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9 UNITED STATES BANKRUPTCY COURT  
10 SOUTHERN DISTRICT OF CALIFORNIA

11 In re ) Case No. 15-04921-LT11  
12 )  
13 ) **REDLINED** PROPOSED DISCLOSURE  
14 ) STATEMENT FOR PLAN OF  
15 ) REORGANIZATION  
16 )  
17 )  
18 )  
19 )  
20 ) Debtor in Possession. )  
21 )  
22 )

23 Three Frogs, Inc. hereby submits the following Redlined  
24 Disclosure Statement concerning its Plan of Reorganization dated  
25 **June 6, 2016.**

26 **I.**

27 **DISCLOSURE STATEMENT PURPOSES AND LIMITATIONS**

28 This Disclosure Statement summarizes the Plan of  
Reorganization dated **June 6, 2016** ("the Plan") filed by Three  
Frogs, Inc. ("the proponent" or "Three Frogs"). The Plan  
provides for the payment of Three Frogs' creditors. The proposed  
Plan is attached hereto as Exhibit "A". The Disclosure Statement  
supplements the Plan with information about the risks and  
payments under the Plan. It is designed to provide adequate

1 information to allow creditors to make an informed choice in  
2 voting either to accept or reject the Plan. The information  
3 herein is believed by Three Frogs to be true but its accuracy is  
4 not guaranteed. If you have questions regarding the assets in  
5 this bankruptcy case, or your treatment under this Plan, please  
6 contact the attorneys for the proponent, Michael T. O'Halloran or  
7 David Marshall at (619)233-1727. If you have questions of a  
8 legal, tax, or accounting nature, you should contact your  
9 attorney or accountant for advice prior to voting on the Plan.  
10 THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH  
11 THE PROVISIONS OF BANKRUPTCY CODE SECTION 1125 FOR THE  
12 PROPONENT'S USE IN SOLICITING CONSENTS FROM CREDITORS TO THE  
13 PROPOSED PLAN OF REORGANIZATION. NO REPRESENTATIONS CONCERNING  
14 THREE FROGS, ITS BUSINESS, OR ASSETS ARE AUTHORIZED OTHER THAN  
15 THOSE CONTAINED OR REFERRED TO HEREIN. ANY REPRESENTATIONS OR  
16 INDUCEMENTS OTHER THAN THOSE MADE OR REFERRED TO HEREIN SHOULD  
17 NOT BE RELIED ON. ALTHOUGH EVERY EFFORT HAS BEEN MADE BY THE  
18 PROPONENT TO BE ACCURATE, THREE FROGS' RECORDS ARE NOT WARRANTED  
19 TO BE WITHOUT INACCURACIES. THIS DISCLOSURE STATEMENT HAS BEEN  
20 MADE EXCLUSIVELY FOR USE IN CONNECTION WITH THE ABOVE-ENTITLED  
21 BANKRUPTCY REORGANIZATION CASE AND SHOULD BE RELIED UPON ONLY IN  
22 CONNECTION THEREWITH.

23 The information herein is based on data collected from Three  
24 Frogs, its books and records, and filed claims and pleadings in  
25 the bankruptcy case. All the information given herein is  
26 believed to be accurate but the accuracy is not guaranteed.

27  
28

1 II.

2 SUMMARY OF THE PLAN

3 Three Frogs intends to pay all its creditors in full with  
4 interest at five percent rate within seven years of the Effective  
5 Date of the Plan. It will do so with funds generated from a  
6 variety of sources. These include revenues from the operation of  
7 its real estate development business. It expects to receive  
8 funds as plaintiff in a pending state court law suit for  
9 malpractice against its former insurance broker estimated to be  
10 \$300,000. \$60,000 of the funds that have been sequestered in  
11 favor of WJA Asset Management Trust ("WJA") will be paid to  
12 creditors if the Debtor's avoidance suit is not successful. If  
13 it is successful, creditors will receive approximately \$620,000.  
14 Finally, Three Frogs hopes to acquire some type of commercial  
15 financing in the future that it can use to pay off claims in this  
16 case and to fund future business activities.

17 Payments to creditors will begin in the first quarter of  
18 2017 and will continue thereafter as funds are available from the  
19 sources discussed herein. The following table is the expected  
20 payout to creditors by year with source identified:

21	YEAR	AMOUNT	SOURCES
22	2017	\$824,000	WJA litigation, development
23	2018	\$556,000	Development, \$300,000 broker
24			litigation. Could be greater.
25	2019	\$640,000	Development
26	2020	\$635,000	Development
27	2021	\$976,000	Development
28	2022	\$970,000	Development

1 2023 \$1,328,000 Development

2 Total \$5,929,000

3

4

5

III.

6

**THREE FROGS' HISTORY**

7

**AND THE CAUSE OF THIS BANKRUPTCY**

8

Three Frogs is in the business of purchasing, renovating, developing, and selling residential real property.

9

10

It was formed in December of 2012. In order to finance the initial purchase of properties, Three Frogs needed capital.

11

12

Prior to forming Three Frogs, its principals had extensive

13

discussions with G. Patrick Stillman regarding investment in

14

Three Frogs. Mr. Stillman was a very successful and prosperous

15

businessman known to D. Scot Wolfe. Mr. Stillman invested in

16

many businesses and had founded companies. He was based in

17

Eastern Pennsylvania.

18

At its formation, the stock in Three Frogs was held as

19

follows:

20

D. Scot Wolfe 26%

21

Jon Cox 24%

22

John Murphy 24%

23

Pat Stillman 13.87%

24

Michael Stillman 8.67%

25

Walter Ali 3.46%

26

Pat Stillman and Michael Stillman were elected to Three Frogs'

27

board of directors along with D. Scot Wolfe, Jonathan Cox, and

28

John Murphy.

1 On or about January 17, 2013, Pat Stillman and Michael  
2 Stillman (jointly "the Stillmans"), entered into an agreement to  
3 lend Three Frogs \$1,500,000 (the "January Loan"). This agreement  
4 was memorialized with a promissory which provided that Three  
5 Frogs would repay the January Loan with 20% interest through  
6 monthly payments and a balloon payment("January Note").

7 On or about February 26, 2013, Pat Stillman entered  
8 into an agreement to lend Three Frogs an additional \$1,500,000  
9 (the "February Loan"). This agreement was memorialized with a  
10 promissory note which provided that Three Frogs would repay the  
11 February Loan with 20% interest through monthly interest only  
12 payments and a balloon payment (the "February Note").

13 Three Frogs agreed to these notes because it was assured by  
14 Pat Stillman that he would be able to obtain institutional  
15 financing for Three Frogs at a substantially lower interest rate  
16 once Three Frogs' business was up and running. It was not the  
17 understanding of the parties that Three Frogs would pay off the  
18 entire amount of the January and February Loans from operations.  
19 The interest rate was too high to make this possible.

20 Once it had obtained the Stillman Loans, Three Frogs began  
21 to operate by purchasing, renovating, and selling properties.  
22 Three Frogs' business grew. However, in November 2013, a fatal  
23 accident occurred at a property that Three Frogs was renovating.  
24 Three Frogs had insurance and expected it to address the  
25 resulting liabilities. However, the insurance broker had not  
26 acquired all of the necessary insurance, leading to many expenses  
27 that Three Frogs had to pay from its capital.

28

1 The accident and resulting lawsuits and investigations by  
2 state and federal agencies caused Three Frogs to expend  
3 significant time and money defending itself and responding to  
4 investigations. This took substantial time and caused a  
5 disruption and slowdown in Three Frogs' business.

6 For nine months after the accident, Three Frogs continued to  
7 pay the Stillman Loans and remained current on the \$50,000  
8 monthly payments until August 2014. By that time, Three Frogs  
9 realized it would not be able to continued making payments to the  
10 Stillmans under the terms of the promissory notes and survive.

11 Three Frogs tried to renegotiate its loans with the  
12 Stillmans. Shortly after the accident, Pat Stillman told Three  
13 Frogs to liquidate its assets and pay all the proceeds to the  
14 Stillmans, despite the pending investigations, law suits and its  
15 contractual obligations. Three Frogs and the Stillmans never  
16 reached an agreement on restructuring the loans.

17 In March 2015, the Stillmans resigned as directors of Three  
18 Frogs and filed a lawsuit to collect on the notes. When the  
19 Stillmans brought a motion to attach Three Frogs' property, Three  
20 Frogs filed Chapter 11 in order to reorganization its debts and  
21 pay its creditors.

22  
23 **IV.**

24 **OPERATIONS SINCE THE FILING OF THE CASE**

25 This case has been very active. Three Frogs has complied  
26 with the applicable provisions of the Bankruptcy Code. Its  
27 principals met with the representatives of the Office of the  
28 United States Trustee and provided all documents and information

1 requested to that office. The meeting of creditors was held and  
2 concluded. No Official Creditors Committee was appointed in the  
3 case. A claims bar date was set and notice served on all  
4 creditors and parties in interest. The deadline for filing  
5 claims passed. Monthly operating reports have been filed and  
6 United States Trustee fees were paid as required.

7 The Court authorized Three Frogs to employ the Law Office of  
8 Michael T. O'Halloran as general bankruptcy counsel by an order  
9 dated September 16, 2015.

10 In September 2015, the Court authorized Three Frogs to  
11 employ Greco Traficante Schulz & Brick, A Professional  
12 Corporation, a skilled litigation firm, as special litigation  
13 counsel for insurance coverage issues and claims against Three  
14 Frogs' former insurance broker. The fee agreement for that firm  
15 provides that it will be paid on a contingent fee basis, that is,  
16 receiving a portion of any recovery by Three Frogs.

17 In March 2016, the Court authorized Three Frogs to employ  
18 Schwartz Semerdjian Cauley & Moot LLP as special litigation  
19 counsel to represent it in the litigation with the California  
20 Department of Labor Standards Enforcement and the State of  
21 California Department of Industrial Relations Division of  
22 Occupational Safety and Health. The fee agreement for that firm  
23 provides that it will be paid on an hourly basis subject to  
24 bankruptcy court approval.

25 Three Frogs had been sued by parties related to the deceased  
26 worker. The Gomez Law Firm, a leading personal injury firm was  
27 retained by the plaintiffs. This suit posed a significant claim  
28 against Three Frogs. Fortuitously, the matter settled. On

1 December 15, 2015, the Court entered an order approving a  
2 settlement with plaintiffs Brianne Vanderford and Jackson Pudsey.  
3 This settlement was paid through insurance proceeds and resolved  
4 a potentially large claim which might have been borne by the  
5 estate. This was an outstanding development in the case, for the  
6 claims of these creditors could have been significant and they  
7 had been represented by skilled counsel. Special counsel was  
8 able to procure a settlement paid by existing insurance and not  
9 by the estate.

10 In August 2015, the Debtor sought approval of the sale of  
11 two houses that it had refurbished. In early September, the  
12 Court approved the sales of the properties located at 528 Ann  
13 Street, El Cajon, CA 92021 ("Ann Street Property") and 535  
14 Garfield Avenue, El Cajon, CA 92020 ("Garfield Avenue"). There  
15 were deeds of trust encumbering those properties in favor of WJA  
16 Asset Management Trust ("WJA"). Due to the delay in filing the  
17 deeds relative to the date that funds were advanced to Three  
18 Frogs by WJA, the court ordered the funds seemingly due to WJA to  
19 be sequestered in escrow pending further order of the court.  
20 Those funds, approximately \$620,000, remain in escrow today.

21 In early September 2015, Three Frogs sought to pay  
22 compensation to its management. The Stillmans opposed the  
23 motion, but it was granted by the court in November 2015.

24 In March 2016, Three Frogs filed a complaint against WJA  
25 seeking to avoid its lien on approximately \$620,000 as a  
26 preferential transfer. WJA answered the complaint and denied  
27 liability. The case is pending today.

28



1 In April 2016, Three Frogs filed a complaint against G.  
2 Patrick Stillman, Michael Stillman and Food Management Systems,  
3 Inc. seeking to avoid the payment of \$50,000 to defendants as a  
4 preferential transfer. The defendants answered the complaint and  
5 denied liability. The case is pending today.

6 In April 2016, the bankruptcy court entered an order  
7 authorizing the sale of the house located at 649 Concepcion  
8 Avenue, Spring Valley, CA 91977. That sale has not closed yet.  
9 Three Frogs expects to receive after payment of sales costs  
10 approximately \$370,000.

11  
12 V.

13 **ASSETS OF THE ESTATE**

14 Today, the principal assets of the bankruptcy estate and  
15 their estimated liquidation values are:

- 16 - House at 649 Concepcion Avenue, Spring Valley \$ 390,000  
17 - Lot at 4213 Utah Street, San Diego, CA \$ 287,000  
18 - Lot at 4211 Utah Street, San Diego, CA \$ 287,000

19 Three Frogs has commissioned an appraisal of the two Utah Street  
20 lots. The appraisals are attached hereto as Exhibit D. The  
21 Debtor plans to to build six row houses on the two adjoining  
22 Utah Street lots. All necessary permits have been received. Now  
23 Three Frogs must pay permit fees and get bankruptcy court  
24 approval of a construction loan in order to start that project.

25 Three Frogs has analyzed the potential preference rights and  
26 other avoidance claims of the estate. Three Frogs has determined  
27 that certain transfers to G. Patrick Stillman and Michael  
28 Stillman are preferential transfers to insiders in the one year

1 before the filing of this case. Three Frogs filed a complaint to  
2 recover these preferential transfers.

3 There appears to be a preferential transfer to WJA based on  
4 the relative timing of its loan disbursement and lien recordation  
5 and the filing of this case. There is approximately \$620,000  
6 being held in escrow following court-approved sales by Three  
7 Frogs in September 2015. WJA asserts a lien on this money. At  
8 the time of the closing of the sales, WJA was owed approximately  
9 \$558,500. Today WJA claims to be owed at least \$611,000 with the  
10 difference largely due to interest accrued after the sales closed  
11 without payment to WJA. Three Frogs believes that the maximum  
12 owed on any WJA secured claim should be \$558,500, with the other  
13 \$60,000 of sale proceeds owned free and clear by the estate.

14 The claims of the estate against its former insurance broker  
15 also represent assets. There is a \$2,000,000 insurance policy  
16 that may apply to the damages suffered by Three Frogs. There are  
17 currently pending two consolidated lawsuits in San Diego Superior  
18 Court against Michael Kennedy Insurance Agency, Inc. for  
19 professional negligence. One suit is on behalf of the  
20 corporation, the other is on behalf of Jonathan Cox, Scot Wolfe  
21 and John Murphy, the principals of Three Frogs. To the extent  
22 there is recovery by Three Frogs and the principals, an  
23 allocation as between them will be necessary. Messrs. Cox, Wolfe  
24 and Murphy have suffered injury as a result of the malpractice as  
25 did Three Frogs. Any settlement of the Debtor's rights will  
26 require court approval. However, to the extent there is no  
27 allocation, possibly as a result of a global settlement, then the  
28 principals reserve all rights pursuant to their individual claims

1 in the bankruptcy.

2 The amount of recovery in this litigation is very hard to  
3 predict. Trial counsel is reluctant to quantify this. Damages  
4 exceed the \$2,000,000 policy. This will be tried to a jury and  
5 the possible range of outcomes is large. It could be between \$0  
6 and \$2,000,000+.

7 Three Frogs' counsel, the Greco Traficante law firm, has an  
8 agreement with Three Frogs that counsel will be paid 33% of any  
9 recovery prior to naming experts, 35% of any recovery prior to  
10 any trial readiness conference and 40% of any recovery after a  
11 trial readiness conference. All payments to counsel must be  
12 approved by the bankruptcy court. The firm was also retained to  
13 provide representation in a separate matter on an hourly basis.

14  
15 **VI.**

16 **OPERATIONS UNDER THE PLAN**

17 **The Utah Street Row Home Project**

18 Currently, the major project of Three Frogs is a development  
19 at 4211 and 4213 Utah Street, San Diego, CA 92104 (the "Utah  
20 Street Project"). This project consists of tearing down two  
21 single family residences and constructing six row homes across  
22 the two adjoining lots.

23 Three Frogs has made substantial progress on the Utah Street  
24 Project. It combed through real estate and zoning records to  
25 identify lots which could be used to construct row homes for a  
26 reasonable price. Then, Three Frogs acquired both lots necessary  
27 for the project. Three Frogs removed the previous tenants from

28

1 the buildings on the lots. It obtained permits to demolish the  
2 existing buildings and did so.

3 Three Frogs hired architects and engineers to prepare plans  
4 to submit to the City of San Diego. Three Frogs has hired a  
5 general contractor to oversee the project. Three Frogs has  
6 submitted all necessary permits and plans to the City of San  
7 Diego for approval. All necessary approvals have been given and  
8 Three Frogs will begin the project as soon as the bankruptcy  
9 court approves a construction loan. The company projects that  
10 the houses will be ready for sale in approximately six months  
11 from the start of grading.

12 Three Frogs has sought financing for the construction of the  
13 row homes. It seeks the best terms possible and has spoken with  
14 multiple lenders. It expects to file a motion to approve  
15 financing for the construction.

16 The preconstruction costs for the Utah Street Project,  
17 including purchasing the two lots to develop and obtaining all  
18 necessary permits and approvals from the City are projected to be  
19 approximately \$950,000. Construction costs for the project are  
20 estimated to be \$1,554,000. Attached hereto as Exhibit B is a  
21 pro forma list of the expected construction costs of this  
22 development. Loan and closing costs are estimated to be  
23 approximately \$375,000. Additional expenses including permit  
24 fees, preparation of the DRE white paper, condominium map and  
25 homeowners' association documentation are expected to cost  
26 \$96,000. Thus, the total costs for the Utah Street Project, not  
27 including taxes and general overhead, will be approximately  
28 \$2,929,000.

1 The row home project will be built by MCW, Inc. The  
2 shareholders of this corporation are Mark Youngblood, Scot Wolfe  
3 and John Murphy. Messrs. Wolfe and Murphy are also shareholders  
4 in Three Frogs. Mr. Youngblood is a licensed contractor with  
5 experience in construction and who has worked with Three Frogs on  
6 several projects in recent years. MCW projects that it will  
7 complete the project at a cost not to exceed the expenses listed  
8 on Exhibit B. It will realize a profit from the job which will  
9 be shared by its shareholders. The expected range of the profit  
10 is 10 to 15%.

11 Demand for this type of row home is extremely high in the  
12 North Park area. The finished row homes are expected to sell in  
13 two to four months. Based upon comparable property sales in the  
14 North Park area, each row home is expected to sell for  
15 approximately \$650,000 for a total sales amount of \$3,900,000.  
16 This estimate is conservative because comparable sales in the  
17 North Park area are trending upward. Thus, the Utah Street  
18 Project will result in net proceeds of approximately \$2,300,000,  
19 including an estimated profit of \$1,000,000.

20 Once Three Frogs has completed the Utah Street Project,  
21 there will be many positive consequences.

- 22 1. The project can be repeated with less effort and cost  
23 because the company has a set of plans that the City of  
24 San Diego Planning Department is familiar with and has  
25 previously approved. Future approval will be easier.
- 26 2. Three Frogs will have experience based on completing  
27 the Utah Street Project that will aid it in duplicating  
28 the development.

1 3. Three Frogs has identified approximately 70 locations  
2 with the zoning allowing the construction of a five or  
3 six row home project. Most of these are single lots,  
4 not adjoining lots. Construction on a single lot will  
5 be cheaper and simpler.

6 There are many opportunities to duplicate the Utah Street  
7 Project and make substantial profits to use to pay creditors.

8 House Remodeling

9 Three Frogs will continue to buy and renovate single family  
10 residences and sell these for profit. It expects to complete a  
11 sale of the Concepcion house shortly.

12 Broker Litigation

13 Three Frogs will continue the state court malpractice  
14 litigation to conclusion. It expects to raise funds from this to  
15 pay creditors.

16 Permanent Financing

17 Finally, Three Frogs hopes to establish itself financially  
18 to the point that it can acquire long term commercial financing  
19 that will allow it to pay off the creditors here and to fund  
20 future operations.

21 Management Under the Plan

22 Three Frogs' prepetition management, Messrs. Wolfe, Cox, and  
23 Murphy (collectively, "Management"), will retain their positions  
24 as president and vice presidents, respectively. They will  
25 continue to perform their prepetition duties.

26 Mr. Wolfe's job responsibilities will include: (1)  
27 overseeing construction for Debtor, including meeting with  
28 contractors and suppliers; (2) handling most corporate affairs,

1 including running board meetings and shareholder meetings; (3)  
2 working with Mr. Cox to pick out color schemes and designs for  
3 properties; (4) working with architects, utility companies, and  
4 city and county building departments; (5) meeting with potential  
5 investors and raising capital; and (6) supervising evictions for  
6 occupied properties.

7 Mr. Cox's job responsibilities will include: (1) researching  
8 prospective properties to buy, including their history; (2)  
9 evaluating the prices of prospective properties; (3) handling  
10 real estate transactions for the sale of properties; (4) working  
11 with contractor on a daily basis with regard to formulating and  
12 executing a budget; (5) working with escrow, real estate agents,  
13 and transaction coordinators to make sure properties are sold in  
14 a timely manner; (6) Working with architects to design  
15 properties; (7) researching zoning codes and city laws for  
16 properties; (8) working with civil engineers, structural  
17 engineers, and land surveyors to prepare a development; and (9)  
18 working with city officials with regard to code compliance.

19 Mr. Murphy's job responsibilities will include: (1) managing  
20 the broker side of Debtor's business for all real estate  
21 transactions; (2) doing onsite preliminary evaluations for  
22 purchases; (3) doing preliminary title investigations for  
23 purchases; (4) establishing networks for financing and purchase  
24 of new projects; (5) working with Debtor's other employees on  
25 construction and design of projects; (6) working with vendors,  
26 cities, and title companies to facilitate timely completion of  
27 projects; (7) Setting up and managing systems to identify,

28

1 evaluate, rehabilitate, sell, and purchase properties at  
2 profitable margins; and (8) working on daily operations.

3 Management's compensation will remain at its court-approved  
4 perpetuation levels. Messrs. Wolfe, Cox, and Murphy will reach  
5 receive a salary of \$2,000 paid biweekly. They will also each  
6 receive a commission of 1% of the sales price for each of Three  
7 Frogs' real estate sales. The sales commission will incentivize  
8 Management to quickly and efficiently complete projects, which  
9 will benefit creditors. Three Frogs will act as the listing  
10 broker, so there will be no cost incurred by it in paying its  
11 management a commission on sale that would not be incurred if a  
12 third party was hired to be the listing broker. Three percent is  
13 the standard listing broker compensation.

