS	\$8,746,557.65
30	TOTAL AMOUNT OF UNSECURED	
31	CLAIMS	\$15.7 million - \$29 million
32	Percentage distribution unsecured	
33	creditors will receive in a chapter 7	
34	liquidation	30% - 55%

1 As this is a liquidating plan of reorganization, Allowed Claims and Interest Holders in
2 Classes 6 and 7, respectively, shall receive or retain under the Plan property of value not less than
3 the amount such Holder would receive or retain if the Debtor were liquidated under a Chapter 7 case.
4 Members of Class 6 and 7 receive at least as much under the Plan as they would in Chapter 7
5 liquidation.

6 It is anticipated that the fees and costs associated with the liquidating of assets through the
7 Plan will be less than those of a Chapter 7 trustee as the Liquidating Trustee and the Professionals
8 are familiar with the pending actions, disputed claims, the interested parties, Interest Holders and
9 Claim Holders in the Case. Under the Plan, it is anticipated that Holders of Allowed Class 6 Claims
10 will receive a percentage Distribution of 33% to 60%. Thus, it is anticipated that Class 6 Claims will
11 receive more under the Plan than they would receive in a Chapter 7 case. In both a Chapter 7 case
12 and under the Plan, Class 7 Interest Holders will receive nothing.

13 The anticipated liquidation of the Liquidating Trust Assets under the Plan is as follows:

14 **LIQUIDATING TRUST LIQUIDATION ANALYSIS:**

15 **CURRENT ASSETS¹⁵**
16 (as of September 10, 2014)

17 Cash on Hand \$90,000

18 Bayshore Property Sale \$1,400,000

19 Anticipated Net Proceeds from sale of
20 Bayshore Property – Sale price of
21 \$3,050,000 less satisfaction of secured
22 liens, costs of sale, tax liens and other
23 costs and payments associated with the
24 sale of the property.

25 Avoidance Action

26 Anticipated recovery from Avoidance
27 Action – recovery of Avoidance Action \$10,000,000
28 Properties less liens on the properties

15 This analysis of assets does not include all of the Litigation Claims. It is anticipated that certain other Litigation Claims may result in additional cash or assets. At this time, the Trustee is unable to place a value on any of the other Litigation Claims. The values placed on the above assets are estimates based on the information currently in the possession of the Trustee. These assets may ultimately have a great or lessor value.

1 and expenses related to liquidating the
2 properties and liquidation of judgment.

3 Preferential and Fraudulent Transfer \$1,000,000
4 Actions against Monica Hujazi as
5 evidenced by the Wells Fargo Bank
6 Statements

7 Anticipated recovery from action to
8 avoid fraudulent and preferential
9 transfers based on information and
10 evidence ascertained from Wells Fargo
11 Bank records and other discovery.

12 **TOTAL ANTICIPATED ASSETS** **\$12,490,000**

13 **LESS EXPENSES:**

14 Estimated Liquidating Trust Fees \$750,000¹⁶
15 and Expenses

16 Estimated Chapter 11 Administrative \$2,243,442.35
17 Expenses

18 **BALANCE FOR UNSECURED**
19 **CREDITORS** **\$9,496,557.65**

20 **TOTAL AMOUNT OF**
21 **UNSECURED CLAIMS** **\$15.7 million - \$29 million**

22 **Percentage distribution unsecured**
23 **creditors will receive under the Plan** **33% - 60%**

24 **C. Feasibility**

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

28 ¹⁶ This is merely an estimate and it is anticipated that this number may be significantly less.

1 liquidation or reorganization is proposed in the Plan. The Plan provides for the liquidation of the
2 Debtor through the Liquidating Trust.

3 There are at least two important aspects of a feasibility analysis. The first aspect considers
4 whether there will be enough cash on hand on the Effective Date of the Plan to pay all the claims and
5 expenses which are entitled to be paid on such date. The Trustee maintains that this aspect of
6 feasibility is satisfied. On the Effective Date, the Estate will have Cash on hand of at least
7 \$1,500,000.¹⁷ The Effective Date payments are the payments due Win Win on its Allowed
8 Administrative Claim in the amount of \$50,000, the Administrative Claim of Coleman Frost¹⁸ in the
9 amount of \$207,442.35, OUST Fees and court costs. It is anticipated that the total Effective Date
10 Distributions are \$257,442.35. The Debtor's Estate will have sufficient funds to satisfy these
11 Effective Date payments.

12 Professional Fee Claims are to be paid on the later of the (i) Effective Date; or (ii) an order
13 from the Bankruptcy Court approving such Professional Fee Claims. It is anticipated that
14 Professional Fee Claims other than Coleman Frost will be paid after the Effective Date by the
15 Liquidating Trust. To the extent that sufficient funds are not available on the later of the (i)
16 Effective Date; or (ii) an order from the Bankruptcy Court approving such Professional Fee Claims
17 to satisfy the Professional Fee Claims of EBG, the Trustee, MKA and GTFAS in full, EBG, the
18 Trustee, MKA and GTFAS shall agree to share the available Cash on a Pro Rata basis and wait to
19 receive satisfaction in full of their Allowed Professional Fee Claims until sufficient funds are
20 available. The balance of the Allowed Professional Fee Claims of EBG, the Trustee, Miller Kaplan
21 Arase LLP and GTFAS shall be paid as soon as the Liquidating Trust has additional Cash.

22 The second aspect considers whether there will be enough Cash over the life of the Plan to
23 make the required Plan payments. As this is a liquidation plan, facilitated through the Liquidating
24 Trust, this requirement is satisfied. The Plan is, essentially, a "pot plan" — the Estate is liquidated

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26 ¹⁷ This amount may be greater if the Trustee is able to obtain a judgment in any one of the pending Litigation Claims
27 before the Effective Date.