14 Messrs. Wolfe and Murphy each own 40% of MCW, Inc. ("MCW").  
15 The remaining 20% is owned by Mark Youngblood. Mr. Cox may  
16 become a shareholder in the near term. After soliciting multiple  
17 bids, Three Frogs determined that MCW was the lowest bidder on  
18 the Utah Street project. It is anticipated that MCW will bid on  
19 future work for Three Frogs. Three Frogs will always solicit  
20 bids from quality companies capable of completing the project.  
21 Three Frogs will only select MCW's bid if it is the lowest bid  
22 submitted for the work. If MCW is selected, it will retain 10 to  
23 15% of the gross project budget as compensation for its services.  
24 The amount retained is uncertain and will vary based on the  
25 complexity of the job. Messrs. Wolfe, Cox and Murphy will be  
26 paid \$500 per week from MCW, Inc. for services rendered to it.



VII.

**CLASSIFICATION AND DESCRIPTION OF CLAIMS**

The following are the classes of claims against Three Frogs:

Class 1: Class 1 consists of the expenses specified in Bankruptcy Code Section 507(a)(2) incurred in the ordinary course of the business or as approved and allowed by the court. These claims are estimated to be at least \$120,000 and are primarily U.S. Trustee fees and Three Frogs's bankruptcy and state court counsels' legal fees and costs.

Class 2: Class 2 consists of the unsecured pre-petition claims of State of California Department of Industrial Relations Division of Occupational Safety and Health ("Cal OSHA"). Cal OSHA was scheduled with a disputed and unliquidated claim of \$90,000.

Class 3: Class 3 consists of the pre-petition claim of the California Department of Labor Standards Enforcement. This creditor was scheduled with an unliquidated and disputed claim of \$290,000. This claim is in litigation in the San Diego Superior Court in case no. 37-2015-00007689-CU-WM-CTL.

Class 4: Class 4 consists of the claims of the County of San Diego. This claim was initially scheduled in error as being held by the City of San Diego. The error has been corrected. The County has filed a proof of claim for \$9,430.

Class 5: Class 5 consists of the priority claims of the Franchise Tax Board. The filed proof of claim states \$830.82 as a priority claim and \$60 as a general unsecured claim.

Class 6: Class 6 consists of the claims of Patrick Stillman and Michael Stillman. The two proofs of claim filed by the

1 Stillmans as amended combined assert a debt of \$3,749,517 .

2 These claims are disputed.

3 Class 7: Class 7 consists of the claims of WJA. Its filed  
4 proof of claim is for \$611,046. This claim is disputed. Three  
5 Frogs asserts the secured claim, if any, is \$558,500. There are  
6 funds held in escrow that are allegedly subject to a lien in  
7 favor of WJA.

8 Class 8: Class 8 consists of **the claims not** in any other  
9 Class. This includes any claim in any other Class to the extent  
10 that the claim is undersecured based on the value of its  
11 collateral. These claims are estimated to be between \$60 -  
12 \$585,000 depending if WJA is in this class.

13 Class 9: This Class consists of the equity interests of the  
14 shareholders in Three Frogs. The shareholders are Patrick  
15 Stillman, Michael Stillman, Scot Wolfe, John Murphy, Jon Cox and  
16 Walter Ali.

17  
18 **VIII.**

19 **DISTRIBUTIONS TO AND TREATMENT OF CLASSES**

20 The following is a description of the payments to be made to  
21 the classes of creditors:

22 Class 1: Class 1 is not impaired and has been created only  
23 for administrative convenience. This class is not entitled to  
24 vote on the Plan. Class 1 expenses are at least \$120,000.  
25 Allowed Section 507(a)(2) expenses will be paid in full on the  
26 Effective Date. All post-petition debts incurred in the ordinary  
27 course of business will be paid in the ordinary course, except  
28 that all post-petition bills in the possession of Three Frogs

1 shall be paid in full on the Effective Date. Professional fees  
2 and costs incurred after confirmation will be paid in the  
3 ordinary course. The court-approved fees and costs of counsel  
4 for Three Frogs will be paid in full on the Effective Date.

5 Class 2: Class 2 consists of the unsecured claims of Cal  
6 OSHA. Cal OSHA was scheduled as a creditor with a claim of  
7 \$90,000. This Class is impaired. This Class will be paid in  
8 full over time. Interest at a five percent simple interest rate  
9 accruing from the Effective Date will be paid. Any allowed claim  
10 will be paid pro rata with Classes 3 and 4 as provided in  
11 paragraph 4.1 herein. No claim has been filed by this creditor;  
12 this treatment assumes that a claim might be allowed. If no  
13 claim is allowed, no payment will be made to this Class.

14 Class 3: Class 3 consists of the unsecured claims of the  
15 California Department of Labor Standards Enforcement. The  
16 Department of Labor was scheduled as a disputed and unliquidated  
17 claim in the amount of \$290,000. This Class is impaired. This  
18 claim is in active litigation in the San Diego Superior Court in  
19 case no. 37-2015-00007689-CU-WM-CTL. Once a claim is deemed  
20 allowed by agreement or by the bankruptcy court, this Class will  
21 be paid in full over time. Interest at a five percent simple  
22 interest rate accruing from the Effective Date will be paid.  
23 This Class will be paid pro rata with Classes 2 and 4 as provided  
24 in paragraph 4.1 herein. No claim has been filed by this  
25 creditor; this treatment assumes that a claim might be allowed.  
26 If no claim is allowed, no payment will be made to this Class.

27 Class 4: Class 4 consists of the claims of the County of  
28 San Diego. It filed a proof of claim for \$9,430. This Class

1 is impaired. Any allowed claim in this Class will be paid in  
2 full over time. Interest at a five percent simple interest rate  
3 accruing from the Effective Date will be paid. This Class will  
4 be paid pro rata with Classes 2 and 3 as provided in paragraph  
5 4.1 herein.

6 Class 5: Class 5 consists of the claims of the Franchise Tax  
7 Board. The filed proof of claim is \$830.82 as a priority claim.  
8 This Class is not impaired. This claim is not disputed. This  
9 shall be paid in full on the Effective Date.

10 Class 6: Class 6 consists of the claims of Patrick Stillman  
11 and Michael Stillman. The two proofs of claim as amended filed  
12 by the Stillmans combined assert a debt of \$3,749,517 . This  
13 Class is impaired. These claims are disputed. Three Frogs will  
14 object to these claims on several grounds, including claiming an  
15 offset for usurious interest paid to these creditors and possible  
16 to recharacterize the claims as equity contributions to the  
17 Debtor. This Class is impaired. Any allowed claim in this Class  
18 will be paid in full over time. Interest at a five percent  
19 simple interest rate accruing from the date the claim is allowed  
20 by court order will be paid. Payments to this Class will  
21 commence after Classes 2, 3, 4, and 5 are paid in full. This  
22 Class will be paid pro rata with Classes 7 and 8 as provided in  
23 paragraph 4.1 of the Plan.

24 Class 7: Class 7 consists of the claims of WJA. Its filed  
25 proof of claim is for \$611,046. This class is impaired. This  
26 creditor asserts rights to approximately \$620,000 held in an  
27 escrow. This claim is disputed based on Bankruptcy Code Section  
28 547 due to the possibility that this creditor did not perfect its

1 security interest in the Debtor's assets so as to defeat a  
2 preferential transfer claim. If the bankruptcy court determines  
3 that this Class has a lien on the impounded funds, some of the  
4 sequestered funds will be paid to this creditor. Three Frogs  
5 believes the maximum amount of any secured claim will be the debt  
6 as of the close of escrow on the houses that had been collateral  
7 for the loan, namely \$585,500. If the allowed claim is  
8 unsecured, this Class will be paid after Classes 2, 3, 4, and 5  
9 are paid in full. This Class will be paid pro rata with Class 6  
10 and 8 as provided in paragraph 4.1 of the Plan with five percent  
11 simple interest accruing from the date the claim is allowed by  
12 court order.

13 Class 8: Class 8 consists of **claims not in any other** Class.  
14 These claims are estimated to be between \$30 for the Franchise  
15 Tax Board and possibly \$585,000 for WJA. This Class will be paid  
16 pro rata with Class 6 and 7 as provided in paragraph 4.1 of the  
17 Plan with five percent simple interest accruing from the date the  
18 claim is allowed by court order.

19 Class 9: Class 9 consists of the equity interests in Three  
20 Frogs. This Class is impaired. No funds will be paid to this  
21 Class until all other Classes are paid according to the plan or  
22 by agreement. **The loss of the right to receive money from the**  
23 **Debtor renders this class impaired per *In re L&J Anaheim***  
24 ***Associates*, 995 F.2d 940 (9<sup>th</sup> Cir. 1993)**

25 Three Frogs will pay creditors in full with funds from  
26 various sources. These include:

27 A. Three Frogs will continue to buy and refurbish or  
28 develop real estate. From the profits of this work, it

1 will generate income to pay creditors and  
2 administrative expenses. This is expected to generate  
3 more than \$3,900,000 for payment to creditors over the  
4 next seven years. Payments of real estate development  
5 proceeds will be made in the quarter following the  
6 receipt of sale proceeds and of at least the amount  
7 listed as Creditor Allocations in Exhibit C hereto no  
8 later than December 31<sup>st</sup> of each year listed in that  
9 Exhibit.

10 B. From the WJA avoidance litigation, \$60,000 of the funds  
11 held in the sequestered WJA escrow will be paid to  
12 creditors under the Plan if the Debtor does not  
13 prevail. If the Debtor prevails, all the proceeds,  
14 approximately \$620,000, will be paid out under the Plan  
15 in the quarter after the receipt of the funds.

16 C. All the funds allocated to the Debtor from the  
17 malpractice case against the Debtor's former insurance  
18 broker, Michael Kennedy Insurance Agency, will be  
19 distributed under the Plan. The defendant brokerage  
20 has a \$2,000,000 primary burning limits policy. The  
21 Debtor holds claims and its management holds claims  
22 that have been deemed by the defendant's carrier to be  
23 included in the "Claim" as that term is defined in the  
24 policy. Damages suffered by Three Frogs supports an  
25 amount in excess of the available insurance. The Greco  
26 Traficante law firm representing Three Frogs in this  
27 case is doing so on a contingent fee basis and is  
28 entitled to a percentage of any recovery. The balance

1 will be paid to the Debtor and will be distributed  
2 under the Plan in the quarter after the receipt of the  
3 funds.

4 D. Three Frogs hopes to acquire a line of credit or  
5 similar financing that will allow it to pay off claims  
6 of its creditors and create a stable source of funding  
7 for its future projects.

8 Any other revenue received by the Debtor will be used in  
9 operations.

10 Three Frogs is authorized to enter into contracts on terms  
11 consistent with good business practices. Administrative expenses  
12 will be paid in full. Allowed unsecured claims will receive pro  
13 rata payment on the claims until they are paid in full. Three  
14 Frogs will continue to be managed by its current management team  
15 of D. Scot Wolfe, Jon Cox and John Murphy.

16 For the first 24 months following the Effective Date, Three  
17 Frogs will distribute to creditors on a quarterly basis 25% of  
18 the net profits of each property sold in the prior quarter.  
19 Thereafter 35% of net profits will be paid out to creditors on a  
20 quarterly basis. The proceeds from litigation will be paid to  
21 creditors as called for under the Plan in the quarter after the  
22 receipt of the funds. Payments will be made no later than the  
23 20<sup>th</sup> day of the succeeding quarter. Net profits are defined as  
24 the gross sale price reduced by costs of sale and the investment  
25 in acquiring the sold property plus cost of improving the sold  
26 property.

27 Three Frogs will pay all creditors as called for by the Plan  
28 within seven years from the Effective Date. Attached hereto as

1 Exhibit C is a table projecting real estate development income  
2 for Three Frogs over the next seven years.

3  
4 **IX.**

5 **IMPAIRMENT OF CLAIMS AND VOTING**

6 Voting Procedure. The Plan divides the claims of creditors  
7 or possible creditors into separate classes. All classes are  
8 encouraged to vote on the Plan. Only the vote of holders of  
9 claims that are impaired by the Plan will have a significant  
10 impact upon the confirmation process. As a general rule, this  
11 includes creditors who will not receive payment according to the  
12 terms of the debt instrument or cash in full on the Effective  
13 Date of the Plan. The classes which are impaired are noted in  
14 the discussion of each class above.

15 Procedure for Voting. All creditors entitled to vote on the  
16 Plan must cast their vote by completing and returning the ballot  
17 by the deadline given thereon. The ballot is enclosed with this  
18 Disclosure Statement. When fully executed, the ballot must be  
19 delivered to the counsel at the address given on the ballot.  
20 Ballots must be received by the deadline given on the ballot for  
21 the vote to count.

22 Confirmation of Plan/Solicitation of Acceptances. This  
23 Disclosure Statement has been reviewed by the Bankruptcy Court in  
24 accordance with Bankruptcy Code Section 1125 and is provided to  
25 each person whose claim has been scheduled by Three Frogs or who  
26 has filed a Proof of Claim with respect to Three Frogs or its  
27 property.

28



1 In determining acceptance of the Plan, votes of creditors  
2 will only be counted if submitted by a creditor whose claim is  
3 scheduled by Three Frogs as undisputed, non-contingent and  
4 liquidated, or who has timely filed with the court a Proof of  
5 Claim or interest, or which has not received an avoidable payment  
6 under Bankruptcy Code Section 547, unless that payment has been  
7 repaid.

8 Hearing on Confirmation of Plan. The court will set a  
9 hearing on confirmation of the Plan. Each creditor will receive  
10 with this Disclosure Statement a notice which gives details  
11 regarding that hearing and the date by which objections to the  
12 confirmation of the Plan, if any, must be filed. That hearing  
13 may be continued from time to time by announcements made by the  
14 Bankruptcy Court in open session at the hearing without any  
15 further written notice being provided. Attendance at the hearing  
16 on confirmation of the Plan is encouraged.

17 Acceptances Necessary to Confirm Plan. At the scheduled  
18 confirmation hearing, the court must determine, among other  
19 things, whether the Plan has been accepted by each impaired  
20 class. Under Bankruptcy Code Section 1126, an impaired class of  
21 claims is deemed to have accepted the Plan if at least two-thirds  
22 in a dollar amount and more than one-half in number of the  
23 allowed claims of class members voting on the Plan accept the  
24 Plan. Further, unless there is unanimous acceptance of the Plan  
25 by each impaired class, the court must also determine that each  
26 class member will receive at least as much as it would if Three  
27 Frogs was liquidated under Chapter 7 of the Bankruptcy Code.

28

1           Confirmation of the Plan Without Necessary Acceptances. The  
2 Plan may be confirmed even if it is not accepted by all of the  
3 impaired classes if the court finds that the Plan is fair and  
4 equitable and does not discriminate unfairly against such class  
5 or classes. This provision is set forth in Bankruptcy Code  
6 Section 1129(b). Generally, that section requires a showing that  
7 the creditors in the rejecting class either will receive the full  
8 value of their claims or, if less is to be paid or given, no  
9 class with junior liquidation priority may receive anything. It  
10 is a relatively flexible, yet very complex provision, and this  
11 summary is not intended to be a complete statement of the law.  
12 You should consult your own legal counsel for a full  
13 understanding of your rights and the Debtor's powers under that  
14 section.

15           PLEASE TAKE NOTICE THAT IF ONE OR MORE CLASSES OF IMPAIRED  
16 CLAIMS FAIL TO ACCEPT THE PLAN, THREE FROGS INTENDS TO REQUEST  
17 CONFIRMATION OF THE PLAN NOTWITHSTANDING THE NONACCEPTANCE OF  
18 THAT CLASS PURSUANT TO THE PROVISIONS OF THE BANKRUPTCY CODE  
19 SECTION 1129(b).

20           Plan Amendments at Confirmation Hearing. The provisions of  
21 the Plan give the proponent substantial power to amend and alter  
22 provisions of the Plan up to and including the time of the  
23 confirmation hearing. The provisions of the Plan regarding  
24 technical and curative amendments are particularly significant  
25 because they permit the proponent to propose and implement any  
26 number or type of amendment to the Plan for the purpose of  
27 neutralizing or curing any alleged defect in the Plan asserted  
28 under the Bankruptcy Court by any party in interest. This right

1 extends additionally to any amendments which are made to respond  
2 to or neutralize any objections to the Plan previously advanced  
3 by any party in interest.

4 BY ITS TERMS, THE PLAN DOES NOT REQUIRE ANY PRIOR WRITTEN  
5 NOTICE OF SUCH TECHNICAL AND/OR CURATIVE AMENDMENTS TO BE GIVEN  
6 TO ANY CREDITOR OR PARTY IN INTEREST. THE ONLY REQUIREMENT FOR  
7 NOTICE OF SUCH MODIFICATION IS THAT THE MODIFICATION IS DISCLOSED  
8 IN OPEN SESSION OF THE CONFIRMATION HEARING. UNLESS YOU ARE  
9 PERSONALLY PRESENT AT ALL SESSIONS OF THE CONFIRMATION HEARING,  
10 SIGNIFICANT CHANGES MAY BE MADE IN THE PLAN, AND YOUR TREATMENT  
11 THEREUNDER, WITHOUT ANY PRIOR NOTICE TO YOU. UNLESS YOU ATTEND  
12 ALL SESSIONS OF THE CONFIRMATION HEARING, YOU WILL HAVE NO  
13 OPPORTUNITY TO OBJECT TO SUCH CHANGES.

14 In addition to the foregoing, the provisions of Bankruptcy  
15 Code Section 1141 vests the Bankruptcy Court with substantial  
16 power and discretion to modify the rights and benefits which  
17 various parties may receive under the Plan by superimposing  
18 various conditions or other requirements as part of its order of  
19 confirmation. No prior notice of any provisions that the court  
20 may insert in its order of confirmation will be given to any  
21 party in interest except to the extent that such intentions are  
22 disclosed in open session of the Bankruptcy Court. Here again,  
23 your failure to attend any session of the confirmation hearing  
24 may mean that you have no opportunity to object to or otherwise  
25 be heard as to potential amendatory provisions to the Plan which  
26 the court may insert in its order of confirmation.

27 ALL PARTIES ARE ENCOURAGED TO PERSONALLY ATTEND EVERY  
28 SESSION OF THE CONFIRMATION HEARING. ONLY BY SUCH ATTENDANCE CAN

1 PARTIES BE ASSURED OF OBTAINING NOTICE AND AN OPPORTUNITY TO BE  
2 HEARD ON ALL AMENDATORY PROVISIONS WHICH MAY AFFECT THEIR RIGHTS  
3 UNDER THE PLAN.

4  
5 **X.**

6 **LIQUIDATION ANALYSIS**

7 A liquidation analysis is provided in this section of the  
8 Disclosure Statement so creditors can compare the options of  
9 accepting the Plan or voting against the Plan and instead being  
10 paid through a Chapter 7 liquidation.

11 The Chapter 7 trustee would sell the estate’s real property  
12 where there was equity and then pay creditors. There would be  
13 administrative costs in the Chapter 7, including the trustee’s  
14 fees, broker commissions, and closing costs in the sales. Any  
15 property with no equity would not be sold but would be abandoned.  
16 Abandonment would not generate any funds for unsecured creditors.

17 The projected disposition of Three Frogs’ real estate in a  
18 Chapter 7 liquidation is:

<u>Property</u>	<u>FMV</u>	<u>Treatment</u>
649 Concepcion Avenue	\$390,000	Sell
4213 Utah Street	\$ 287,000	Sell
4211 Utah Street	\$ 287,000	Sell

23 With an estimated cost of sale of 6%, the sale of Three  
24 Frogs’ real estate would result in proceeds of \$906,160 .

25 The Chapter 7 trustee would likely continue the litigation  
26 against the insurance broker. The value of this litigation is  
27 very unclear. However, for purposes of this analysis, it is  
28

1 estimated that the litigation, after attorney's fees and costs,  
2 will result in proceeds of approximately \$300,000.

3 The Chapter 7 trustee would receive the approximately \$6,500  
4 held in Three Frogs' debtor in possession accounts.

5 In a Chapter 7 liquidation, the Debtor believes that the  
6 trustee would prevail against WJA and would collect the  
7 sequestered \$620,000.

8 It is significant that in a Chapter 7 case, a new claims bar  
9 date would be established and creditors would be invited again to  
10 file a proof of claim. If the creditors who failed to file  
11 claims in the Chapter 11 chose to do so in the Chapter 7, there  
12 might be an additional \$100,000 in claims.

13 There would be approximately \$1,832,660 available for  
14 distribution in the Chapter 7 case. From this, a Chapter 7  
15 trustee would first pay her trustee's fees and costs of  
16 administration, estimated to be \$100,000 - 160,000. The Chapter  
17 7 trustee fee alone as a commission would be \$71,910. The  
18 remaining money would be paid first to Chapter 11 costs of  
19 administration, including Three Frogs' legal fees. These are  
20 estimated to be \$120,000. Any remaining proceeds would be paid  
21 to priority taxes remaining in Class 5 of the Franchise Tax  
22 Board.

23 Payment to scheduled creditors and filed claims would be  
24 approximately 37%, calculated as \$1,552,660 paid out to  
25 approximately \$4,138,947 in unsecured creditors. The current  
26 Chapter 11 plan provides for a 100% distribution to general  
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1 unsecured creditors. Thus, the Chapter 11 plan offers unsecured  
2 creditors a superior monetary recovery than a Chapter 7  
3 liquidation.

4  
5 **XI.**

6 **FEASIBILITY**

7 Three Frogs believes that the following factors demonstrate  
8 that its Plan is feasible:

- 9 1. It has been in real estate development for over three  
10 years and has bought, rehabilitated and resold more  
11 than 30 houses in that time.
- 12 2. The Three Frogs management team has almost 35 years of  
13 experience in the real estate industry between them.
- 14 3. The row house project is about to break ground and will  
15 be the model for many similar projects in the future.
- 16 4. Three Frogs will have sufficient cash on hand at the  
17 Effective Date to make the cash payments needed on the  
18 Effective Date, namely the Franchise Tax Board payment  
19 and any outstanding payable fees of the United States  
20 Trustee. It believes that it will receive the consent  
21 of its professionals to pay legal fees and costs other  
22 than in cash on the Effective Date if necessary.
- 23 5. The row house projects can be duplicated throughout San  
24 Diego at approximately 70 locations already identified  
25 by Three Frogs.
- 26 6. The projected sales price for the new row houses is  
27 competitive in the market and within the reach of many  
28 home buyers.

- 1           7. The row house project plans, once approved by the City
- 2           of San Diego, will be more easily approved in the
- 3           future because of their initial approval.
- 4           8. Three Frogs will not have the large legal and
- 5           extraordinary expenses that it has carried in the last
- 6           2 years. And the related distraction. It will be able
- 7           to invest funds into development and to focus on that.
- 8           9. Three Frogs will be diversified in its project mix, not
- 9           strictly committed to row house development. It will
- 10          continue to find, buy, refurbish and sell residential
- 11          properties for profit. It will not be reliant on the
- 12          row house project for all its revenues.

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**XII.**

**TAX ISSUES**

Three Frogs believes that there are no tax issues related to confirmation. That is, no taxes are triggered either by confirmation or by the treatment of the classes under the Plan.

**XIII.**

**PLAN RISKS AND DEFAULT PROVISIONS**

Risks: Following confirmation, the risks faced by creditors are the same as if payment were to be made by an entity not in bankruptcy. There is no unique problem that threatens the payment proposals in the Plan. Three Frogs expects to sell new housing in San Diego at a price that will be affordable and attractive to a large portion of the population. There will be many potential buyers. The experience gained in developing the

1 Utah Street Project makes Three Frogs more capable when it starts  
2 comparable future projects.

3       There are risks to the post-confirmation operation common to  
4 any real estate development business. These include low demand  
5 for finished product due to high interest rates for purchasers or  
6 an oversupply of competing homes in the market. If the real  
7 estate market became depressed, the sales prices of homes might  
8 drop, reducing revenues and slowing sales. The City of San Diego  
9 favors in-fill projects like the row home project in the central  
10 part of San Diego, making it unlikely that this type of  
11 development will not be possible. The row home project raises  
12 revenue by increasing property taxes income for the City.

13       The future projects of Three Frogs are small and can be  
14 adapted to market changes. If prices of real estate fluctuate,  
15 the cost of acquisition and construction will rise and fall in  
16 synchrony. If the price of homes falls, the cost to buy and  
17 build will fall as well, protecting the profit margins of Three  
18 Frogs.

19       The broker litigation described herein is expected to be  
20 profitable for the Debtor. However, it is possible that the  
21 litigation could result in no revenue if the case is  
22 unsuccessful. Factors that will affect the Debtor's recovery  
23 include the relative liability of the plaintiffs and defendant,  
24 the degree that the acts of defendant caused the loss of the  
25 plaintiffs, and the amount of loss that was suffered. No recovery  
26 is certain, but the Debtor does expect to prevail and generate  
27 money for creditors. As discussed herein, the management of the  
28 Debtor has brought claims together with the Debtor against the



1 former broker based on damage to the individuals. For the same  
2 reasons stated above, the recovery by management is uncertain but  
3 expected to be successful. It is possible that any damages  
4 awarded to management will be paid by the insurance policy held  
5 by the defendant. An award to the individuals will not be part  
6 of the bankruptcy estate and could reduce the recovery of the  
7 estate if the sum of the Debtor's damages and the individuals'  
8 damages exceed the amount of the insurance policy and there are  
9 not additional assets of the defendant that could be used to  
10 satisfy the judgment.

11 Default Provision: In the event of default on any payment  
12 due any Class, a creditor in that Class shall immediately be  
13 eligible to petition this court on 28 days notice to all parties  
14 in this case for relief due to the breach of the Plan, including  
15 seeking conversion of the case to Chapter 7 or other relief.  
16 Three Frogs reserves the right to cure any default or to suggest  
17 modifications to the Plan. This provision does not limit the  
18 rights of creditors under Bankruptcy Code Section 1112(b). The  
19 Bankruptcy Court shall be the only court with jurisdiction to  
20 address any default under the Plan.

21 The revenues from real estate development listed Creditor  
22 Allocations on Exhibit C hereto will be paid as specified in  
23 Section VIII above, namely no later than the 20<sup>th</sup> day of the  
24 quarter following the collection of net profits from each  
25 project. The Debtor commits to distribute from real estate  
26 development annual distributions as set out in Exhibit C no later  
27 than December 31 of each year identified. If it does not do so,  
28 the Plan will be in default and creditors will be able to

1 exercise their default remedies. By way of example, by December  
2 31, 2017, the Debtor will distribute at least \$194,837 to  
3 creditors under the Plan. By December 31, 2018, the Debtor will  
4 distribute another \$204,269 to creditors under the Plan and so on  
5 throughout the term of the Plan. To the extent that the  
6 distributions in any one year are greater than the projections in  
7 Exhibit C, the Debtor is entitled to a credit in the amount the  
8 annual distribution made exceeds the projected distribution.  
9 That credit will apply in the calculation of the distributions  
10 made in the following year. This provision allows for the  
11 possibility that a year is more profitable than the following  
12 year, such that creditors receive money earlier than projected,  
13 but does not penalize the debtor for having made the early  
14 distribution as required by the payment in the quarter following  
15 collection of development proceeds rule stated in Section VIII.

16  
17 **XIV.**

18 **ANTICIPATED LITIGATION**

19 Three Frogs, as the Reorganized Debtor, is entitled to  
20 review filed claims and has 90 days from the Effective Date to  
21 object to any claim. If an objection is not filed within the  
22 deadline, the claim will be deemed allowed in the amount  
23 originally filed or scheduled. Three Frogs shall have the right  
24 to file, prosecute, litigate or settle any objections to claims,  
25 whether or not any such objection is pending as of the  
26 Confirmation Date or Effective Date.

27 Three Frogs has not fully reviewed the claims in the case to  
28 determine whether objections to claims exist. This investigation

1 is ongoing. As a result, creditors and other parties in interest  
2 should be and are hereby, pursuant to the terms of this Plan,  
3 specifically advised that, notwithstanding that the existence of  
4 any particular objection to claim may not be listed, disclosed or  
5 set forth in the Plan or Disclosure Statement, an objection to  
6 claim may be brought against any creditor or party in interest at  
7 any time, subject to the bar date limitations set forth in the  
8 Plan.

9 Three Frogs intends to continue its state court malpractice  
10 litigation with its former broker. It will continue its  
11 avoidance action against the Stillmans to recover preferential  
12 transfers and possibly seek to recharacterize its debt as  
13 contributions to equity and to assert a usury defense to the  
14 claim. It will continue its preference suit against WJA. This  
15 list does not rule out additional litigation being initiated.

16  
17 **XV.**

18 **UNITED STATES TRUSTEE'S FEES**

19 The fees of the United States Trustee will be paid in full  
20 on the Effective Date of the Plan. All United States Trustee  
21 fees coming due after confirmation will be paid as required by  
22 law. Three Frogs will file post-confirmation operating reports  
23 and will pay all post-confirmation United States Trustee's fees  
24 due, as required by law.

25 **XVI.**

26 **EXECUTORY CONTRACTS**

27 On the Effective Date of the Plan, all executory contracts  
28 will be assumed.

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**XVII.**

**SUMMARY**

Three Frogs believes this Plan provides for the protection and preservation of the assets of the estate and the payment of creditors. The Plan is fair and equitable to all creditors in the proposed classes and should be accepted by all creditors.

THREE FROGS, INC.

By: /s/ David S. Wolfe  
DAVID S. WOLFE  
President

Submitted by:  
LAW OFFICE OF MICHAEL T. O'HALLORAN

By: /s/ Michael T. O'Halloran  
Michael T. O'Halloran  
~~David Marshall~~  
Attorneys for  
Three Frogs, Inc.

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EXHIBIT A

PLAN OF REORGANIZATION

1 Michael T. O'Halloran, CLS-B (#99085)  
2 ~~David Marshall (#262454)~~  
3 LAW OFFICE OF MICHAEL T. O'HALLORAN  
4 1010 Second Avenue, Suite 1727  
5 San Diego, CA 92101  
6 Telephone: (619) 233-1727  
7 Facsimile: (619) 233-6526  
8  
9 Counsel for Three Frogs, Inc.

10 UNITED STATES BANKRUPTCY COURT  
11  
12 SOUTHERN DISTRICT OF CALIFORNIA

13 In re ) Case No. 15-04921-LT11  
14 )  
15 )  
16 )  
17 ) THREE FROGS, INC., )  
18 ) ) REDLINED PROPOSED PLAN  
19 ) ) OF REORGANIZATION  
20 ) Debtor in Possession. )  
21 )  
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25 )  
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Three Frogs, Inc. hereby submits its Plan of Reorganization dated June 6, 2016.

**SECTION I.**

**DEFINITIONS**

1.1 Administrative Expense: All claims for costs and expenses of the administration of the case under Bankruptcy Code Section 503(b) or 507(b), including without limitation, any actual and necessary expenses of preserving the estate from and after the commencement of this Chapter 11 case to and including

1 the Confirmation Date, and all allowance of compensation and  
2 reimbursement of fees and costs to professional persons employed  
3 in the case.

4 1.2 Allowed Claim: A claim against Three Frogs, either  
5 scheduled or filed, which is not objected to or is fixed in  
6 amount by final court order.

7 1.3 Bankruptcy Code: Title 11 of the United States Code,  
8 Section 101 et seq. All references herein to statutes will be to  
9 the Bankruptcy Code unless otherwise noted.

10 1.4 The Stillmans: This collectively refers to  
11 shareholders of the Debtor known as Pat Stillman and Mike  
12 Stillman.

13 1.5 Confirmation Date: The date on which the Confirmation  
14 Order is entered by the Bankruptcy Court.

15 1.6 Confirmation Order: The order, as entered, of the  
16 Bankruptcy Court confirming the Plan pursuant to Section 1129 of  
17 the Bankruptcy Code.

18 1.7 Court: United States Bankruptcy Court of the Southern  
19 District of California.

20 1.8 Disclosure Statement: The Disclosure Statement  
21 describing this Plan.

22 1.9 Disputed Claim: Any claim (a) listed on the Debtor's  
23 schedules as unliquidated, disputed, or contingent, or (b) as to  
24 which the Debtor or any other party in interest has interposed a  
25

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1 timely objection or request for estimation in accordance with the  
2 Bankruptcy Code and the provisions of the Bankruptcy Rules or as  
3 provided within the time periods provided in the Plan, which  
4 objection or request for estimation has not been withdrawn or  
5 determined by a Final Order.

6  
7 1.10 Effective Date: The 30th day after the entry of an  
8 order confirming this Plan as the Plan may be amended or  
9 modified, provided that no appeal or motion for reconsideration  
10 has been filed. If an appeal or motion for reconsideration has  
11 been filed, then the Effective Date is the eleventh day after the  
12 last day to appeal, object to, or challenge the matter which was  
13 the subject of the appeal or a motion for reconsideration. Three  
14 Frogs may elect an earlier Effective Date as allowed by law in  
15 its sole discretion.  
16

17 1.11 Estate: The estate holding the assets of Three Frogs  
18 as provided in Bankruptcy Code Section 1115.

19 1.12 Final Order: An order which cannot be appealed,  
20 reconsidered or modified except pursuant to Federal Rule of Civil  
21 Procedure 60 or Bankruptcy Rule 3008.  
22

23 1.13 General Unsecured Claim: An unsecured claim against  
24 Three Frogs however arising, not entitled to priority under  
25 Section 507(a) of the Bankruptcy Code, including without  
26 limitation, a claim based on the rejection of an executory  
27 contract or expired lease.  
28



1 1.14 Three Frogs: Three Frogs, Inc, the Debtor and Debtor  
2 in Possession.

3 1.15 Petition Date: The date this case was commenced,  
4 namely July 27, 2015.

5 1.16 Plan: The Plan of Reorganization filed by Three Frogs  
6 as confirmed by the Bankruptcy Court.

7 1.17 Reorganized Debtor: Three Frogs acting under this  
8 Plan.

9 1.18 Section: This refers to the cited section of the  
10 United States Bankruptcy Code, 11 U.S.C. Section 101 et seq.

11 1.19 Interest: Interest is five percent per annum without  
12 compounding.  
13  
14

15  
16 **SECTION II.**

17 **CLASSIFICATION AND DESCRIPTION OF CLAIMS**

18 All the claims in this case are classified as follows:

19 2.1 Class 1: Class 1 consists of the expenses specified in  
20 Bankruptcy Code Section 507(a)(2) incurred in the ordinary course  
21 of the business or as approved and allowed by the court. These  
22 claims are estimated to be at least \$120,000 and are primarily  
23 U.S. Trustee fees and Three Frogs's bankruptcy and state court  
24 counsels' legal fees and costs.  
25

26 2.2 Class 2: Class 2 consists of the unsecured pre-  
27 petition claims of State of California Department of Industrial  
28

1 Relations Division of Occupational Safety and Health ("Cal  
2 OSHA"). Cal OSHA was scheduled with a disputed and unliquidated  
3 claim of \$90,000.

4       2.3 Class 3: Class 3 consists of the pre-petition claim of  
5 the California Department of Labor Standards Enforcement. This  
6 creditor was scheduled with an unliquidated and disputed claim of  
7 \$290,000. This claim is in litigation in the San Diego Superior  
8 Court in case no. 37-2015-00007689-CU-WM-CTL.

10       2.4 Class 4: Class 4 consists of the claims of the County  
11 of San Diego. It filed a proof of claim for \$9,430.

12       2.5 Class 5: Class 5 consists of the priority claims of the  
13 Franchise Tax Board. The filed proof of claim states \$830.82 as  
14 a priority claim and \$60 as a general unsecured claim.

15       2.6 Class 6: Class 6 consists of the claims of Patrick  
16 Stillman and Michael Stillman. The two proofs of claim as  
17 amended filed by the Stillmans combined assert a debt of  
18 \$3,749,517 .

19       2.7 Class 7: Class 7 consists of the claims of WJA Asset  
20 Management Trust ("WJA"). Its filed proof of claim is for  
21 \$611,046. There are funds held in escrow that are allegedly  
22 subject to a lien in favor of WJA.

23       2.8 Class 8: Class 8 consists of **claims not** in any other  
24 Class. This includes any claim in any other Class to the extent  
25 that the claim is undersecured based on the value of its  
26  
27  
28

1 collateral. These claims are estimated to be between \$60-  
2 \$580,000.

3 2.9 Class 9: This Class consists of the equity interests  
4 of the shareholders in Three Frogs. The shareholders are Patrick  
5 Stillman, Michael Stillman, Scot Wolfe, John Murphy, Jon Cox and  
6 Walter Ali.  
7

8  
9 **SECTION III.**

10 **DISTRIBUTIONS TO AND TREATMENT OF CLASSES**

11 The following is a description of the payments to be made to  
12 the classes of creditors:

13  
14 3.1 Class 1: Class 1 is not impaired and has been created  
15 only for administrative convenience. Class 1 expenses are at  
16 least \$120,000 . Allowed Section 507(a)(2) expenses will be paid  
17 in full on the Effective Date. All post-petition debts incurred  
18 in the ordinary course of business will be paid in the ordinary  
19 course, except that all post-petition bills in the possession of  
20 Three Frogs shall be paid in full on the Effective Date.  
21 Professional fees and costs incurred after confirmation will be  
22 paid in the ordinary course. The court-approved fees and costs  
23 of counsel for Three Frogs will be paid in full on the Effective  
24 Date.  
25

26 3.2 Class 2: Class 2 consists of the unsecured claims of  
27 Cal OSHA. Cal OSHA was scheduled as a creditor with a claim of  
28

1 \$90,000. This Class is impaired. This Class will be paid in  
2 full over time. Interest at five percent simple interest  
3 accruing from the Effective Date will be paid. Any allowed claim  
4 will be paid pro rata with Classes 3 and 4 as provided in  
5 paragraph 4.1 herein. No claim has been filed by this creditor;  
6 this treatment assumes that a claim might be allowed. If no  
7 claim is allowed, no payment will be made to this Class.  
8

9 3.3 Class 3: Class 3 consists of the unsecured claims of  
10 the California Department of Labor Standards Enforcement. The  
11 Department of Labor was scheduled as a disputed and unliquidated  
12 claim in the amount of \$290,000. This Class is impaired. This  
13 claim is in active litigation in the San Diego Superior Court in  
14 case no. 37-2015-00007689-CU-WM-CTL. Once a claim is deemed  
15 allowed by agreement or by the bankruptcy court, this Class will  
16 be paid in full over time. Interest at five percent simple  
17 interest accruing from the Effective Date will be paid. This  
18 Class will be paid pro rata with Classes 2 and 4 as provided in  
19 paragraph 4.1 herein. No claim has been filed by this creditor;  
20 this treatment assumes that a claim might be allowed. If no  
21 claim is allowed, no payment will be made to this Class.  
22  
23

24 3.4 Class 4: Class 4 consists of the claims of the County  
25 of San Diego. It filed a proof of clam for \$9,430. This Class is  
26 impaired. Any allowed claim in this Class will be paid in full  
27 over time. Interest at five percent simple interest accruing  
28

1 from the Effective Date will be paid. This Class will be paid  
2 pro rata with Classes 2 and 3 as provided in paragraph 4.1  
3 herein.

4 3.5 Class 5: Class 5 consists of the claims of the  
5 Franchise Tax Board. The filed proof of claim is \$830.82 as a  
6 priority claim. This Class is not impaired. This claim is not  
7 disputed. This shall be paid in full on the Effective Date.  
8

9 3.6 Class 6: Class 6 consists of the claims of Patrick  
10 Stillman and Michael Stillman. The two proofs of claim as  
11 amended filed by the Stillmans combined assert a debt of  
12 \$3,749,517. This Class is impaired. These claims are disputed.  
13 Three Frogs will object to these claims on several grounds,  
14 including claiming an offset for usurious interest paid to these  
15 creditors and possible to recharacterize the claims as equity  
16 contributions to the Debtor. This Class is impaired. Any  
17 allowed claim in this Class will be paid in full over time. Five  
18 percent simple interest accruing from the date the claim is  
19 allowed by court order will be paid. Payments to this Class will  
20 commence after Classes 2, 3, 4, and 5 are paid in full. This  
21 Class will be paid pro rata with Class 7 as provided in paragraph  
22 4.1 herein.  
23  
24

25 3.7 Class 7: Class 7 consists of the claims of WJA. Its  
26 filed proof of claim is for \$611,046. This class is impaired.  
27 This creditor asserts rights to approximately \$620,000 held in an  
28

1 escrow. This claim is disputed based on Bankruptcy Code Section  
2 547 due to the possibility that this creditor did not perfect its  
3 security interest in the Debtor's assets so as to defeat a  
4 preferential transfer claim. If the bankruptcy court determines  
5 that this Class has a lien on the impounded funds, the  
6 sequestered funds up to the amount of its allowed claim will be  
7 paid to this creditor. If the allowed claim is unsecured, this  
8 Class will be paid after Classes 2, 3, 4, and 5 are paid in full.  
9 Five percent simple interest accruing from the date the claim is  
10 allowed by court order will be paid. This Class will be paid pro  
11 rata with Class 7 and 8 as provided in paragraph 4.1 herein.  
12

13       3.8 Class 8: Class 8 consists of **claims not** in any other  
14 Class. These claims are estimated to be between \$30 for the  
15 Franchise Tax Board and \$ 585,000 for WJA. Five percent simple  
16 interest accruing from the date the claim is allowed by court  
17 order will be paid. This Class will be paid pro rata with Class 7  
18 and 8 as provided in paragraph 4.1 herein.  
19

20       3.9 Class 9: Class 9 consists of the equity interests in  
21 Three Frogs. This Class is impaired. No funds will be paid  
22 to this Class until all other Classes are paid according to the  
23 plan or by agreement.  
24

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ARTICLE IV.

EXECUTION OF THE PLAN

1  
2  
3 4.1 Performance of the Plan: Three Frogs will pay  
4 creditors in full with funds from various sources. These  
5 include:  
6

7 A. Three Frogs will continue to buy and refurbish or  
8 develop real estate. From the profits of this work, it  
9 will generate income to pay creditors and  
10 administrative expenses. **Payments of real estate  
11 development proceeds will be made in the quarter  
12 following the receipt of sale proceeds and of at least  
13 the amount listed as Creditor Allocations in Exhibit C  
14 to the Disclosure Statement no later than December 31<sup>st</sup>  
15 of each year listed in that Exhibit.**

16  
17 B. Unencumbered funds on hand at the Effective Date will  
18 also be paid out to creditors as called for by the  
19 plan.

20  
21 C. In the event the bankruptcy court determines that WJA  
22 is an unsecured creditor, the sequestered \$620,000  
23 will be paid to creditors under the Plan **in the quarter  
24 following receipt of the funds.**

25 D. All funds received by the Debtor from the malpractice  
26 case against the Debtor's former insurance broker,  
27 Michael Kennedy Insurance Agency, will be distributed  
28

1 under the Plan. The balance will be used as operating  
2 capital by the Debtor. The defendant brokerage has a  
3 \$2,000,000 primary burning limits policy. The Debtor  
4 holds claims and its management holds claims that have  
5 been deemed by the defendant's carrier to be included  
6 in the "Claim" as that term is defined in the policy.  
7 Damages support an amount in excess of the available  
8 insurance. The law firm representing Three Frogs in  
9 this case is doing so on a contingent fee basis and is  
10 entitled to a percentage of any recovery. **The balance**  
11 **will be paid to the Debtor and will be distributed**  
12 **under the Plan in the quarter after the receipt of the**  
13 **funds.**

16 E. Three Frogs hopes to acquire a line of credit or  
17 similar financing that will allow it to pay off claims  
18 of its creditors and create a stable source of funding  
19 for its future projects.

20 Any other revenue received by the Debtor will be used in  
21 operations.

23 Three Frogs is authorized to enter into contracts on terms  
24 consistent with good business practices. Administrative expenses  
25 will be paid in full. Allowed unsecured claims will receive pro  
26 rata payment on the claims until they are paid in full. Three  
27 Frogs will continue to be managed by its current management team

28



1 of D. Scot Wolfe, Jon Cox and John Murphy.

2 For the first 24 months following the Effective Date, Three  
3 Frogs will distribute to creditors on a quarterly basis 25% of  
4 the net profits of each property sold in the prior quarter.  
5 Thereafter 35% of net profits will be paid out to creditors on a  
6 quarterly basis. The proceeds from litigation will be paid to  
7 creditors as called for under the Plan in the quarter after the  
8 receipt of the funds. Payments will be made no later than the  
9 20<sup>th</sup> day of the succeeding quarter. Net profits are defined as  
10 the gross sale price reduced by costs of sale and the investment  
11 in acquiring the sold property plus cost of improving the sold  
12 property.  
13

14  
15 Three Frogs will pay all creditors as called for by the Plan  
16 within seven years from the Effective Date.

17 4.2 Payment of Creditors: The creditors shall be paid from  
18 the funds in the estate. Each Class shall receive the payments  
19 provided for in Section III above.

20 4.3 Litigation: Anticipated litigation may include  
21 litigation to establish of the proper amount of the claims filed  
22 in this case or to recover avoidable transfers. The pending case  
23 against the former insurance broker of the Debtor will continue.  
24 The litigation with the California Department of Labor Standards  
25 Enforcement will continue. To the extent their claims are not  
26 amended to an agreed upon amount, Three Frogs anticipates filing  
27  
28

1 objections to the claims of Pat Stillman and Mike Stillman and  
2 reserves the right to object to other claims to the extent it  
3 determines a valid objection exists. The pending avoidance  
4 adversary proceeding with the Stillmans and WJA will continue.  
5 There is no warranty, guarantee or representation that Three  
6 Frogs may not litigate or otherwise assert any claim which it  
7 holds.  
8

9 4.4 Survival of Liens: All other prepetition liens will be  
10 terminated and rendered void by the confirmation of the Plan.  
11 There are no known prepetition liens except that asserted by WJA.