28 ¹⁸ Coleman Frost will be paid on the Effective Date as Coleman Frost has already received Bankruptcy Court approval
of its Professional Fee Claim.

1 and whatever is recovered for the benefit of creditors — however much or little — is distributed.
2 For purposes of demonstrating that the Plan meets the “feasibility” standard, there are sufficient
3 funds available to satisfy all obligations under the Plan on the Effective Date and provide funding for
4 the Liquidating Trust.

5 **VII. RISK FACTORS**

6 Although the Trustee believes that the Plan is confirmable, there are some risks to the
7 performance of the Plan. While certain risks to performance of the Plan exist, the Trustee believes
8 the very same risks described herein are present or greater to Creditors in Chapter 7 cases. The
9 Trustee believes the following potential risks exist:

- 10 • The issues that must be addressed with respect to the allowance of Claims may result in a
11 delay before any Distribution is made on account of Allowed Claims.
- 12 • The liquidating of the Litigation Claims may take significant time and result in a delay before
13 any Distribution is made on account of Allowed Claims.
- 14 • The Liquidating Trustee may not obtain a favorable judgment with respect to the Litigation
15 Claims, including the Avoidance Action and the potential action to avoid and recover
16 preferential transfers and fraudulent transfers from Monica Hujazi. While the Trustee
17 believes the Litigation Claims are very strong and that the Liquidating Trustee will prevail,
18 litigation always carries with it risks as well as costs.
- 19 • Even if the Liquidating Trustee obtains a favorable judgment in the Avoidance Action,
20 collection and liquidation of such judgment may result in less Cash than projected by the
21 Trustee.
- 22 • Rulings on the various appeals may differ from the outcome anticipated by the Trustee.

23 The Plan provides that the tax claim of the IRS and Win Win will be treated in Class 2 and
24 Class 5, respectively, if and only if the Alexandria and Union Sale Order is not affirmed on appeal.
25 If the Alexandria and Union Sale Order is not affirmed on Appeal, Win Win will hold a secured
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1 claim in the amount of approximately \$7.7 million, an administrative claim of \$1.2 million and an
2 unsecured deficiency claim in the amount of approximately \$8 million¹⁹.

3 **VIII. EFFECT OF CONFIRMATION OF PLAN**

4 **A. Discharge.**

5 Pursuant to Bankruptcy Code § 1141(d)(3), the Plan does not discharge Claims against the
6 Debtor; provided, however, that no Claim holder or Interest Holder may, on account of such Claim
7 or Interest, seek or receive any payment or other Distribution from, or seek recourse against, the
8 Estate, the Liquidating Trust, the Liquidating Trustee, and/or their respective successors, assigns
9 and/or property, except as expressly provided in the Plan.

10 **B. Exculpation.**

11 To the extent permitted under Bankruptcy Code § 1125(e), upon the Effective Date, the
12 Trustee and his agents and professionals shall be deemed to have no liability for any act or omission
13 in connection with or arising out of the pursuit of approval of the Disclosure Statement, or the
14 solicitation of votes for confirmation of the Plan, for violation of any applicable law, rule or
15 regulation governing solicitation of acceptance or rejection of the Plan or the offer, issuance, sale, or
16 purchase of securities offered or sold under the Plan. Notwithstanding the foregoing, nothing herein
17 shall release the Trustee and Liquidating Trustee from duties and obligations under the Plan.

18 **C. Vesting Of Property.**

19 On the Effective Date, all property of the Estate will vest in the Liquidating Trust pursuant to
20 § 1141(b), free and clear of all claims and interests.

21 **D. Plan Creates New Obligations.**

22 The payments promised in the Plan constitute new contractual obligations that replace those
23 obligations to Creditors that existed prior to the Effective Date.

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28 ¹⁹ If the Alexandria and Union Sale Order is overturned on appeal and Win Win holds an Allowed Administrative Claim in the amount of \$1.2 million, Win Win will agree to receive alternate treatment of its Allowed Administrative Claim so that the Plan can be confirmed.

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E. Post- Confirmation U.S. Trustee Fees.

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

F. Post - Confirmation Status Report.

Within 120 days of the entry of the order confirming the Plan, the Liquidating Trustee shall file a status report with the Bankruptcy Court explaining what progress has been made toward consummation of the confirmed Plan. The status report shall be served on the OUST, the twenty (20) largest unsecured Creditors, and those parties who have requested special notice. Further status reports shall be filed every 120 days and served on the same parties.

G. Final Decree.

Pursuant to Bankruptcy Rule 3022, a final decree may not be entered until a bankruptcy case is fully administered. The Bankruptcy Court may, however, allow a Final Decree to be entered at an earlier date for cause shown.

Dated: September 18, 2014

EZRA BRUTZKUS GUBNER, LLP

By: /s/ Robyn B. Sokol
ROBYN B. SOKOL
Attorneys for Peter S. Kravitz, Chapter 11 Trustee

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DECLARATION OF PETER KRAVITZ

I, Peter S. Kravitz, declare as follows:

1. I am the duly appointed and acting Chapter 11 Trustee of the bankruptcy estate of The Zuercher Trust of 1999 (“Debtor”).

2. I make this declaration in support of the foregoing Chapter 11 Trustee’s Disclosure Statement Describing Chapter 11 Trustee’s Plan of Liquidation (“Disclosure Statement”). I have personal knowledge of the facts set forth herein and if called as witness, I could and would competently testify thereto.

3. I have reviewed the Disclosure Statement and all attachments thereto and believe all information contained therein is accurate.

I declare under penalty of perjury under the laws of the United States of America that the foregoing statements are true and correct and executed on September 18, 2014, at Agoura Hills, California.



PETER S. KRAVITZ