12 4.5 Default Provision: The revenues from real estate  
13 development listed Creditor Allocations on Exhibit C to the  
14 Disclosure Statement will be paid as specified in Section VIII  
15 above, namely no later than the 20<sup>th</sup> day of the quarter following  
16 the collection of net profits from each project. The Debtor  
17 commits to distribute from real estate development annual  
18 distributions as set out in Exhibit C no later than December 31  
19 of each year identified. If it does not do so, the Plan will be  
20 in default and creditors will be able to exercise their default  
21 remedies. By way of example, by December 31, 2017, the Debtor  
22 will distribute at least \$194,837 to creditors under the Plan.  
23 By December 31, 2018, the Debtor will distribute another \$204,269  
24 to creditors under the Plan and so on throughout the term of the  
25 Plan. To the extent that the distributions in any one year are  
26  
27  
28

1 greater than the projections in Exhibit C, the Debtor is entitled  
2 to a credit in the amount the annual distribution made exceeds  
3 the projected distribution. That credit will apply in the  
4 calculation of the distributions made in the following year.  
5 This provision allows for the possibility that a year is more  
6 profitable than the following year, such that creditors receive  
7 money earlier than projected, but does not penalize the debtor  
8 for having made the early distribution as required by the payment  
9 in the quarter following collection of development proceeds rule  
10 stated in Section VIII. The distributions under the Plan of  
11 monies from other sources will be made by the deadlines listed in  
12 the Plan.  
13  
14

15 In the event of default on any payment due any Class, it  
16 shall immediately be eligible to petition this court on 28 days  
17 notice to all parties in this case for relief due to the breach  
18 of the Plan, including seeking the appointment of a Chapter 11  
19 trustee or the conversion of the case to Chapter 7 or other  
20 relief. Three Frogs reserves the right to cure any default or to  
21 suggest modifications to the Plan. This provision does not limit  
22 the rights of creditors under Bankruptcy Code Section 1112(b).  
23 The Bankruptcy Court shall be the only court with jurisdiction to  
24 address any default under the Plan.  
25

26 4.6 Claims Review: Three Frogs, as the Reorganized Debtor,  
27 is entitled to review filed or scheduled claims and has 90 days  
28

1 from the Effective Date to object to any claim. If an objection  
2 is not filed within the deadline, the claim will be deemed  
3 allowed in the amount originally filed or scheduled. Three Frogs  
4 reserves the right to object to any claim and has not waived its  
5 right to object by any action it has taken or not taken in the  
6 case up to the Effective Date. This investigation is ongoing and  
7 will occur in large part after Plan confirmation. As a result,  
8 creditors and other parties in interest are hereby specifically  
9 advised that, notwithstanding that the existence of any  
10 particular objection to claim may not be listed, disclosed or set  
11 forth in the Plan or Disclosure Statement, an objection to claim  
12 may be brought against any creditor or party in interest at any  
13 time, subject to the bar date limitations set forth in the Plan.  
14 Three Frogs reserves the right to seek a judicial determination  
15 of the reasonableness of the legal fees or costs or expenses of  
16 any creditor.

19       4.7 Unclaimed Distributions: Each creditor shall provide  
20 written notice of any change of address from the address for the  
21 creditor stated in the schedules or in any Proof of Claim filed  
22 by the creditor. Three Frogs shall be entitled to rely upon the  
23 address for the creditor stated in the schedules or in any Proof  
24 of Claim filed by the creditor, and shall not be required to  
25 perform any investigation or inquiry as to the proper address for  
26 such creditor if the address stated therein is incorrect.  
27

28

1 Written notice of a change in address shall be served on Three  
2 Frogs's bankruptcy counsel and filed with the Bankruptcy Court.

3 Any unclaimed distributions provided for under the Plan,  
4 which includes (a) checks which have been returned as  
5 undeliverable without a proper forwarding address, (b) checks  
6 which were not mailed or delivered because of the absence of a  
7 proper address to which to mail or deliver the same and as to  
8 which no new address has been provided within ninety (90) days of  
9 the date of such checks, or (c) checks which remain uncashed for  
10 a period of ninety (90) days of their date shall be cancelled and  
11 the funds deposited into the Bankruptcy Court Registry.  
12

13 4.8 Jurisdiction: The court shall retain jurisdiction  
14 pursuant to B.R. 3020(d) to enter all orders necessary to  
15 administer the estate, recover assets and cause the execution of  
16 the Plan. Specifically, the court shall retain jurisdiction over  
17 the resolution of any dispute regarding the proper amount of the  
18 claims against Three Frogs, the tax consequences of payments made  
19 under the Plan, and the power to enter orders as may be needed to  
20 allow the Plan to be performed.  
21

22 4.9 Professional Persons: Three Frogs may retain counsel  
23 and other professionals to perform all necessary actions to  
24 effect the reorganization specified by the Plan. It may hire  
25 additional professionals such as tax attorneys and accountants as  
26 required to operate prudently and to execute the Plan.  
27  
28

1           4.10 Governing Law: The Plan and the rights of the parties  
2 under the Plan shall be governed by the United States Bankruptcy  
3 Code and the laws of the State of California.  
4

5  
6                   **V.**

7                           **EFFECT OF CONFIRMATION**

8           5.1 Discharge. Three Frogs shall seek to receive the  
9 broadest discharge possible, including the discharge from any  
10 debt or claim that arose before the Confirmation Date, and any  
11 debt of a kind specified in Bankruptcy Code Sections 502(g),  
12 502(h) or 502(I) of the Bankruptcy Code, whether or not (a) a  
13 Proof of Claim based upon such debt is filed or deemed filed  
14 under the Bankruptcy Code Section 501; (b) such claim is allowed  
15 under Bankruptcy Code Section 502; or (c) the holder of such  
16 claim has accepted the Plan. Pursuant to Bankruptcy Code Section  
17 524, the discharge will void any judgment at any time obtained to  
18 the extent that such judgment is the determination of the  
19 personal liability of the Debtor with respect to any debt  
20 discharged under Bankruptcy Code Section 1141, whether or not  
21 discharge of such debt is waived. It operates as an injunction  
22 against the commencement or continuation of an action, employment  
23 of process, or an act to collect, recover or offset any such debt  
24 as a personal liability of the Debtor, whether or not discharge  
25 of such debt is waived.  
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1       5.2 Binding Effect. The provisions of this Plan, once  
2 confirmed, shall be binding upon each creditor and any entity  
3 acquiring property under the Plan, whether or not the claim of  
4 such creditor is impaired under the Plan, and whether or not such  
5 creditor has accepted the Plan.

6  
7       5.3 Miscellaneous. As of the Confirmation Date, Three  
8 Frogs's property and assets dealt with under the Plan shall be  
9 free and clear from any and all claims or the holders of claims,  
10 including, without limitation, all liens, interests and lis  
11 pendens, except as specifically provided otherwise in the Plan or  
12 the Confirmation Order. The terms of the Plan shall supercede  
13 the terms of all prior orders entered by the court and the terms  
14 of any prior stipulations and other agreements entered into by  
15 Three Frogs with other parties-in-interest, except as  
16 specifically recognized in the Plan or Confirmation Order.

17  
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19   **VI.**

20   **POST-CONFIRMATION JURISDICTION**

21  
22       6.1 The court shall retain jurisdiction over the case  
23 subsequent to the Confirmation Date to the fullest extent  
24 permitted under Section 1334 of Title 28, United State Code,  
25 including, without limitation, for the following purposes:

26             a. Determination of any request for subordination pursuant  
27 to the Plan and Section 510 of the Bankruptcy Code, whether as  
28

1 part of an objection to claim or otherwise.

2 b. Determination of any motion or application for or in  
3 furtherance of the sale or transfer of any of Three Frogs's  
4 assets, to compel reconveyance of a lien against or interest in  
5 any asset sold according to the terms of the Plan or pursuant to  
6 an order of the court, or to consider proposals regarding  
7 foreclosure, disbursements, allocations and apportionments of the  
8 proceeds of sales or foreclosures, and all similar matters.

9  
10 c. Determination of any and all objections to the allowance  
11 of claims or interests, including any objections to the  
12 classification of any claim or interest and including, on an  
13 appropriate motion, pursuant to Bankruptcy Rule 3008,  
14 reconsidering claims that have been allowed or disallowed prior  
15 to the Confirmation Date. This includes all claims for taxes, or  
16 related penalty or interest.

17  
18 d. Determination of any and all applications of  
19 professional persons and any other fees and expenses authorized  
20 to be paid or reimbursed in accordance with the Bankruptcy Code  
21 or the Plan.

22  
23 e. Determination of any and all pending applications for  
24 the assumption or rejection of executory contracts or for the  
25 rejection or assumption and assignment, as the case may be, of  
26 unexpired leases to which Three Frogs or the estate is a party  
27 with respect to which it may be liable, and to hear and determine

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1 and, if need be, to liquidate any and all claims arising  
2 therefrom.

3 f. Determination of any actions initiated by or for the  
4 estate to collect, realize upon, reduce to judgment or otherwise  
5 liquidate any claims of Three Frogs or the estate.

6 g. Determination of any and all applications, motions,  
7 adversary proceedings or contested or litigated matters whether  
8 pending before the Bankruptcy Court on the Confirmation Date or  
9 filed or instituted after the Confirmation Date including,  
10 without limitation, proceedings under the Bankruptcy Code or  
11 other applicable law seeking to avoid and recover any transfer of  
12 an interest of Three Frogs in property or obligations incurred by  
13 Three Frogs or to exercise any rights pursuant to Bankruptcy Code  
14 Sections 506, 544-550 or 553.

15 h. Modification of the Plan or the Disclosure Statement or  
16 to remedy any defect or omission or reconcile any inconsistency  
17 in any order of the Court, including the Confirmation Order, the  
18 Plan or Disclosure Statement in such a manner as may be necessary  
19 to carry out the purposes and effects of the Plan.

20 i. Determination of disputes regarding title, ownership, or  
21 priority of interests in or to property claimed to be or have  
22 ever been Three Frogs's property.

23 j. Determination of all controversies, suits and disputes  
24 that may arise in connection with the interpretation,  
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1 enforcement, consummation, implementation or administration of  
2 the Plan, the Disclosure Statement or the case.

3 k. Determination that the distributions to holders of  
4 claims are accomplished in accordance with the provisions of the  
5 Plan.

6 l. Liquidation or estimation of any undetermined claim or  
7 interest and the determination of the tax liabilities of the  
8 estate or Three Frogs.

9 m. Issuance of such orders as may be necessary to  
10 interpret, consummate, effectuate, enforce or otherwise give  
11 effect to the operative provisions of the Plan, including actions  
12 to enjoin enforcement of claims inconsistent with the terms of  
13 the Plan.

14 n. Determination of any other matter not inconsistent with  
15 Chapter 11 of the Bankruptcy Code.

16 o. Issuance of a final decree closing this case.

17 p. Issuance of such orders as may be appropriate in the  
18 event the Confirmation Order is for any reason stayed, reversed,  
19 revoked or vacated.

20 q. Determination of such other matters as may arise in  
21 connection with the Plan, the Disclosure Statement, or the  
22 Confirmation Order.

23 r. The classification of the claim of any creditor and the  
24 re-examination of claims which have been allowed for the purposes  
25

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1 of determining acceptance of the Plan at the time of confirmation  
2 and the determination of such objections as may be filed to  
3 claims.

4 s. The entry of an order concluding and terminating the  
5 case.  
6

7 THREE FROGS, INC.

8 /s/ David S. Wolfe  
9 By: David S. Wolfe  
10 President

11 Submitted by:

12 LAW OFFICE OF MICHAEL T. O'HALLORAN  
13

14 By: /s/ Michael T. O'Halloran  
15 Michael T. O'Halloran  
16 ~~David Marshall~~  
Attorneys for Three Frogs, Inc.

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EXHIBIT B

UTAH STREET PROJECT COSTS

**DIXIELINE BUILDERS FUND CONTROL INC.**

7700 Ronson Road, Suite 101 San Diego, Ca 92111-1514

Phone: (858) 874-4354

Fax: (858) 874-0346

	DESCRIPTION	AMOUNT	NOTES
1	PLANS		Paid
2	PERMITS - FEES		Partially Paid - Owner Will Pay
3	SOIL TEST - SURVEY - ENGINEERING		Paid
4	EXCAVATION - ROUGH GRADING	\$ 18,000.00	
5	STEEL - STRUCTURAL & REBAR	\$ 55,000.00	
6	CONCRETE - FOUNDATION & TRENCH	\$ 130,000.00	All Foundation & Flatwork
7	CONCRETE FLATWORK & MASONRY		
8	LUMBER	\$ 238,000.00	All Framing Including Labor
9	CARPENTRY - ROUGH		
10	INSULATION	\$ 15,000.00	
11	ROOFING	\$ 52,000.00	
12	ELECTRICAL - ROUGH	\$ 62,000.00	
13	PLUMBING - ROUGH	\$ 150,000.00	Includes New Water Meters
14	HEATING - AIR CONDITIONING	\$ 51,000.00	
15	DRYWALL - TEXTURE	\$ 58,000.00	
16	STUCCO & PLASTER	\$ 90,000.00	
17	WINDOWS - DOORS	\$ 74,000.00	
18	TUB ENCLOSURES - MIRRORS	\$ 18,000.00	
19	FINISH - MATERIAL & LABOR		
20	CABINETS	\$ 115,000.00	
21	HARDWARE	\$ 10,000.00	
22	GARAGE DOORS	\$ 19,000.00	
23	CARPET - DRAPES		
24	FLOOR TILE - HARDWOOD	\$ 50,000.00	
25	ELASTIZELL	\$ 15,000.00	
26	PAINTING - WALLPAPER	\$ 26,000.00	
27	FIREPLACE	\$ 18,000.00	
28	SHEET METAL		
29	COUNTERTOPS	\$ 34,000.00	
30	PLUMBING FIXTURES	\$ 38,000.00	
31	LIGHT FIXTURES - LUMINOUS CEILING	\$ 22,000.00	
32	APPLIANCES	\$ 30,000.00	
33	UTILITIES - TOILET & EQUIPMENT RENTAL	\$ 19,000.00	
34	LANDSCAPING	\$ 15,000.00	
35	FENCE	\$ 11,000.00	
36	CLEAN - UP	\$ 3,000.00	
37	TV ANTENNA CABLE		Included In Electrical
38	ASPHALT PAVING - BUMPERS		

39	FIRE SPRINKLERS	102 \$ 43,000.00	
40	OVERHEAD - SUPERVISION	\$ 45,000.00	
41	MISCELLANEOUS CONTINGENCY	\$ 15,000.00	
42	PROFIT	\$ 15,000.00	
	<b>TOTAL COST</b>	<b>\$ 1,554,000.00</b>	
<b>9999</b>	<b>FUND CONTROL FEE</b>		

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EXHIBIT C

PROJECTED DEVELOPMENT INCOME

**Three Frogs Inc.  
Profit and Loss**

	2017 1 FLIP/1 ROW PROJECT	2018 2 FLIP/1 ROW PROJECT	2019 3 FLIP/1 ROW PROJECT	2020 3 FLIP/2 ROW PROJECT	2021 3 FLIP/2 ROW PROJECT	2022 3 FLIP/3 ROW PROJECT	2023 3 FLIP/3 ROW PROJECT	2024 4 FLIP/4 ROW PROJECT
<b>Income</b>								
Income-Sales	4,353,000	4,752,000	5,151,000	9,105,000	9,105,000	13,059,000	13,059,000	17,412,000
<b>Total Income</b>	<b>4,353,000</b>	<b>4,752,000</b>	<b>5,151,000</b>	<b>9,105,000</b>	<b>9,105,000</b>	<b>13,059,000</b>	<b>13,059,000</b>	<b>17,412,000</b>
<b>Cost of Goods Sold</b>								
COG-House Purchase	1,047,100	1,344,200	1,641,300	2,391,300	2,391,300	3,141,300	3,141,300	4,188,400
<b>TOTAL COG-HOUSE PURCHASE</b>	<b>1,047,100</b>	<b>1,344,200</b>	<b>1,641,300</b>	<b>2,391,300</b>	<b>2,391,300</b>	<b>3,141,300</b>	<b>3,141,300</b>	<b>4,188,400</b>
COG-HOUSE REHAB								
COG-Rehab	1,765,711	1,775,722	1,785,733	3,541,433	3,541,433	5,297,133	5,297,133	7,062,844
<b>Total COG-HOUSE REHAB</b>	<b>1,765,711</b>	<b>1,775,722</b>	<b>1,785,733</b>	<b>3,541,433</b>	<b>3,541,433</b>	<b>5,297,133</b>	<b>5,297,133</b>	<b>7,062,844</b>
COG-LEGAL, INS, PROF FEES								
Property-Insurance	2,953	3,906	4,859	6,859	6,859	8,859	8,859	11,812
Property-Legal & Professional	1,925	3,850	5,775	5,775	5,775	5,775	5,775	7,700
<b>Total COG-LEGAL, INS, PROF FEES</b>	<b>4,878</b>	<b>7,756</b>	<b>10,634</b>	<b>12,634</b>	<b>12,634</b>	<b>14,634</b>	<b>14,634</b>	<b>19,512</b>
COG-PROPERTY EXPENSE OTHER								
Property-Advertising	2,226	2,452	2,678	4,678	4,678	6,678	6,678	8,904
Property-HOA Fees	800	1,600	2,400	2,400	2,400	2,400	2,400	3,200
Property-Lawn Maintenance	720	1,080	1,440	1,800	1,800	2,160	2,160	2,880
Property-Misc & repairs	3,800	7,300	10,800	11,100	11,100	11,400	11,400	15,200
Property-Taxes & Licenses	11,869	14,363	16,857	26,232	26,232	35,607	35,607	47,476
Property-Termite Remediation	3,400	6,800	10,200	10,200	10,200	10,200	10,200	13,600
Utilities-Gas & Electric	2,604	2,808	3,012	5,412	5,412	7,812	7,812	10,416
Utilities-Water	1,389	1,578	1,767	2,967	2,967	4,167	4,167	5,556
<b>Total COG-PROPERTY EXPENSE OTHER</b>	<b>26,808</b>	<b>37,981</b>	<b>49,154</b>	<b>64,789</b>	<b>64,789</b>	<b>80,424</b>	<b>80,424</b>	<b>107,232</b>
<b>Total Cost of Goods Sold</b>	<b>2,844,497</b>	<b>3,165,659</b>	<b>3,486,821</b>	<b>6,010,156</b>	<b>6,010,156</b>	<b>8,533,491</b>	<b>8,533,491</b>	<b>11,377,988</b>
<b>Gross Profit</b>	<b>1,508,503</b>	<b>1,586,341</b>	<b>1,664,179</b>	<b>3,094,844</b>	<b>3,094,844</b>	<b>4,525,509</b>	<b>4,525,509</b>	<b>6,034,012</b>
<b>Expenses</b>								
<b>COMMISSIONS</b>								
Commissions-Third Party	108,825	118,800	128,775	227,625	227,625	326,475	326,475	435,300
Commissions-Three Frogs	130,590	142,560	154,530	273,150	273,150	391,770	391,770	522,360
<b>Total COMMISSIONS</b>	<b>239,415</b>	<b>261,360</b>	<b>283,305</b>	<b>500,775</b>	<b>500,775</b>	<b>718,245</b>	<b>718,245</b>	<b>957,660</b>
<b>ESCROW &amp; TITLE RELATED</b>								
Escrow & Title	43,530	47,520	51,510	91,050	91,050	130,590	130,590	174,120
Home Warranty	3,150	3,600	4,050	6,750	6,750	9,450	9,450	12,600
NHD-Natural Hazard Disclosure	1,050	1,200	1,350	2,250	2,250	3,150	3,150	4,200
TC Fee	3,500	4,000	4,500	7,500	7,500	10,500	10,500	14,000
<b>Total ESCROW &amp; TITLE RELATED</b>	<b>51,230</b>	<b>56,320</b>	<b>61,410</b>	<b>107,550</b>	<b>107,550</b>	<b>153,690</b>	<b>153,690</b>	<b>204,920</b>
<b>OPERATING EXPENSES-BUSINESS</b>								
Accounting	3,450	3,623	3,804	3,994	4,193	4,403	4,623	4,854
Advertising-Operating Expense	4,000	4,200	4,410	4,631	4,862	5,105	5,360	5,628
Auto Fuel & Maintenance	9,140	9,597	10,077	10,581	11,110	11,665	12,248	12,861
Auto-(Toll, Parking)	400	420	441	463	486	511	536	563
Bank Charges	600	630	662	695	729	766	804	844
Donation	-	-	-	-	-	-	-	-
Foreclosure-Recorder	1,200	1,260	1,323	1,389	1,459	1,532	1,608	1,689
Insurance-Office	520	546	573	602	632	664	697	732
Insurance-Professional Liability	1,200	1,260	1,323	1,389	1,459	1,532	1,608	1,689
Insurance-WC Insurance	600	630	662	695	729	766	804	844
Legal & Professional-Operating	6,000	6,300	6,615	6,946	7,293	7,658	8,041	8,443



**Three Frogs Inc.  
Profit and Loss**

	2017 1 FLIP/1 ROW PROJECT	2018 2 FLIP/1 ROW PROJECT	2019 3 FLIP/1 ROW PROJECT	2020 3 FLIP/2 ROW PROJECT	2021 3 FLIP/2 ROW PROJECT	2022 3 FLIP/3 ROW PROJECT	2023 3 FLIP/3 ROW PROJECT	2024 4 FLIP/4 ROW PROJECT
Meals and Entertainment	1,200	1,260	1,323	1,389	1,459	1,532	1,608	1,689
Miscellaneous-Operating Expense	800	840	882	926	972	1,021	1,072	1,126
Office Expenses	2,800	2,940	3,087	3,241	3,403	3,574	3,752	3,940
Payroll	190,000	199,500	209,475	219,949	230,946	242,493	254,618	267,349
Payroll Fees	1,700	1,785	1,874	1,968	2,066	2,170	2,278	2,392
Payroll Taxes	17,600	18,480	19,404	20,374	21,393	22,463	23,586	24,765
Postage and delivery expense	300	315	331	347	365	383	402	422
Realtor Expenses (Dues, education, licens	2,600	2,730	2,867	3,010	3,160	3,318	3,484	3,658
Rent or Lease	14,000	14,700	15,435	16,207	17,017	17,868	18,761	19,699
Taxes-Business	800	840	882	926	972	1,021	1,072	1,126
Telephone/lpad Expenses	2,600	2,730	2,867	3,010	3,160	3,318	3,484	3,658
Travel	-	-	-	-	-	-	-	-
<b>Total OPERATING EXPENSES-BUSINESS</b>	<b>261,510</b>	<b>274,586</b>	<b>288,315</b>	<b>302,731</b>	<b>317,867</b>	<b>333,760</b>	<b>350,448</b>	<b>367,971</b>
Uncategorized Expense								
<b>Total Expenses</b>	<b>552,155</b>	<b>592,266</b>	<b>633,030</b>	<b>911,056</b>	<b>926,192</b>	<b>1,205,695</b>	<b>1,222,383</b>	<b>1,530,551</b>
<b>Net Operating Income</b>	<b>956,348</b>	<b>994,076</b>	<b>1,031,149</b>	<b>2,183,788</b>	<b>2,168,652</b>	<b>3,319,814</b>	<b>3,303,126</b>	<b>4,503,461</b>
Other Expenses								
Loan & Interest Expense	177,000	177,000	177,000	354,000	354,000	531,000	531,000	708,000
Other Extraordinary Expense								
Legal & Professional-Extraordinary	0							
Penalties & Settlements	0							
<b>Total Other Extraordinary Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Other Expenses</b>	<b>177,000</b>	<b>177,000</b>	<b>177,000</b>	<b>354,000</b>	<b>354,000</b>	<b>531,000</b>	<b>531,000</b>	<b>708,000</b>
<b>Net Other Income</b>	<b>(177,000)</b>	<b>(177,000)</b>	<b>(177,000)</b>	<b>(354,000)</b>	<b>(354,000)</b>	<b>(531,000)</b>	<b>(531,000)</b>	<b>(708,000)</b>
<b>Net Income</b>	<b>779,348</b>	<b>817,076</b>	<b>854,149</b>	<b>1,829,788</b>	<b>1,814,652</b>	<b>2,788,814</b>	<b>2,772,126</b>	<b>3,795,461</b>
Tax distribution	-	-	-	-	-	-	-	-
<b>After tax earnings</b>	<b>779,348</b>	<b>817,076</b>	<b>854,149</b>	<b>1,829,788</b>	<b>1,814,652</b>	<b>2,788,814</b>	<b>2,772,126</b>	<b>3,795,461</b>
Creditor allocations	194,837	204,269	256,245	640,426	635,128	976,085	970,244	1,328,411
<b>Net Income-Accumulated</b>	<b>779,348</b>	<b>1,596,424</b>	<b>2,450,573</b>	<b>4,280,361</b>	<b>6,095,013</b>	<b>8,883,827</b>	<b>11,655,952</b>	<b>15,451,414</b>
Creditor allocations-accumulated (not counting insurance proceeds)	194,837	399,106	655,351	1,295,777	1,930,905	2,906,990	3,877,234	5,205,645

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EXHIBIT D

UTAH BARE LOT APPRAISALS

# Appraisal Report



**Brian Ward**  
State of California Real Estate Appraiser

## APPRAISAL OF REAL PROPERTY



### LOCATED AT

4211 Utah St  
San Diego, CA 92104  
S 24 Ft Lot 17 Blk 120 Tr Lp0008pg / APN: 446-231-17-00

### FOR

Three Frogs Inc  
5345 Timken St., La Mesa, CA 91942  
(619)-464-6200  
wolfe.scot@gmail.com

### OPINION OF VALUE

287,000

### AS OF

03/31/2016

### BY

Brian Ward  
Brian Ward Appraisal  
16553 Aldama Ct  
San Diego, CA 92127-3498  
(619) 639-9273  
b@ward.pro  
www.brianward.com

Client	Three Frogs, Inc.	File No.	SD-4211 Utah
Property Address	4211 Utah St		
City	San Diego	County	San Diego
		State	CA
		Zip Code	92104
Appraiser	Brian Ward		

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**Supplemental Addendum**

File No. SD-4211 Utah

Client	Three Frogs, Inc.				
Property Address	4211 Utah St				
City	San Diego	County	San Diego	State	CA Zip Code 92104
Appraiser	Brian Ward				

**SCOPE OF WORK AND APPRAISAL CONDITIONS**

**THIS SCOPE OF WORK AND APPRAISAL CONDITIONS SECTION SUPERSEDES ANY STANDARD APPRAISAL FORM SCOPE OF WORK, ASSUMPTIONS, LIMITING CONDITIONS, AND CERTIFICATIONS WHERE THEY DIFFER.**

**SCOPE OF WORK:**

The Scope of Work is the type and extent of research and analyses performed in an appraisal assignment that is required to produce credible assignment results, given the nature of the appraisal problem, the specific requirements of the intended user(s) and the intended use of the appraisal report. Reliance upon this report, regardless of how acquired, by any party or for any use, other than those specified in this report by the Appraiser, is prohibited. The Opinion of Value that is the conclusion of this report is credible only within the context of the Scope of Work, Effective Date, the Date of Report, the Intended User(s), the Intended Use, the stated Assumptions and Limiting Conditions, any Hypothetical Conditions and/or Extraordinary Assumptions, and the Type of Value, as defined herein. The appraiser, appraisal firm, and related parties assume no obligation, liability, or accountability, and will not be responsible for any unauthorized use of this report or its conclusions.

**PURPOSE OF THE APPRAISAL:**

The purpose of this appraisal report is to develop an opinion of the market value of the fee simple interest of the real property rights of the property identified as the "subject property" or "subject" in the body of this report, subject to this Scope of Work, purpose of the appraisal, reporting requirements of the attached appraisal report form, requirements of the Uniform Standards of Professional Appraisal Practice (USPAP), and Definition of Market Value (defined later in this appraisal).

*Intended Use:* Evaluation of the subject property for court purposes in a bankruptcy

*Effective Date:* Date of Inspection

*Date of Inspection:* 03/31/2016

*Intended User:* Scot Wolf, Three Frogs, Inc

**EXTRAORDINARY ASSUMPTIONS:**

- I make the extraordinary assumption that all information provided to me by the owner, from other knowledgeable parties, and/or through my industry standard data services is true, correct, and complete.

**HYPOTHETICAL CONDITIONS:**

- None

**OTHER NOTABLE CONDITIONS:**

- The appraised value does not deduct for common costs associated with selling or buying a property such as sale agent commissions, which are typically 5%-6% of a property's sale price, or sale closing costs.
- Photographs from the local Multiple Listing Service are used to better reflect comparable property condition on each respective property's sale date.
- As is required by USPAP, this appraisal has been prepared for specific purpose and client. As such, it should only be considered reliable for its intended purpose and my liability is limited to the defined client.
- The confidentiality rule of USPAP restricts my disclosure of the appraisal or anything pertaining to it to anyone other than who the client specifically authorizes.
- I have not previously appraised the subject property.

**MY QUALIFICATIONS:**

I have been a full time residential appraiser continuously since April of 2004. During that time, I have completed more than 3,000 appraisals including properties in excess of 10,000 Sqft of living area size, up to \$11,000,000 in market value, in excess of 360 acres, and have appraised in all of Southern California's regions (e.g. coastal, desert, mountain, resort, urban, suburban, and rural). My clients have included virtually all of the major home lenders including Countrywide Home Loans/Bank of America, Wells Fargo Bank, Washington Mutual/JPMorgan Chase, and Citicorp, either directly or indirectly through third party lenders, mortgage brokers, and appraisal management companies. I have also completed appraisals for federally insured transactions by the Department of Housing and Urban Development and routinely perform appraisals for matters not related to mortgages. I have completed over 297 hours of accredited appraiser education.

**LAND APPRAISAL REPORT**

File No. SD-4211 Utah

**SUBJECT**

Borrower Not for a loan Census Tract 13.00 Map Reference 41740  
 Property Address 4211 Utah St  
 City San Diego County San Diego State CA Zip Code 92104  
 Legal Description S 24 Ft Lot 17 Blk 120 Tr Lp0008pg / APN: 446-231-17-00  
 Sale Price \$ N/A Date of Sale N/A Loan Term N/A yrs. Property Rights Appraised  Fee  Leasehold  De Minimis PUD  
 Actual Real Estate Taxes \$ 3,753 / 2015 (yr) Loan charges to be paid by seller \$ N/A Other sales concessions N/A  
 Lender/Client Three Frogs Inc Address 5345 Timken St., La Mesa, CA 91942  
 Occupant Vacant Land Appraiser Brian Ward Instructions to Appraiser Appraise as of date of inspection

**NEIGHBORHOOD**

Location  Urban  Suburban  Rural Good Avg. Fair Poor  
 Built Up  Over 75%  25% to 75%  Under 25% Employment Stability      
 Growth Rate  Fully Dev.  Rapid  Steady  Slow Convenience to Employment      
 Property Values  Increasing  Stable  Declining Convenience to Shopping      
 Demand/Supply  Shortage  In Balance  Oversupply Convenience to Schools      
 Marketing Time  Under 3 Mos.  4-6 Mos.  Over 6 Mos. Adequacy of Public Transportation      
 Present 65 % One-Unit 10 % 2-4 Unit 3 % Apts. 5 % Condo 7 % Commercial Recreational Facilities      
 Land Use 0 % Industrial 2 % Vacant 8 % Public, schools, parks, recreation Adequacy of Utilities      
 Change in Present Land Use  Not Likely  Likely (\*)  Taking Place (\*) Property Compatibility      
 Predominant Occupancy  Owner  Tenant ~5 % Vacant Protection from Detrimental Conditions      
 One-Unit Price Range \$ 250,000 to \$ 1,500,000 Predominant Value \$ 621,000 Police and Fire Protection      
 One-Unit Age Range 0/New yrs. to 126 yrs. Predominant Age 86 yrs. General Appearance of Properties      
 Appeal to Market      
 Comments including those factors, favorable or unfavorable, affecting marketability (e.g. public parks, schools, view, noise) When considering SFRs: Over the course of the past 12 months the total number of sales decreased 46%, the total number of active listings decreased 38%, the months of housing supply increased 15% to 1.2 months, the median sale price decreased 3%, the typical market exposure time increased 27% to 14 days, the median list price remained stable and changed 2%, the typical listings days on market decreased 18% to 14 days, and the median sale price as a percentage of list price remained stable. There are too few land sales for meaningful trend identification and SFRs represent the best indication, in my opinion.

**SITE**

Dimensions 24 x 140 = 3,360 sf  Corner Lot  
 Zoning Classification MCCPD-MR-800B / MID-CITY COMMUNITIES PLANNED DISTRICT Present Improvements  Do  Do Not Conform to Zoning Regulations  
 Highest and Best Use  Present Use  Other (specify) Multi-Family, possibly up to 4 units  
 Elec.  Gas  Water  San. Sewer   Underground Elect. & Tel.  
 OFF SITE IMPROVEMENTS  
 Street Access  Public  Private Topo Basically Level  
 Surface Asphalt Size Typical to Smaller than Typical  
 Maintenance  Public  Private Shape Rectangular  
 Storm Sewer  Curb/Gutter View No Notable  
 Sidewalk  Street Lights Drainage Appears Adequate  
 Is the property located in a FEMA Special Flood Hazard Area?  Yes  No  
 Comments (favorable or unfavorable including any apparent adverse easements, encroachments, or other adverse conditions) The subject property is located in zoned for multiple units and has alley access with minimal setback requirements, allowing for good access by multiple tenants. The properties are close to commercial areas which is viewed both positively and negatively. There is a water tower visible from the property that may be undesirable to some residents.

The undersigned has recited the following recent sales of properties most similar and proximate to subject and has considered these in the market analysis. The description includes a dollar adjustment reflecting market reaction to those items of significant variation between the subject and comparable properties. If a significant item in the comparable property is superior to or more favorable than the subject property, a minus (-) adjustment is made, thus reducing the indicated value of subject; if a significant item in the comparable is inferior to or less favorable than the subject property, a plus (+) adjustment is made thus increasing the indicated value of the subject.

ITEM	SUBJECT PROPERTY	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3	
Address	4211 Utah St San Diego, CA 92104	4202 Kansas St San Diego, CA 92104	4332 Ohio St San Diego, CA 92104	4221 Idaho St San Diego, CA 92104	
Proximity to Subject		0.04 miles E	0.20 miles NE	0.08 miles W	
Sales Price	\$ N/A	\$ 505,000	\$ 375,000	\$ 385,000	
Price \$/Site	\$	\$ 505,000	\$ 375,000	\$ 385,000	
Data Source(s)		MLS# 150021774	MLS# 150065408	MLS# 110006719	
ITEM	DESCRIPTION	DESCRIPTION	+(-)\$ Adjust.	DESCRIPTION	+(-)\$ Adjust.
Date of Sale/Time Adj.	N/A	06/30/15,08/05/15		12/15/16,01/21/16	
Location	Neutral/Typical	Neutral/Typical		Neutral/Typical	+91,000
Site/View	3,360 sf	3,546 Sqft	-10,000	2,997 Sqft	+19,000
Improvements	N/A + Vacant Land	884 Sqft	-205,000	761 Sqft	-181,000
Quality/Condition	N/A + Vacant Land	Very Good		0 Average+ Good	+78,000
Zoning	MCCPD-MR-800B 1/800	MCCPD-MR-800B		MCCPD-MR-800B	
Sales or Financing	N/A	98% LTV FHA		90% LTV Private Party	
Concessions	N/A	Buyer Cred: \$2,500	-3,000	Buyer Cred: \$4,100	-4,000
Net Adj. (Total)		<input type="checkbox"/> + <input checked="" type="checkbox"/> -	\$ -218,000	<input type="checkbox"/> + <input checked="" type="checkbox"/> -	\$ -88,000
Indicated Value of Subject		43.2	\$ 287,000	23.5	\$ 287,000
		43.2	\$ 287,000	75.2	\$ 287,000
Comments on Market Data	Please see the 'Comments on Market Data' section of the 'Comments' addendum.				

Comments and Conditions of Appraisal No special or additional conditions. Please see the 'Scope of Work and Appraisal Conditions' page

**RECONCILIATION**

Final Reconciliation I place sole emphasis on the Sales Comparison Approach to Value as it reflects the actions of market participants and best satisfies the tenets of market value. I do not consider the Cost Approach to Value because there are no improvements contributing significant value. I do not consider the Income Approach to Value because the subject property does not have any significant income producing qualities.

I (WE) ESTIMATE THE MARKET VALUE, AS DEFINED, OF THE SUBJECT PROPERTY AS OF 03/31/2016 TO BE \$ 287,000

Appraiser Brian Ward Supervisory Appraiser (if applicable) \_\_\_\_\_  
 Date of Signature and Report 04/15/2016 Date of Signature \_\_\_\_\_  
 Title State of California Certified Residential Real Estate Appraiser Title \_\_\_\_\_  
 State Certification # AR036053 ST CA State Certification # \_\_\_\_\_ ST \_\_\_\_\_  
 Or State License # \_\_\_\_\_ ST \_\_\_\_\_ Or State License # \_\_\_\_\_ ST \_\_\_\_\_  
 Expiration Date of State Certification or License 12/30/2016 Expiration Date of State Certification or License \_\_\_\_\_  
 Date of Inspection (if applicable) 03/31/2016  Did  Did Not Inspect Property Date of Inspection \_\_\_\_\_

**ADDITIONAL COMPARABLE SALES**

File No. SD-4211 Utah

ITEM	SUBJECT PROPERTY	COMPARABLE NO. 4		COMPARABLE NO. 5		COMPARABLE NO. 6	
Address	4211 Utah St San Diego, CA 92104	4090 Louisiana St San Diego, CA 92104		4094 Kansas St San Diego, CA 92104			
Proximity to Subject		0.49 miles W		0.16 miles S			
Sales Price	\$ N/A		\$ 519,000		\$ 657,000		\$
Price \$/Site	\$		\$ 519,000		\$ 657,000		\$
Data Source(s)		MLS# 160009532		MLS# 160005477			
ITEM	DESCRIPTION	DESCRIPTION	+(-)\$ Adjust.	DESCRIPTION	+(-)\$ Adjust.	DESCRIPTION	+(-)\$ Adjust.
Date of Sale/Time Adj.	N/A	03/23/16, 03/28/16		02/18/16, 03/14/16			
Location	Neutral/Typical	Neutral/Typical		Neutral/Typical			
Site/View	3,360 sf	2,797 Sqft	+29,000	3,999 Sqft	-33,000		
Improvements	N/A + Vacant Land	602 Sqft	-149,000	1,500 Sqft	-327,000		
Quality/Condition	N/A + Vacant Land	Good+Very Good	+18,000	Good	+120,000		
Zoning	MCCPD-MR-800B 1/800	MCCPD-MR-1250B	-130,000	MCCPD-MR-1250B	-130,000		
Sales or Financing Concessions	N/A	Cash Equivalent		99% LTV VA			
	N/A	None Known		None Known			
Net Adj. (Total)		<input type="checkbox"/> + <input checked="" type="checkbox"/> -	\$ -232,000	<input type="checkbox"/> + <input checked="" type="checkbox"/> -	\$ -370,000	<input type="checkbox"/> + <input type="checkbox"/> -	\$
Indicated Value of Subject		44.7 62.8	\$ 287,000	56.3 92.8	\$ 287,000		\$
Comments on Market Data	Please see the 'Comments on Market Data' section of the 'Comments' addendum.						

MARKET DATA ANALYSIS



**Supplemental Addendum**

File No. SD-4211 Utah

Client	Three Frogs, Inc.				
Property Address	4211 Utah St				
City	San Diego	County	San Diego	State	CA
Appraiser	Brian Ward	Zip Code	92104		

**COMMENTS ADDENDUM****SUMMARY OF THE SALES COMPARISON:**

Adjustments for comparable sale differences are primarily derived using paired sales analysis, depreciated cost analysis and statistical analysis. Comparable property features and adjustments that exceed commonly preferred mortgage lender appraisal guidelines must be considered in the development of an accurate value opinion due to a scarcity of recently sold properties within those guidelines that share the subject property's combination of features, especially its zoning, size, and location. The properties in the sales comparison are the most recent and similar available that satisfy the tenets of market value and paired sales analysis, and that result in a consistent value opinion. Please see the 'Paired Sales Analysis' heading in the 'Definitions' addendum for a basic description of paired sales analysis. In addition to reading this summary of the sales comparison, reviewing what paired sales analysis is may help the reviewer of this appraisal to understand why some of the properties in this sales comparison were selected.

The adjustments applied are intended to reflect, as closely as possible, the contribution to market value of the features adjusted, and not the cost of the features or needed repairs. The cost of a feature, or the cost to repair a feature, may be significantly different to what market participants are willing to pay for a feature or where deferred maintenance exists. Ideally the adjustments are derived from market evidence, although costs, and depreciated costs, sometimes must be considered as the best available indications in the absence of market evidence.

Some features are not able to be derived due to a lack of market data. The market value of these feature differences is inherently included in other adjustments, if adjustments are required at all. Also, the preparation of this sales comparison included the consideration of a number of other properties and some adjustments applied in this sales comparison may have been derived and/or confirmed by those other properties.

No property sales identified as being distressed or that otherwise may not have been sold for market value in the local multiple listing service (e.g. bank sales, short sales, estate sales) are considered in this sales comparison.

Two dates are listed in the sales comparison for each property, the settle date and the sale close date. The settle date is the likely date that the buyer and seller agreed to the sale price and the sale date is the date the sale closed escrow, which will be the later of the two dates.

Searching back to the year 2011, there are no reliable comparable sales available. To develop my value opinion I have relied on abstraction from improved sales and older sales. Comparable sales 1 and 2 are the two most recent, similar, and proximate improved sales that share the subject property's zoning, comparable sale 3 is the most recent sale of vacant land that transacted through the local multiple listing service with the subject property's zoning, and comparable sales 4 and 5 are the two most recent sales of properties with similar site sizes, and with multi-family zoning (like the subject property has, although not the same zoning).

Comparable sale 1 is an older sale than preferred, but my market analysis indicates that property values have not significantly changed and no adjustment for the older sale date is warranted.

Comparable sale 3 is a significantly older sale and it is adjusted in the Date of Sale/Time row by the change in median sale price of single family residences since the property sold. While using this measure is not ideal, it is the best indicator available due to a low number of sales.

Adjustments for the Improvements at comparable sales 1-2 and 4-5 is reflected in the 'Improvements' custom item row, and the 'Quality/Condition' custom item row. The adjustments reflect the improvements present and my best estimate of the degrees of renovation, deterioration, and quality.

The 'Zoning' custom item row reflects the zoning at each of the properties, however it may also reflect a different location appeal for comparable sales 4 and 5.

Comparable sale 3 does not appear to exist as it did when it sold in 2011. It now has the address 4221 Idaho St. At the time, it was a parking lot. The included photographs is from 02/2011 and from Google Maps.

I place most emphasis for my value opinion on the following:

- Comparable sales 1-3 for best indicating the appeal of the subject property's zoning.
- Comparable sale 1 and 2 for best indicating the appeal of the subject property's use. Both sites are similar in site size and have the same zoning. These properties form the core of the appraised value and are relied upon more than the other properties.
- Comparable sale 3 for best indicating the appeal of vacant land with the subject property's zoning.
- Comparable sales 1 and 3 for best indicating the appeal of the subject property's immediate area of the neighborhood.
- Comparable sales 2, 4, and 5 for best indicating current market trends.
- The consistent indicated value of the subject property by all comparable properties.

Unless otherwise noted, all comparable sales are sourced and verified using the local multiple listing service and public record through CoreLogic's 'Realist' service.

**CONDITIONS OF THE APPRAISAL:**

The appraised value is for the subject property as-is.

**RECONCILIATION OF THE 3 APPROACHES TO VALUE IN THIS APPRAISAL REPORT:**

I place sole emphasis on the Sales Comparison Approach to Value as it reflects the actions of market participants and best satisfies the tenets of market value. I do not consider the Cost Approach to Value because there are no improvements contributing significant value. I do not consider the Income Approach to Value because the subject property does not have any significant income producing qualities.

It is critically important for the client to understand that the value derived through this appraisal is the most probable price the subject property would bring (see full 'Definition of Market Value' in the standard declarations) and not the highest possible value or the lowest reasonable value, as are the common objectives of buyers and sellers, and their real estate agents.

Because market participants have varying motivations, most may consider the subject's value differently than I have and it is possible that the subject property will sell for more or less than my value opinion. However, using sound property valuation

**Supplemental Addendum**

File No. SD-4211 Utah

Client	Three Frogs, Inc.				
Property Address	4211 Utah St				
City	San Diego	County	San Diego	State	CA Zip Code 92104
Appraiser	Brian Ward				

principles and techniques, and in consideration of the best data available, it is my opinion that the value derived through this appraisal is the market value of the subject property.

It is also critically important for the client to understand that this appraisal and its appraised value are derived as of/for a specific effective date and that it does not forecast future market conditions. Market conditions and the quality of the sales data available can change rapidly, altering the subject property's market value in a short period of time. If relevant for their purpose, the client should be diligent in remaining abreast of market condition changes to be able to best utilize the appraisal for their specific need.

**ANALYSIS OF HISTORICAL SALES AND LISTINGS OF THE SUBJECT AND COMPARABLE PROPERTIES:**

Appraisers are required to analyze any sales/transactions of the Subject Property within 36 months of the effective date of this report and any comparable sales/transfers within the 12 months prior to each property's respective sale date for anything that could suggest that a current comparable sale/transaction is unreliable, such as from market manipulation due to house flipping. Only sales/transfers within these timeframes are mentioned.

The prior sale of the subject property on 09/30/2014 for \$286,000 was possibly as an improved property and appears to have been a bank sale, however it wasn't transacted through the local multiple listing service and Realtor data is not available. In my opinion, the prior sale price is not a reliable indicator of current market value for these reasons.

**Supplemental Addendum**

File No. SD-4211 Utah

Client	Three Frogs, Inc.						
Property Address	4211 Utah St						
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Appraiser	Brian Ward						

**DEFINITIONS ADDENDUM**

**APPROACHES USED TO DERIVE MARKET VALUE IN APPRAISALS:**

There are three approaches to value that are used to derive market value in appraisal reports.

- I. Sales Comparison Approach to Value. This method of deriving value allows for the most complete satisfaction of the tenets of market value. It compares sales of properties similar to the property being appraised with the intention of producing a value that reflects the actions of recent market participants that may have considered also purchasing the subject property, had it been for sale. The significant majority of the time, this is the approach used for appraisals of single family residences and condominiums in Southern California where sales and information regarding the sales are usually plentiful.
- II. Cost Approach to Value. This method of deriving value calculates the cost of a property's improvements, less depreciation, and adds them to the value of the land as if vacant. Market participants usually make their purchasing and selling decisions based on what properties have been selling for in the area and not on the cost of a property resulting in market value often being significantly different than what is derived in the sales comparison approach to value. The cost approach to value is usually the best option when sales are extremely scarce, which is uncommon in Southern California.
- III. Income Approach to Value. This method of deriving value utilizes the income capabilities of a property to derive a property's market value. In Southern California, property values are often too high and investors/landlords will not see enough profit / reasonable enough of a return from rents to where buying a property based solely on its income producing capabilities equals a value above what the sales comparison approach usually indicates, making it an unreliable indicator of market value for single family residences and condominiums where potential investors are mostly competing with buyers who will live in their properties after purchase and do not consider the profit they could receive from renting their property. The income approach is most usually used for multi-family properties and commercial properties.

**WHY THE SPECIFIC COMPARABLE PROPERTIES WERE SELECTED FOR COMPARISON:**

The comparable property sales included are the best available in the development of an accurate value opinion that satisfy the uniform standard of professional appraisal practice, that adhere to the definition of market value, and that satisfy paired sales analysis. While there may be additional sales that are better reflections of certain features of the subject property (or other factors), the comparable properties used, collectively, are the best available reflections of the market appeal of the Subject Property's utility and features, are the best available reflections of the most current market trends, and are the best available reflections of the actions of buyers and sellers that would most probably buy/sell the subject property. Additional consideration is also given to the property sales with the most reliable conditions for a market value sale, such as those with the least sales concessions and least favorable lending terms. Any otherwise applicable property sales not included in the Sales Comparison are either redundant or less reliable than those included.

**PAIRED SALES ANALYSIS:**

A method of estimating the amount of adjustment for the presence or absence of any feature by pairing the sales prices of otherwise similar properties with and without the feature in question. A sufficient number of sales must be found to allow the appraiser to isolate the effect on value of the pertinent factor (also called paired data set analysis and matched pairs analysis). If applied correctly, all comparable properties in a sales comparison should indicate the same value for the property being appraised.

**Example 1 – One Different Comparable Feature.** Comparable 2 is adjusted -\$5,000 because it has a 3<sup>rd</sup> garage space which neither the Subject nor properties 1 or 3 have.

	Subject	Comparable 1	Comparable 2	Comparable 3
Sale Price		\$100,000	\$105,000	\$100,000
Garages	2 Car Garage	2 Car Garage No Adjustment	3 Car Garage -\$5,000	2 Car Garage No Adjustment
Adj. \$ of the Comparables		\$100,000	\$100,000	\$100,000

**Subject's Market Value = \$100,000**

**Example 2 – Two Different Comparable Features.** Comparable 2 is adjusted -\$5,000 because it has a 3<sup>rd</sup> garage space which neither the Subject nor properties 1 or 3 have. Comparable 1 is adjusted -\$10,000 because it has a pool which the Subject does not have.

	Subject	Comparable 1	Comparable 2	Comparable 3
Sale Price		\$110,000	\$105,000	\$100,000
Garages	2 Car Garage	2 Car Garage No Adjustment	3 Car Garage -\$5,000	2 Car Garage No Adjustment
Pool	No Pool	Pool -\$10,000	No Pool No Adjustment	No Pool No Adjustment
Adj. \$ of the Comparables		\$100,000	\$100,000	\$100,000

**Subject's Market Value = \$100,000**

**Example 3 – Three Different Comparable Features.** Comparable 2 is adjusted -\$5,000 because it has a 3<sup>rd</sup> garage space which neither the Subject nor properties 1 or 3 have. Comparable 1 is adjusted -\$10,000 because it has a pool which the Subject does not have. Comparable 1 is adjusted -\$5,000 because it has a 100 Sqft larger house size than the Subject. Comparable 3 is adjusted +\$5,000 because it has a 100 Sqft smaller house size.

	Subject	Comparable 1	Comparable 2	Comparable 3
Sale Price		\$115,000	\$105,000	\$95,000
Garages	2 Car Garage	2 Car Garage No Adjustment	3 Car Garage -\$5,000	2 Car Garage No Adjustment
Pool	No Pool	Pool -\$10,000	No Pool No Adjustment	No Pool No Adjustment
Living Area	1,000 Sqft	1,100 Sqft -\$5,000	1,000 Sqft No Adjustment	900 Sqft +\$5,000
Adj. \$ of the Comparables		\$100,000	\$100,000	\$100,000

**Subject's Market Value = \$100,000**

**MORTGAGE TERMS AND CONCESSIONS CAN AFFECT SALE PRICES:**

The definition of market value requires that a purchase price be in terms of cash to be considered market value. Mortgages with low down-payments/where higher than typical loan to home value ratios are allowed, and private party loans to commonly

**Supplemental Addendum**

File No. SD-4211 Utah

Client	Three Frogs, Inc.				
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unqualified people, are all examples of mortgages/loan terms that can affect purchase prices. This is because such mortgages encourage a focus on borrowing and not on a home's purchase price, because they encourage irresponsible borrowing due to the borrower having relatively little stake in the purchase and will incur little to no loss should they be unable to make their mortgage payments, and because borrowers who otherwise could not qualify for purchases are afforded the opportunity to buy homes which artificially increases competition, and therefore prices, and they allows sellers and mortgage companies to artificially increase sale prices, rates, and fees because the buyers have few other options and are more desperate than buyers who buy with cash or cash equivalent conventional mortgages. The definition of market value also requires that buyers be typically motivated, which buyers unable to qualify for conventional mortgages may not be.

High loan to home value ratio mortgages, high debt to income ratio mortgages, and a lack of reasonably qualified borrowers in the early to mid-2000s were a major contributing factor to rapid home price increases and the ensuing housing market collapse that spurred the 'Great Recession' of recent years. Currently the federal government has programs in place through the VA (Veteran's Affairs) and FHA (Federal Housing Administration) departments which provide guarantees to lenders for mortgages where loan to value ratios are at or above 97%, and sometimes as high as 106%, of a property's market value. Additionally, some VA loans allow for debt to income ratios nearly double what a conventional mortgage is allowed, and both FHA and VA can permit the inclusion of sales concessions in the mortgages so that buyers with little cash that can't otherwise afford closing costs can still buy properties. This can also cause purchase prices to increase so that the seller does not have to carry the actual burden of assisting buyers in paying for their closing costs because the costs are actually included in the mortgages.

The significant difference between these government programs and what occurred in the 2000s is that borrowers have much more stringent qualification requirements. But while this difference does exist, sellers of properties that accept VA, FHA, and other similar mortgages often increase their sale prices to account for the inconvenience in waiting for borrowers who require such loans and the higher probability that the mortgages will not be accepted, especially compared with cash sellers. In turn, buyers who require these mortgages are often willing to pay the higher prices, interest rates, and fees because their options to not do so are often limited.

In summary: Property purchases with mortgage lending terms common of FHA, VA, and private party loans can include incentives that result in the purchase prices of the properties to not satisfy the definition of market value which requires that the purchase prices be in terms of cash. In other words, buyers who use these mortgages sometimes pay more for properties than a cash buyer would pay for the same properties and therefore the purchase prices where such loans are used are less reliable indicators of market value than cash purchases or purchases where buyers have contributed a significant down-payment. Because of this, emphasis should be placed on comparable sales where cash or cash equivalent conventional mortgages are used, when possible.

**THE PRINCIPAL OF SUBSTITUTION:**

The principal of substitution states that a buyer will not pay more for a property than its competition in the neighborhood. In other words: if a property that is identical to the property being appraised is available for \$200,000 then a buyer will not pay more than \$200,000 for the property being appraised. Under typical market conditions, actively listed properties similar to a property being appraised limit the most that property can sell for, but not the least it could sell for because there is no limit as to how high a property can be listed for sale. In the current market, especially with bank and short sale listings, agents are sometimes listing properties for under-market values to generate high interest and so that the most desirable purchase offer and buyer can be submitted for approval from a lien-holder. Because of such strategies, the price-limiting nature of active listings is not absolute. Appraisers must consider the degree of support from other listings and sales, as well as consider factors such as how many days of market exposure a listing has had.

# Assumptions, Limiting Conditions & Scope of Work

File No.: SD-4211 Utah

Property Address: 4211 Utah St	City: San Diego	State: CA	Zip Code: 92104
Client: Three Frogs, Inc.	Address: 5345 Timken St., La Mesa, CA 91942		
Appraiser: Brian Ward	Address: 16553 Aldama Ct, San Diego, CA 92127-3498		

## STATEMENT OF ASSUMPTIONS & LIMITING CONDITIONS

- The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it. The appraiser assumes that the title is good and marketable and, therefore, will not render any opinions about the title. The property is appraised on the basis of it being under responsible ownership.
- The appraiser may have provided a plat and/or parcel map in the appraisal report to assist the reader in visualizing the lot size, shape, and/or orientation. The appraiser has not made a survey of the subject property.
- If so indicated, the appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in the appraisal report whether the subject site is located in an identified Special Flood Hazard Area. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
- The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand.
- The appraiser has noted in the appraisal report any adverse conditions (including, but not limited to, the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property, or that he or she became aware of during the normal research involved in performing the appraisal. Unless otherwise stated in the appraisal report, the appraiser has no knowledge of any hidden or unapparent conditions of the property, or adverse environmental conditions (including, but not limited to, the presence of hazardous wastes, toxic substances, etc.) that would make the property more or less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied, regarding the condition of the property. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, the appraisal report must not be considered as an environmental assessment of the property.
- The appraiser obtained the information, estimates, and opinions that were expressed in the appraisal report from sources that he or she considers to be reliable and believes them to be true and correct. The appraiser does not assume responsibility for the accuracy of such items that were furnished by other parties.
- The appraiser will not disclose the contents of the appraisal report except as provided for in the Uniform Standards of Professional Appraisal Practice, and any applicable federal, state or local laws.
- An appraiser's client is the party (or parties) who engage an appraiser in a specific assignment. Any other party acquiring this report from the client does not become a party to the appraiser-client relationship. Any persons receiving this appraisal report because of disclosure requirements applicable to the appraiser's client do not become intended users of this report unless specifically identified by the client at the time of the assignment.
- The appraiser's written consent and approval must be obtained before this appraisal report can be conveyed by anyone to the public, through advertising, public relations, news, sales, or by means of any other media, or by its inclusion in a private or public database. Possession of this report or any copy thereof does not carry with it the right of publication.
- Forecasts of effective demand for the highest and best use or the best fitting and most appropriate use were based on the best available data concerning the market and are subject to conditions of economic uncertainty about the future.

The Scope of Work is the type and extent of research and analyses performed in an appraisal assignment that is required to produce credible assignment results, given the nature of the appraisal problem, the specific requirements of the intended user(s) and the intended use of the appraisal report. Reliance upon this report, regardless of how acquired, by any party or for any use, other than those specified in this report by the Appraiser, is prohibited. The Opinion of Value that is the conclusion of this report is credible only within the context of the Scope of Work, Effective Date, the Date of Report, the Intended User(s), the Intended Use, the stated Assumptions and Limiting Conditions, any Hypothetical Conditions and/or Extraordinary Assumptions, and the Type of Value, as defined herein. The appraiser, appraisal firm, and related parties assume no obligation, liability, or accountability, and will not be responsible for any unauthorized use of this report or its conclusions.

Additional Comments (Scope of Work, Extraordinary Assumptions, Hypothetical Conditions, etc.):

# Certifications & Definitions

File No.: SD-4211 Utah

Property Address: 4211 Utah St	City: San Diego	State: CA	Zip Code: 92104
Client: Three Frogs, Inc.	Address: 5345 Timken St., La Mesa, CA 91942		
Appraiser: Brian Ward	Address: 16553 Aldama Ct, San Diego, CA 92127-3498		

## APPRAISER'S CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The credibility of this report, for the stated use by the stated user(s), of the reported analyses, opinions, and conclusions are limited only by

the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- Unless otherwise indicated, I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice that were in effect at the time this report was prepared.
- I did not base, either partially or completely, my analysis and/or the opinion of value in the appraisal report on the race, color, religion, sex, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property, or of the present owners or occupants of the properties in the vicinity of the subject property.
- Unless otherwise indicated, I have made a personal inspection of the property that is the subject of this report.
- Unless otherwise indicated, no one provided significant real property appraisal assistance to the person(s) signing this certification.

### Additional Certifications:


### DEFINITION OF MARKET VALUE \*:

Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

\* This definition is from regulations published by federal regulatory agencies pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989 between July 5, 1990, and August 24, 1990, by the Federal Reserve System (FRS), National Credit Union Administration (NCUA), Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS), and the Office of Comptroller of the Currency (OCC). This definition is also referenced in regulations jointly published by the OCC, OTS, FRS, and

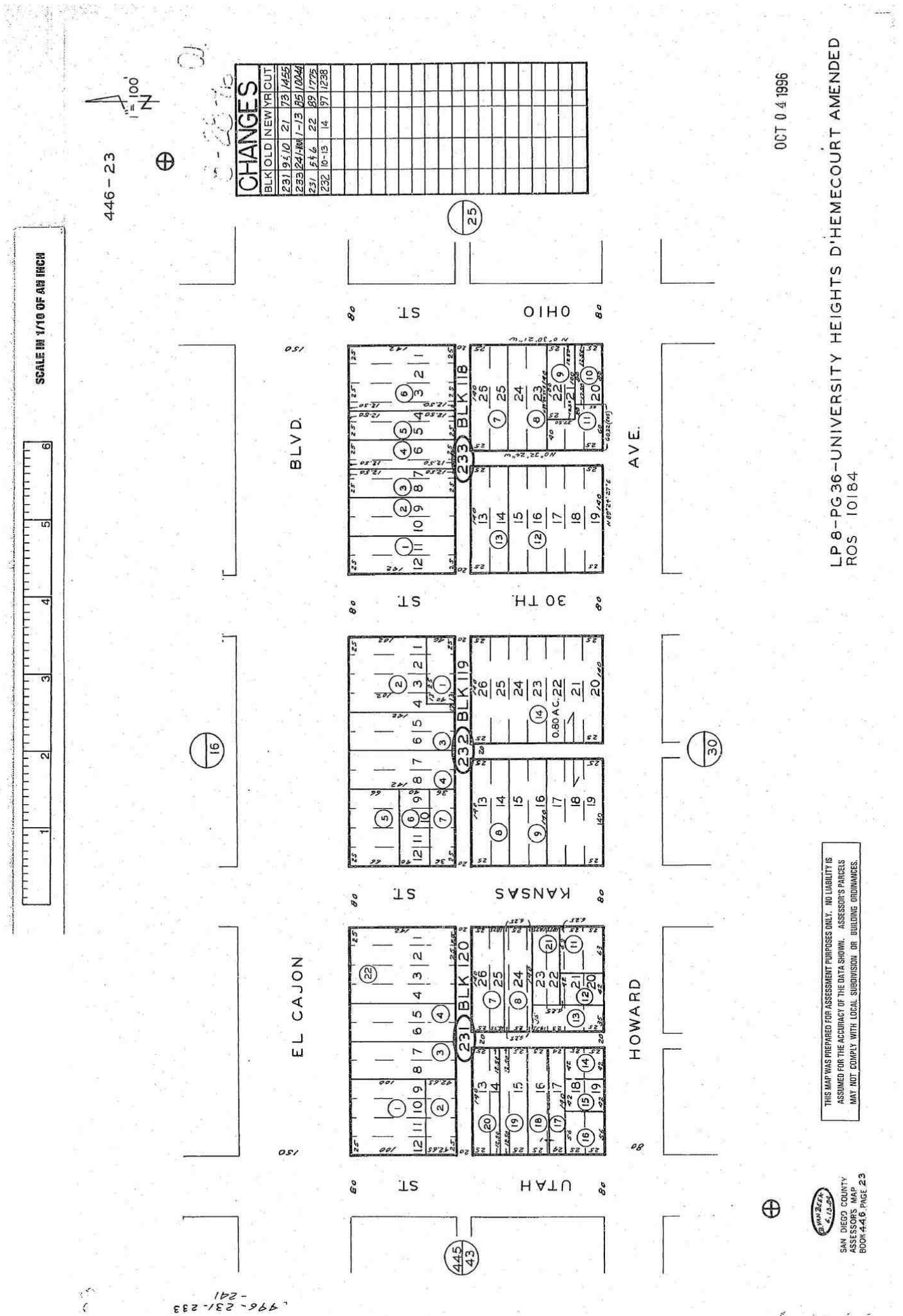
Client Contact: Scot Wolfe	Client Name: Three Frogs, Inc.
E-Mail: wolfe.scot@gmail.com	Address: 5345 Timken St., La Mesa, CA 91942

<p><b>APPRAISER</b></p> <div style="text-align: center; font-size: 2em; color: blue; margin-bottom: 10px;">  </div> <p>Appraiser Name: <u>Brian Ward</u>                  Company: <u>Brian Ward Appraisal</u>                  Phone: <u>(619) 639-9273</u> Fax: _____                  E-Mail: <u>b@ward.pro</u>                  Date Report Signed: <u>04/15/2016</u>                  License or Certification #: <u>AR036053</u> State: <u>CA</u>                  Designation: <u>State of California Certified Residential Real Estate Appraiser</u>                  Expiration Date of License or Certification: <u>12/30/2016</u>                  Inspection of Subject: <input checked="" type="checkbox"/> Did Inspect <input type="checkbox"/> Did Not Inspect (Desktop)                  Date of Inspection: <u>03/31/2016</u></p>	<p><b>SUPERVISORY APPRAISER (if required) or CO-APPRAISER (if applicable)</b></p> <p>Supervisory or Co-Appraiser Name: _____                  Company: _____                  Phone: _____ Fax: _____                  E-Mail: _____                  Date Report Signed: _____                  License or Certification #: _____ State: _____                  Designation: _____                  Expiration Date of License or Certification: _____                  Inspection of Subject: <input type="checkbox"/> Did Inspect <input type="checkbox"/> Did Not Inspect                  Date of Inspection: _____</p>
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SIGNATURES

**Plat Map**

Client	Three Frogs, Inc.		
Property Address	4211 Utah St		
City	San Diego	County	San Diego
Appraiser	Brian Ward	State	CA
		Zip Code	92104



OCT 0 4 1996

LP 8-PG 36-UNIVERSITY HEIGHTS D'HEMECOURT AMENDED  
ROS 10184

THIS MAP WAS PREPARED FOR ASSESSMENT PURPOSES ONLY. NO LIABILITY IS ASSUMED FOR THE ACCURACY OF THE DATA SHOWN. ASSESSOR'S PARCELS MAY NOT COMPLY WITH LOCAL SUBDIVISION OR BUILDING ORDINANCES.

Brian Ward  
SAN DIEGO COUNTY  
ASSESSOR  
BOOK 446 PAGE 23

**Location Map**

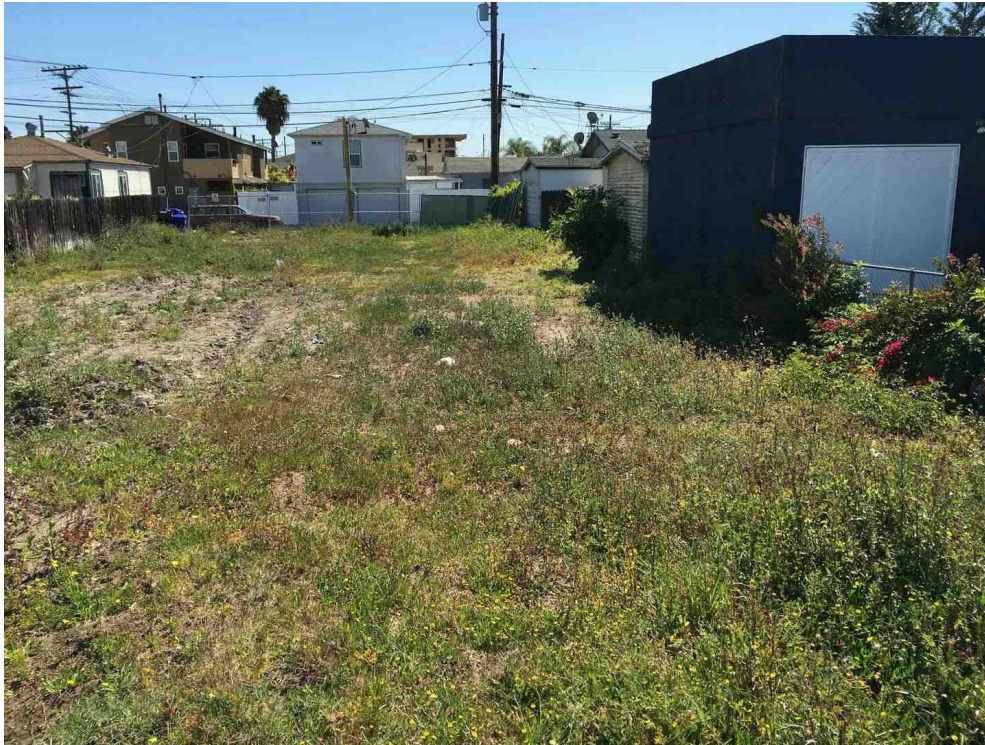
Client	Three Frogs, Inc.				
Property Address	4211 Utah St				
City	San Diego	County	San Diego	State	CA
Appraiser	Brian Ward	Zip Code	92104		





**Subject Photo Page**

Client	Three Frogs, Inc.						
Property Address	4211 Utah St						
City	San Diego	County	San Diego	State	CA	Zip Code	92104
Appraiser	Brian Ward						

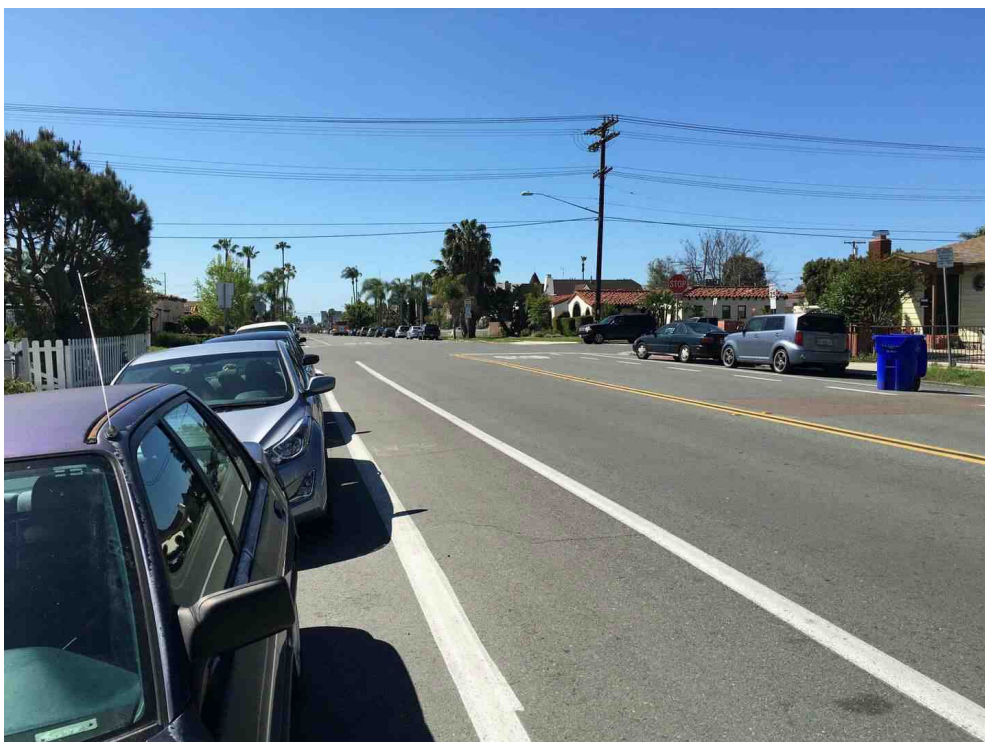


**Subject Front**

4211 Utah St  
Sales Price N/A  
G.L.A.  
Tot. Rooms  
Tot. Bedrms.  
Tot. Bathrms.  
Location Neutral/Typical  
View 3,360 sf  
Site  
Quality  
Age



**Subject Rear**



**Subject Street**

**Comparable Photo Page**

Client	Three Frogs, Inc.				
Property Address	4211 Utah St				
City	San Diego	County	San Diego	State	CA
Appraiser	Brian Ward			Zip Code	92104



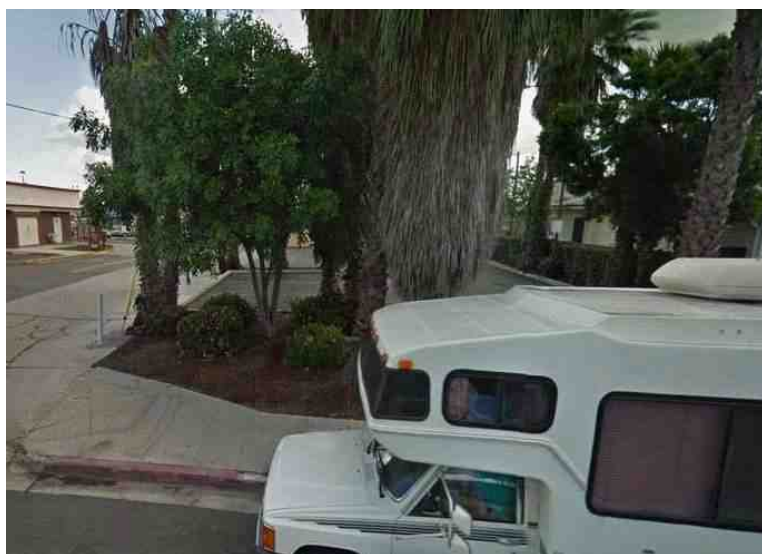
**Comparable 1**

4202 Kansas St  
 Prox. to Subject 0.04 miles E  
 Sale Price 505,000  
 Gross Living Area  
 Total Rooms  
 Total Bedrooms  
 Total Bathrooms  
 Location Neutral/Typical  
 View 3,546 Sqft  
 Site  
 Quality  
 Age



**Comparable 2**

4332 Ohio St  
 Prox. to Subject 0.20 miles NE  
 Sale Price 375,000  
 Gross Living Area  
 Total Rooms  
 Total Bedrooms  
 Total Bathrooms  
 Location Neutral/Typical  
 View 2,997 Sqft  
 Site  
 Quality  
 Age



**Comparable 3**

4221 Idaho St  
 Prox. to Subject 0.08 miles W  
 Sale Price 385,000  
 Gross Living Area  
 Total Rooms  
 Total Bedrooms  
 Total Bathrooms  
 Location Neutral/Typical  
 View 7,000 Sqft  
 Site  
 Quality  
 Age

**Comparable Photo Page**

Client	Three Frogs, Inc.				
Property Address	4211 Utah St				
City	San Diego	County	San Diego	State	CA
Appraiser	Brian Ward			Zip Code	92104



**Comparable 4**

4090 Louisiana St  
 Prox. to Subject 0.49 miles W  
 Sale Price 519,000  
 Gross Living Area  
 Total Rooms  
 Total Bedrooms  
 Total Bathrooms  
 Location Neutral/Typical  
 View 2,797 Sqft  
 Site  
 Quality  
 Age



**Comparable 5**

4094 Kansas St  
 Prox. to Subject 0.16 miles S  
 Sale Price 657,000  
 Gross Living Area  
 Total Rooms  
 Total Bedrooms  
 Total Bathrooms  
 Location Neutral/Typical  
 View 3,999 Sqft  
 Site  
 Quality  
 Age

**Comparable 6**

Prox. to Subject  
 Sale Price  
 Gross Living Area  
 Total Rooms  
 Total Bedrooms  
 Total Bathrooms  
 Location  
 View  
 Site  
 Quality  
 Age

Brian Ward

# INVOICE

**FROM:**

Brian Ward  
 Brian Ward  
 16553 Aldama Ct  
 San Diego, CA 92127-3498

Telephone Number: (619) 630-9273 Fax Number:

INVOICE NUMBER	
SD-4211 Utah	
DATES	
Invoice Date:	03/25/2016
Due Date:	
REFERENCE	
Internal Order #:	SD-4211 Utah
Lender Case #:	
Client File #:	
FHA/VA Case #:	
Main File # on form:	SD-4211 Utah
Other File # on form:	
Federal Tax ID:	
Employer ID:	

**TO:**

Scot Wolfe  
 Three Frogs, Inc.  
 5345 Timken St.  
 La Mesa, CA 91942

E-Mail: wolfe.scot@gmail.com  
 Telephone Number: (619)-464-6200 Fax Number:  
 Alternate Number:

## DESCRIPTION

<b>Lender:</b> Three Frogs Inc	<b>Client:</b> Three Frogs, Inc.
<b>Purchaser/Borrower:</b> Not for a loan	
<b>Property Address:</b> 4211 Utah St	
<b>City:</b> San Diego	
<b>County:</b> San Diego	<b>State:</b> CA <b>Zip:</b> 92104
<b>Legal Description:</b> S 24 Ft Lot 17 Blk 120 Tr Lp0008pg / APN: 446-231-17-00	

## FEES

### AMOUNT

Land Appraisal	400.00
<b>SUBTOTAL</b>	400.00

## PAYMENTS

### AMOUNT

<b>Check #:</b>	<b>Date:</b> 4/15/2016	<b>Description:</b> Payment Received	400.00
<b>Check #:</b>	<b>Date:</b>	<b>Description:</b>	
<b>Check #:</b>	<b>Date:</b>	<b>Description:</b>	
<b>SUBTOTAL</b>			400.00
<b>TOTAL DUE</b>	<b>\$</b>		0.00

# Appraisal Report



**Brian Ward**  
State of California Real Estate Appraiser

## APPRAISAL OF REAL PROPERTY



### LOCATED AT

4213 Utah St  
San Diego, CA 92104  
Lot 16 & N 1 Ft Lot 17 Blk 120 Tr Lp0008pg / APN: 446-231-18-00

### FOR

Three Frogs Inc  
5345 Timken St., La Mesa, CA 91942  
(619)-464-6200  
wolfe.scot@gmail.com

### OPINION OF VALUE

287,000

### AS OF

03/31/2016

### BY

Brian Ward  
Brian Ward Appraisal  
16553 Aldama Ct  
San Diego, CA 92127-3498  
(619) 639-9273  
b@ward.pro  
www.brianward.com

Client	Three Frogs, Inc.	File No.	SD-4211 Utah
Property Address	4213 Utah St		
City	San Diego	County	San Diego
		State	CA
		Zip Code	92104
Appraiser	Brian Ward		

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**Supplemental Addendum**

File No. SD-4211 Utah

Client	Three Frogs, Inc.				
Property Address	4213 Utah St				
City	San Diego	County	San Diego	State	CA Zip Code 92104
Appraiser	Brian Ward				

**SCOPE OF WORK AND APPRAISAL CONDITIONS**

**THIS SCOPE OF WORK AND APPRAISAL CONDITIONS SECTION SUPERSEDES ANY STANDARD APPRAISAL FORM SCOPE OF WORK, ASSUMPTIONS, LIMITING CONDITIONS, AND CERTIFICATIONS WHERE THEY DIFFER.**

**SCOPE OF WORK:**

The Scope of Work is the type and extent of research and analyses performed in an appraisal assignment that is required to produce credible assignment results, given the nature of the appraisal problem, the specific requirements of the intended user(s) and the intended use of the appraisal report. Reliance upon this report, regardless of how acquired, by any party or for any use, other than those specified in this report by the Appraiser, is prohibited. The Opinion of Value that is the conclusion of this report is credible only within the context of the Scope of Work, Effective Date, the Date of Report, the Intended User(s), the Intended Use, the stated Assumptions and Limiting Conditions, any Hypothetical Conditions and/or Extraordinary Assumptions, and the Type of Value, as defined herein. The appraiser, appraisal firm, and related parties assume no obligation, liability, or accountability, and will not be responsible for any unauthorized use of this report or its conclusions.

**PURPOSE OF THE APPRAISAL:**

The purpose of this appraisal report is to develop an opinion of the market value of the fee simple interest of the real property rights of the property identified as the "subject property" or "subject" in the body of this report, subject to this Scope of Work, purpose of the appraisal, reporting requirements of the attached appraisal report form, requirements of the Uniform Standards of Professional Appraisal Practice (USPAP), and Definition of Market Value (defined later in this appraisal).

*Intended Use:* Evaluation of the subject property for court purposes in a bankruptcy

*Effective Date:* Date of Inspection

*Date of Inspection:* 03/31/2016

*Intended User:* Scot Wolf, Three Frogs, Inc

**EXTRAORDINARY ASSUMPTIONS:**

- I make the extraordinary assumption that all information provided to me by the owner, from other knowledgeable parties, and/or through my industry standard data services is true, correct, and complete.

**HYPOTHETICAL CONDITIONS:**

- None

**OTHER NOTABLE CONDITIONS:**

- The appraised value does not deduct for common costs associated with selling or buying a property such as sale agent commissions, which are typically 5%-6% of a property's sale price, or sale closing costs.
- Photographs from the local Multiple Listing Service are used to better reflect comparable property condition on each respective property's sale date.
- As is required by USPAP, this appraisal has been prepared for specific purpose and client. As such, it should only be considered reliable for its intended purpose and my liability is limited to the defined client.
- The confidentiality rule of USPAP restricts my disclosure of the appraisal or anything pertaining to it to anyone other than who the client specifically authorizes.
- I have not previously appraised the subject property.

**MY QUALIFICATIONS:**

I have been a full time residential appraiser continuously since April of 2004. During that time, I have completed more than 3,000 appraisals including properties in excess of 10,000 Sqft of living area size, up to \$11,000,000 in market value, in excess of 360 acres, and have appraised in all of Southern California's regions (e.g. coastal, desert, mountain, resort, urban, suburban, and rural). My clients have included virtually all of the major home lenders including Countrywide Home Loans/Bank of America, Wells Fargo Bank, Washington Mutual/JPMorgan Chase, and Citicorp, either directly or indirectly through third party lenders, mortgage brokers, and appraisal management companies. I have also completed appraisals for federally insured transactions by the Department of Housing and Urban Development and routinely perform appraisals for matters not related to mortgages. I have completed over 297 hours of accredited appraiser education.



**LAND APPRAISAL REPORT**

File No. SD-4211 Utah

**SUBJECT**

Borrower Not for a loan Census Tract 13.00 Map Reference 41740  
 Property Address 4213 Utah St  
 City San Diego County San Diego State CA Zip Code 92104  
 Legal Description Lot 16 & N 1 Ft Lot 17 Blk 120 Tr Lp0008pg / APN: 446-231-18-00  
 Sale Price \$ N/A Date of Sale N/A Loan Term N/A yrs. Property Rights Appraised  Fee  Leasehold  De Minimis PUD  
 Actual Real Estate Taxes \$ 2,821 (yr) Loan charges to be paid by seller \$ N/A Other sales concessions N/A  
 Lender/Client Three Frogs Inc Address 5345 Timken St., La Mesa, CA 91942  
 Occupant Vacant Land Appraiser Brian Ward Instructions to Appraiser Appraise as of date of inspection

**NEIGHBORHOOD**

Location	<input checked="" type="checkbox"/> Urban	<input type="checkbox"/> Suburban	<input type="checkbox"/> Rural	Good	Avg.	Fair	Poor
Built Up	<input checked="" type="checkbox"/> Over 75%	<input type="checkbox"/> 25% to 75%	<input type="checkbox"/> Under 25%	Employment Stability	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Growth Rate	<input type="checkbox"/> Fully Dev.	<input type="checkbox"/> Rapid	<input checked="" type="checkbox"/> Steady	<input type="checkbox"/> Slow	Convenience to Employment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Property Values	<input type="checkbox"/> Increasing	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Declining	Convenience to Shopping	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Demand/Supply	<input type="checkbox"/> Shortage	<input checked="" type="checkbox"/> In Balance	<input type="checkbox"/> Oversupply	Convenience to Schools	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Marketing Time	<input checked="" type="checkbox"/> Under 3 Mos.	<input type="checkbox"/> 4-6 Mos.	<input type="checkbox"/> Over 6 Mos.	Adequacy of Public Transportation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Present	<u>65</u> % One-Unit	<u>10</u> % 2-4 Unit	<u>3</u> % Apts.	<u>5</u> % Condo	<u>7</u> % Commercial	Recreational Facilities	<input type="checkbox"/>
Land Use	<u>0</u> % Industrial	<u>2</u> % Vacant	<u>8</u> % Public, schools, parks, recreation	Adequacy of Utilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Change in Present Land Use	<input checked="" type="checkbox"/> Not Likely	<input type="checkbox"/> Likely (*)	<input type="checkbox"/> Taking Place (*)	Property Compatibility	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Predominant Occupancy	<input checked="" type="checkbox"/> Owner	<input type="checkbox"/> Tenant	<u>~5</u> % Vacant	Protection from Detrimental Conditions	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
One-Unit Price Range	\$ <u>250,000</u> to \$ <u>1,500,000</u>	Predominant Value \$ <u>621,000</u>	Police and Fire Protection	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
One-Unit Age Range	<u>0</u> /New yrs. to <u>126</u> yrs.	Predominant Age <u>86</u> yrs.	General Appearance of Properties	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comments including those factors, favorable or unfavorable, affecting marketability (e.g. public parks, schools, view, noise)				When considering SFRs: Over the course of the past 12 months the total number of sales decreased 46%, the total number of active listings decreased 38%, the months of housing supply increased 15% to 1.2 months, the median sale price decreased 3%, the typical market exposure time increased 27% to 14 days, the median list price remained stable and changed 2%, the typical listings days on market decreased 18% to 14 days, and the median sale price as a percentage of list price remained stable. There are too few land sales for meaningful trend identification and SFRs represent the best indication, in my opinion.			

**SITE**

Dimensions 25 x 140 = 3,500 sf  Corner Lot  
 Zoning Classification MCCPD-MR-800B / MID-CITY COMMUNITIES PLANNED DISTRICT Present Improvements  Do  Do Not Conform to Zoning Regulations  
 Highest and Best Use  Present Use  Other (specify) Multi-Family, possibly up to 4 units  
 Elec.  Gas  Water  San. Sewer   Underground Elect. & Tel.  
 OFF SITE IMPROVEMENTS  
 Street Access  Public  Private  
 Surface Asphalt  
 Maintenance  Public  Private  
 Storm Sewer  Curb/Gutter  
 Sidewalk  Street Lights  
 Topo Basically Level  
 Size Typical to Smaller than Typical  
 Shape Rectangular  
 View No Notable  
 Drainage Appears Adequate  
 Is the property located in a FEMA Special Flood Hazard Area?  Yes  No  
 Comments (favorable or unfavorable including any apparent adverse easements, encroachments, or other adverse conditions) The subject property is located in zoned for multiple units and has alley access with minimal setback requirements, allowing for good access by multiple tenants. The properties are close to commercial areas which is viewed both positively and negatively. There is a water tower visible from the property that may be undesirable to some residents.

The undersigned has recited the following recent sales of properties most similar and proximate to subject and has considered these in the market analysis. The description includes a dollar adjustment reflecting market reaction to those items of significant variation between the subject and comparable properties. If a significant item in the comparable property is superior to or more favorable than the subject property, a minus (-) adjustment is made, thus reducing the indicated value of subject; if a significant item in the comparable is inferior to or less favorable than the subject property, a plus (+) adjustment is made thus increasing the indicated value of the subject.

ITEM	SUBJECT PROPERTY	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3	
Address	4213 Utah St San Diego, CA 92104	4202 Kansas St San Diego, CA 92104	4332 Ohio St San Diego, CA 92104	4221 Idaho St San Diego, CA 92104	
Proximity to Subject		0.04 miles E	0.20 miles NE	0.08 miles W	
Sales Price	\$ N/A	\$ 505,000	\$ 375,000	\$ 385,000	
Price \$/Site	\$	\$ 505,000	\$ 375,000	\$ 385,000	
Data Source(s)		MLS# 150021774	MLS# 150065408	MLS# 110006719	
ITEM	DESCRIPTION	DESCRIPTION	+(-)\$ Adjust.	DESCRIPTION	+(-)\$ Adjust.
Date of Sale/Time Adj.	N/A	06/30/15,08/05/15		12/15/16,01/21/16	
Location	Neutral/Typical	Neutral/Typical		Neutral/Typical	
Site/View	3,500 sf	3,546 Sqft	-10,000	2,997 Sqft	+19,000
Improvements	N/A + Vacant Land	884 Sqft	-205,000	761 Sqft	-181,000
Quality/Condition	N/A + Vacant Land	Very Good	0	Average+ Good	+78,000
Zoning	MCCPD-MR-800B 1/800	MCCPD-MR-800B		MCCPD-MR-800B	
Sales or Financing	N/A	98% LTV FHA		90% LTV Private Party	
Concessions	N/A	Buyer Cred: \$2,500	-3,000	Buyer Cred: \$4,100	-4,000
Net Adj. (Total)		<input type="checkbox"/> + <input checked="" type="checkbox"/> -	\$ -218,000	<input type="checkbox"/> + <input checked="" type="checkbox"/> -	\$ -88,000
Indicated Value of Subject		<b>Net 43.2 %</b>		<b>Net 23.5 %</b>	
		<b>Gross 43.2 %</b>	\$ 287,000	<b>Gross 75.2 %</b>	\$ 287,000
				<b>Net 25.5 %</b>	
				<b>Gross 72.7 %</b>	\$ 287,000
Comments on Market Data	Please see the 'Comments on Market Data' section of the 'Comments' addendum.				

**MARKET DATA ANALYSIS**

Comments and Conditions of Appraisal No special or additional conditions. Please see the 'Scope of Work and Appraisal Conditions' page

**RECONCILIATION**

Final Reconciliation I place sole emphasis on the Sales Comparison Approach to Value as it reflects the actions of market participants and best satisfies the tenets of market value. I do not consider the Cost Approach to Value because there are no improvements contributing significant value. I do not consider the Income Approach to Value because the subject property does not have any significant income producing qualities.

I (WE) ESTIMATE THE MARKET VALUE, AS DEFINED, OF THE SUBJECT PROPERTY AS OF 03/31/2016 TO BE \$ 287,000

Appraiser Brian Ward Supervisory Appraiser (if applicable) \_\_\_\_\_  
 Date of Signature and Report 04/15/2016 Date of Signature \_\_\_\_\_  
 Title State of California Certified Residential Real Estate Appraiser Title \_\_\_\_\_  
 State Certification # AR036053 ST CA State Certification # \_\_\_\_\_ ST \_\_\_\_\_  
 Or State License # \_\_\_\_\_ ST \_\_\_\_\_ Or State License # \_\_\_\_\_ ST \_\_\_\_\_  
 Expiration Date of State Certification or License 12/30/2016 Expiration Date of State Certification or License \_\_\_\_\_  
 Date of Inspection (if applicable) 03/31/2016  Did  Did Not Inspect Property Date of Inspection \_\_\_\_\_



**Supplemental Addendum**

File No. SD-4211 Utah

Client	Three Frogs, Inc.						
Property Address	4213 Utah St						
City	San Diego	County	San Diego	State	CA	Zip Code	92104
Appraiser	Brian Ward						

**COMMENTS ADDENDUM****SUMMARY OF THE SALES COMPARISON:**

Adjustments for comparable sale differences are primarily derived using paired sales analysis, depreciated cost analysis and statistical analysis. Comparable property features and adjustments that exceed commonly preferred mortgage lender appraisal guidelines must be considered in the development of an accurate value opinion due to a scarcity of recently sold properties within those guidelines that share the subject property's combination of features, especially its zoning, size, and location. The properties in the sales comparison are the most recent and similar available that satisfy the tenets of market value and paired sales analysis, and that result in a consistent value opinion. Please see the 'Paired Sales Analysis' heading in the 'Definitions' addendum for a basic description of paired sales analysis. In addition to reading this summary of the sales comparison, reviewing what paired sales analysis is may help the reviewer of this appraisal to understand why some of the properties in this sales comparison were selected.

The adjustments applied are intended to reflect, as closely as possible, the contribution to market value of the features adjusted, and not the cost of the features or needed repairs. The cost of a feature, or the cost to repair a feature, may be significantly different to what market participants are willing to pay for a feature or where deferred maintenance exists. Ideally the adjustments are derived from market evidence, although costs, and depreciated costs, sometimes must be considered as the best available indications in the absence of market evidence.

Some features are not able to be derived due to a lack of market data. The market value of these feature differences is inherently included in other adjustments, if adjustments are required at all. Also, the preparation of this sales comparison included the consideration of a number of other properties and some adjustments applied in this sales comparison may have been derived and/or confirmed by those other properties.

No property sales identified as being distressed or that otherwise may not have been sold for market value in the local multiple listing service (e.g. bank sales, short sales, estate sales) are considered in this sales comparison.

Two dates are listed in the sales comparison for each property, the settle date and the sale close date. The settle date is the likely date that the buyer and seller agreed to the sale price and the sale date is the date the sale closed escrow, which will be the later of the two dates.

Searching back to the year 2011, there are no reliable comparable sales available. To develop my value opinion I have relied on abstraction from improved sales and older sales. Comparable sales 1 and 2 are the two most recent, similar, and proximate improved sales that share the subject property's zoning, comparable sale 3 is the most recent sale of vacant land that transacted through the local multiple listing service with the subject property's zoning, and comparable sales 4 and 5 are the two most recent sales of properties with similar site sizes, and with multi-family zoning (like the subject property has, although not the same zoning).

Comparable sale 1 is an older sale than preferred, but my market analysis indicates that property values have not significantly changed and no adjustment for the older sale date is warranted.

Comparable sale 3 is a significantly older sale and it is adjusted in the Date of Sale/Time row by the change in median sale price of single family residences since the property sold. While using this measure is not ideal, it is the best indicator available due to a low number of sales.

Adjustments for the Improvements at comparable sales 1-2 and 4-5 is reflected in the 'Improvements' custom item row, and the 'Quality/Condition' custom item row. The adjustments reflect the improvements present and my best estimate of the degrees of renovation, deterioration, and quality.

The 'Zoning' custom item row reflects the zoning at each of the properties, however it may also reflect a different location appeal for comparable sales 4 and 5.

Comparable sale 3 does not appear to exist as it did when it sold in 2011. It now has the address 4221 Idaho St. At the time, it was a parking lot. The included photographs is from 02/2011 and from Google Maps.

I place most emphasis for my value opinion on the following:

- Comparable sales 1-3 for best indicating the appeal of the subject property's zoning.
- Comparable sale 1 and 2 for best indicating the appeal of the subject property's use. Both sites are similar in site size and have the same zoning. These properties form the core of the appraised value and are relied upon more than the other properties.
- Comparable sale 3 for best indicating the appeal of vacant land with the subject property's zoning.
- Comparable sales 1 and 3 for best indicating the appeal of the subject property's immediate area of the neighborhood.
- Comparable sales 2, 4, and 5 for best indicating current market trends.
- The consistent indicated value of the subject property by all comparable properties.

Unless otherwise noted, all comparable sales are sourced and verified using the local multiple listing service and public record through CoreLogic's 'Realist' service.

**CONDITIONS OF THE APPRAISAL:**

The appraised value is for the subject property as-is.

**RECONCILIATION OF THE 3 APPROACHES TO VALUE IN THIS APPRAISAL REPORT:**

I place sole emphasis on the Sales Comparison Approach to Value as it reflects the actions of market participants and best satisfies the tenets of market value. I do not consider the Cost Approach to Value because there are no improvements contributing significant value. I do not consider the Income Approach to Value because the subject property does not have any significant income producing qualities.

It is critically important for the client to understand that the value derived through this appraisal is the most probable price the subject property would bring (see full 'Definition of Market Value' in the standard declarations) and not the highest possible value or the lowest reasonable value, as are the common objectives of buyers and sellers, and their real estate agents.

Because market participants have varying motivations, most may consider the subject's value differently than I have and it is possible that the subject property will sell for more or less than my value opinion. However, using sound property valuation

**Supplemental Addendum**

File No. SD-4211 Utah

Client	Three Frogs, Inc.				
Property Address	4213 Utah St				
City	San Diego	County	San Diego	State	CA Zip Code 92104
Appraiser	Brian Ward				

principles and techniques, and in consideration of the best data available, it is my opinion that the value derived through this appraisal is the market value of the subject property.

It is also critically important for the client to understand that this appraisal and its appraised value are derived as of/for a specific effective date and that it does not forecast future market conditions. Market conditions and the quality of the sales data available can change rapidly, altering the subject property's market value in a short period of time. If relevant for their purpose, the client should be diligent in remaining abreast of market condition changes to be able to best utilize the appraisal for their specific need.

**ANALYSIS OF HISTORICAL SALES AND LISTINGS OF THE SUBJECT AND COMPARABLE PROPERTIES:**

Appraisers are required to analyze any sales/transactions of the Subject Property within 36 months of the effective date of this report and any comparable sales/transfers within the 12 months prior to each property's respective sale date for anything that could suggest that a current comparable sale/transaction is unreliable, such as from market manipulation due to house flipping. Only sales/transfers within these timeframes are mentioned.

The prior sale of the subject property on 07/24/2015 for \$445,000 was as an improved property. It did not transact through the local multiple listing service and Realtor data is not available. In my opinion, the prior sale price is not a reliable indicator of current market value for these reasons.

**Supplemental Addendum**

File No. SD-4211 Utah

Client	Three Frogs, Inc.						
Property Address	4213 Utah St						
City	San Diego	County	San Diego	State	CA	Zip Code	92104
Appraiser	Brian Ward						

**DEFINITIONS ADDENDUM**

**APPROACHES USED TO DERIVE MARKET VALUE IN APPRAISALS:**

There are three approaches to value that are used to derive market value in appraisal reports.

- I. Sales Comparison Approach to Value. This method of deriving value allows for the most complete satisfaction of the tenets of market value. It compares sales of properties similar to the property being appraised with the intention of producing a value that reflects the actions of recent market participants that may have considered also purchasing the subject property, had it been for sale. The significant majority of the time, this is the approach used for appraisals of single family residences and condominiums in Southern California where sales and information regarding the sales are usually plentiful.
- II. Cost Approach to Value. This method of deriving value calculates the cost of a property's improvements, less depreciation, and adds them to the value of the land as if vacant. Market participants usually make their purchasing and selling decisions based on what properties have been selling for in the area and not on the cost of a property resulting in market value often being significantly different than what is derived in the sales comparison approach to value. The cost approach to value is usually the best option when sales are extremely scarce, which is uncommon in Southern California.
- III. Income Approach to Value. This method of deriving value utilizes the income capabilities of a property to derive a property's market value. In Southern California, property values are often too high and investors/landlords will not see enough profit / reasonable enough of a return from rents to where buying a property based solely on its income producing capabilities equals a value above what the sales comparison approach usually indicates, making it an unreliable indicator of market value for single family residences and condominiums where potential investors are mostly competing with buyers who will live in their properties after purchase and do not consider the profit they could receive from renting their property. The income approach is most usually used for multi-family properties and commercial properties.

**WHY THE SPECIFIC COMPARABLE PROPERTIES WERE SELECTED FOR COMPARISON:**

The comparable property sales included are the best available in the development of an accurate value opinion that satisfy the uniform standard of professional appraisal practice, that adhere to the definition of market value, and that satisfy paired sales analysis. While there may be additional sales that are better reflections of certain features of the subject property (or other factors), the comparable properties used, collectively, are the best available reflections of the market appeal of the Subject Property's utility and features, are the best available reflections of the most current market trends, and are the best available reflections of the actions of buyers and sellers that would most probably buy/sell the subject property. Additional consideration is also given to the property sales with the most reliable conditions for a market value sale, such as those with the least sales concessions and least favorable lending terms. Any otherwise applicable property sales not included in the Sales Comparison are either redundant or less reliable than those included.

**PAIRED SALES ANALYSIS:**

A method of estimating the amount of adjustment for the presence or absence of any feature by pairing the sales prices of otherwise similar properties with and without the feature in question. A sufficient number of sales must be found to allow the appraiser to isolate the effect on value of the pertinent factor (also called paired data set analysis and matched pairs analysis). If applied correctly, all comparable properties in a sales comparison should indicate the same value for the property being appraised.

**Example 1 – One Different Comparable Feature.** Comparable 2 is adjusted -\$5,000 because it has a 3<sup>rd</sup> garage space which neither the Subject nor properties 1 or 3 have.

	Subject	Comparable 1	Comparable 2	Comparable 3
Sale Price		\$100,000	\$105,000	\$100,000
Garages	2 Car Garage	2 Car Garage No Adjustment	3 Car Garage -\$5,000	2 Car Garage No Adjustment
Adj. \$ of the Comparables		\$100,000	\$100,000	\$100,000

**Subject's Market Value = \$100,000**

**Example 2 – Two Different Comparable Features.** Comparable 2 is adjusted -\$5,000 because it has a 3<sup>rd</sup> garage space which neither the Subject nor properties 1 or 3 have. Comparable 1 is adjusted -\$10,000 because it has a pool which the Subject does not have.

	Subject	Comparable 1	Comparable 2	Comparable 3
Sale Price		\$110,000	\$105,000	\$100,000
Garages	2 Car Garage	2 Car Garage No Adjustment	3 Car Garage -\$5,000	2 Car Garage No Adjustment
Pool	No Pool	Pool -\$10,000	No Pool No Adjustment	No Pool No Adjustment
Adj. \$ of the Comparables		\$100,000	\$100,000	\$100,000

**Subject's Market Value = \$100,000**

**Example 3 – Three Different Comparable Features.** Comparable 2 is adjusted -\$5,000 because it has a 3<sup>rd</sup> garage space which neither the Subject nor properties 1 or 3 have. Comparable 1 is adjusted -\$10,000 because it has a pool which the Subject does not have. Comparable 1 is adjusted -\$5,000 because it has a 100 Sqft larger house size than the Subject. Comparable 3 is adjusted +\$5,000 because it has a 100 Sqft smaller house size.

	Subject	Comparable 1	Comparable 2	Comparable 3
Sale Price		\$115,000	\$105,000	\$95,000
Garages	2 Car Garage	2 Car Garage No Adjustment	3 Car Garage -\$5,000	2 Car Garage No Adjustment
Pool	No Pool	Pool -\$10,000	No Pool No Adjustment	No Pool No Adjustment
Living Area	1,000 Sqft	1,100 Sqft -\$5,000	1,000 Sqft No Adjustment	900 Sqft +\$5,000
Adj. \$ of the Comparables		\$100,000	\$100,000	\$100,000

**Subject's Market Value = \$100,000**

**MORTGAGE TERMS AND CONCESSIONS CAN AFFECT SALE PRICES:**

The definition of market value requires that a purchase price be in terms of cash to be considered market value. Mortgages with low down-payments/where higher than typical loan to home value ratios are allowed, and private party loans to commonly

**Supplemental Addendum**

File No. SD-4211 Utah

Client	Three Frogs, Inc.						
Property Address	4213 Utah St						
City	San Diego	County	San Diego	State	CA	Zip Code	92104
Appraiser	Brian Ward						

unqualified people, are all examples of mortgages/loan terms that can affect purchase prices. This is because such mortgages encourage a focus on borrowing and not on a home's purchase price, because they encourage irresponsible borrowing due to the borrower having relatively little stake in the purchase and will incur little to no loss should they be unable to make their mortgage payments, and because borrowers who otherwise could not qualify for purchases are afforded the opportunity to buy homes which artificially increases competition, and therefore prices, and they allows sellers and mortgage companies to artificially increase sale prices, rates, and fees because the buyers have few other options and are more desperate than buyers who buy with cash or cash equivalent conventional mortgages. The definition of market value also requires that buyers be typically motivated, which buyers unable to qualify for conventional mortgages may not be.

High loan to home value ratio mortgages, high debt to income ratio mortgages, and a lack of reasonably qualified borrowers in the early to mid-2000s were a major contributing factor to rapid home price increases and the ensuing housing market collapse that spurred the 'Great Recession' of recent years. Currently the federal government has programs in place through the VA (Veteran's Affairs) and FHA (Federal Housing Administration) departments which provide guarantees to lenders for mortgages where loan to value ratios are at or above 97%, and sometimes as high as 106%, of a property's market value. Additionally, some VA loans allow for debt to income ratios nearly double what a conventional mortgage is allowed, and both FHA and VA can permit the inclusion of sales concessions in the mortgages so that buyers with little cash that can't otherwise afford closing costs can still buy properties. This can also cause purchase prices to increase so that the seller does not have to carry the actual burden of assisting buyers in paying for their closing costs because the costs are actually included in the mortgages.

The significant difference between these government programs and what occurred in the 2000s is that borrowers have much more stringent qualification requirements. But while this difference does exist, sellers of properties that accept VA, FHA, and other similar mortgages often increase their sale prices to account for the inconvenience in waiting for borrowers who require such loans and the higher probability that the mortgages will not be accepted, especially compared with cash sellers. In turn, buyers who require these mortgages are often willing to pay the higher prices, interest rates, and fees because their options to not do so are often limited.

In summary: Property purchases with mortgage lending terms common of FHA, VA, and private party loans can include incentives that result in the purchase prices of the properties to not satisfy the definition of market value which requires that the purchase prices be in terms of cash. In other words, buyers who use these mortgages sometimes pay more for properties than a cash buyer would pay for the same properties and therefore the purchase prices where such loans are used are less reliable indicators of market value than cash purchases or purchases where buyers have contributed a significant down-payment. Because of this, emphasis should be placed on comparable sales where cash or cash equivalent conventional mortgages are used, when possible.

**THE PRINCIPAL OF SUBSTITUTION:**

The principal of substitution states that a buyer will not pay more for a property than its competition in the neighborhood. In other words: if a property that is identical to the property being appraised is available for \$200,000 then a buyer will not pay more than \$200,000 for the property being appraised. Under typical market conditions, actively listed properties similar to a property being appraised limit the most that property can sell for, but not the least it could sell for because there is no limit as to how high a property can be listed for sale. In the current market, especially with bank and short sale listings, agents are sometimes listing properties for under-market values to generate high interest and so that the most desirable purchase offer and buyer can be submitted for approval from a lien-holder. Because of such strategies, the price-limiting nature of active listings is not absolute. Appraisers must consider the degree of support from other listings and sales, as well as consider factors such as how many days of market exposure a listing has had.

# Assumptions, Limiting Conditions & Scope of Work

File No.: SD-4211 Utah

Property Address: 4213 Utah St	City: San Diego	State: CA	Zip Code: 92104
Client: Three Frogs, Inc.	Address: 5345 Timken St., La Mesa, CA 91942		
Appraiser: Brian Ward	Address: 16553 Aldama Ct, San Diego, CA 92127-3498		

## STATEMENT OF ASSUMPTIONS & LIMITING CONDITIONS

- The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it. The appraiser assumes that the title is good and marketable and, therefore, will not render any opinions about the title. The property is appraised on the basis of it being under responsible ownership.
- The appraiser may have provided a plat and/or parcel map in the appraisal report to assist the reader in visualizing the lot size, shape, and/or orientation. The appraiser has not made a survey of the subject property.
- If so indicated, the appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in the appraisal report whether the subject site is located in an identified Special Flood Hazard Area. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
- The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand.
- The appraiser has noted in the appraisal report any adverse conditions (including, but not limited to, the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property, or that he or she became aware of during the normal research involved in performing the appraisal. Unless otherwise stated in the appraisal report, the appraiser has no knowledge of any hidden or unapparent conditions of the property, or adverse environmental conditions (including, but not limited to, the presence of hazardous wastes, toxic substances, etc.) that would make the property more or less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied, regarding the condition of the property. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, the appraisal report must not be considered as an environmental assessment of the property.
- The appraiser obtained the information, estimates, and opinions that were expressed in the appraisal report from sources that he or she considers to be reliable and believes them to be true and correct. The appraiser does not assume responsibility for the accuracy of such items that were furnished by other parties.
- The appraiser will not disclose the contents of the appraisal report except as provided for in the Uniform Standards of Professional Appraisal Practice, and any applicable federal, state or local laws.
- An appraiser's client is the party (or parties) who engage an appraiser in a specific assignment. Any other party acquiring this report from the client does not become a party to the appraiser-client relationship. Any persons receiving this appraisal report because of disclosure requirements applicable to the appraiser's client do not become intended users of this report unless specifically identified by the client at the time of the assignment.
- The appraiser's written consent and approval must be obtained before this appraisal report can be conveyed by anyone to the public, through advertising, public relations, news, sales, or by means of any other media, or by its inclusion in a private or public database. Possession of this report or any copy thereof does not carry with it the right of publication.
- Forecasts of effective demand for the highest and best use or the best fitting and most appropriate use were based on the best available data concerning the market and are subject to conditions of economic uncertainty about the future.

The Scope of Work is the type and extent of research and analyses performed in an appraisal assignment that is required to produce credible assignment results, given the nature of the appraisal problem, the specific requirements of the intended user(s) and the intended use of the appraisal report. Reliance upon this report, regardless of how acquired, by any party or for any use, other than those specified in this report by the Appraiser, is prohibited. The Opinion of Value that is the conclusion of this report is credible only within the context of the Scope of Work, Effective Date, the Date of Report, the Intended User(s), the Intended Use, the stated Assumptions and Limiting Conditions, any Hypothetical Conditions and/or Extraordinary Assumptions, and the Type of Value, as defined herein. The appraiser, appraisal firm, and related parties assume no obligation, liability, or accountability, and will not be responsible for any unauthorized use of this report or its conclusions.

Additional Comments (Scope of Work, Extraordinary Assumptions, Hypothetical Conditions, etc.):

# Certifications & Definitions

File No.: SD-4211 Utah

Property Address: 4213 Utah St City: San Diego State: CA Zip Code: 92104  
 Client: Three Frogs, Inc. Address: 5345 Timken St., La Mesa, CA 91942  
 Appraiser: Brian Ward Address: 16553 Aldama Ct, San Diego, CA 92127-3498

## APPRAISER'S CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The credibility of this report, for the stated use by the stated user(s), of the reported analyses, opinions, and conclusions are limited only by

the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- Unless otherwise indicated, I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice that were in effect at the time this report was prepared.
- I did not base, either partially or completely, my analysis and/or the opinion of value in the appraisal report on the race, color, religion, sex, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property, or of the present owners or occupants of the properties in the vicinity of the subject property.
- Unless otherwise indicated, I have made a personal inspection of the property that is the subject of this report.
- Unless otherwise indicated, no one provided significant real property appraisal assistance to the person(s) signing this certification.

### Additional Certifications:


### DEFINITION OF MARKET VALUE \*:

Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

\* This definition is from regulations published by federal regulatory agencies pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989 between July 5, 1990, and August 24, 1990, by the Federal Reserve System (FRS), National Credit Union Administration (NCUA), Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS), and the Office of Comptroller of the Currency (OCC). This definition is also referenced in regulations jointly published by the OCC, OTS, FRS, and

Client Contact: Scot Wolfe Client Name: Three Frogs, Inc.  
 E-Mail: wolfe.scot@gmail.com Address: 5345 Timken St., La Mesa, CA 91942

<p><b>APPRAISER</b></p>  <p>Appraiser Name: Brian Ward                  Company: Brian Ward Appraisal                  Phone: (619) 639-9273 Fax: _____                  E-Mail: b@ward.pro                  Date Report Signed: 04/15/2016                  License or Certification #: AR036053 State: CA                  Designation: State of California Certified Residential Real Estate Appraiser                  Expiration Date of License or Certification: 12/30/2016                  Inspection of Subject: <input checked="" type="checkbox"/> Did Inspect <input type="checkbox"/> Did Not Inspect (Desktop)                  Date of Inspection: 03/31/2016</p>	<p><b>SUPERVISORY APPRAISER (if required) or CO-APPRAISER (if applicable)</b></p> <p>Supervisory or Co-Appraiser Name: _____                  Company: _____                  Phone: _____ Fax: _____                  E-Mail: _____                  Date Report Signed: _____                  License or Certification #: _____ State: _____                  Designation: _____                  Expiration Date of License or Certification: _____                  Inspection of Subject: <input type="checkbox"/> Did Inspect <input type="checkbox"/> Did Not Inspect                  Date of Inspection: _____</p>
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SIGNATURES





**Plat Map**

Client	Three Frogs, Inc.						
Property Address	4213 Utah St						
City	San Diego	County	San Diego	State	CA	Zip Code	92104
Appraiser	Brian Ward						

**Location Map**

Client	Three Frogs, Inc.				
Property Address	4213 Utah St				
City	San Diego	County	San Diego	State	CA
Appraiser	Brian Ward	Zip Code	92104		



**Subject Photo Page**

Client	Three Frogs, Inc.						
Property Address	4213 Utah St						
City	San Diego	County	San Diego	State	CA	Zip Code	92104
Appraiser	Brian Ward						

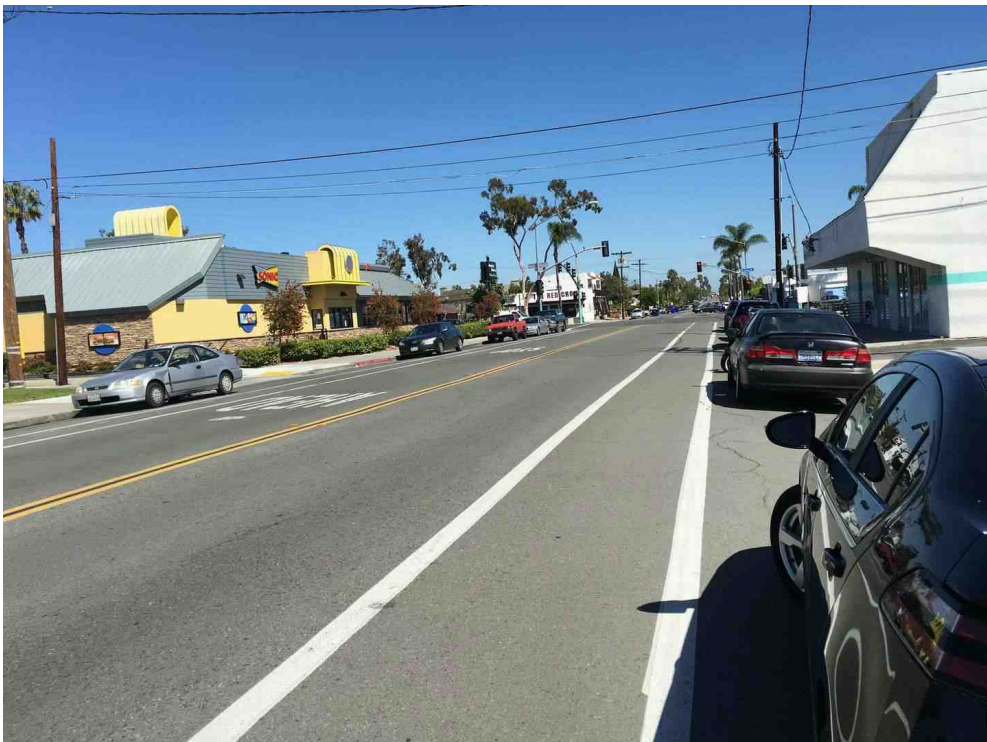


**Subject Front**

4213 Utah St  
Sales Price N/A  
G.L.A.  
Tot. Rooms  
Tot. Bedrms.  
Tot. Bathrms.  
Location Neutral/Typical  
View 3,500 sf  
Site  
Quality  
Age



**Subject Rear**



**Subject Street**

**Comparable Photo Page**

Client	Three Frogs, Inc.				
Property Address	4213 Utah St				
City	San Diego	County	San Diego	State	CA
Appraiser	Brian Ward			Zip Code	92104



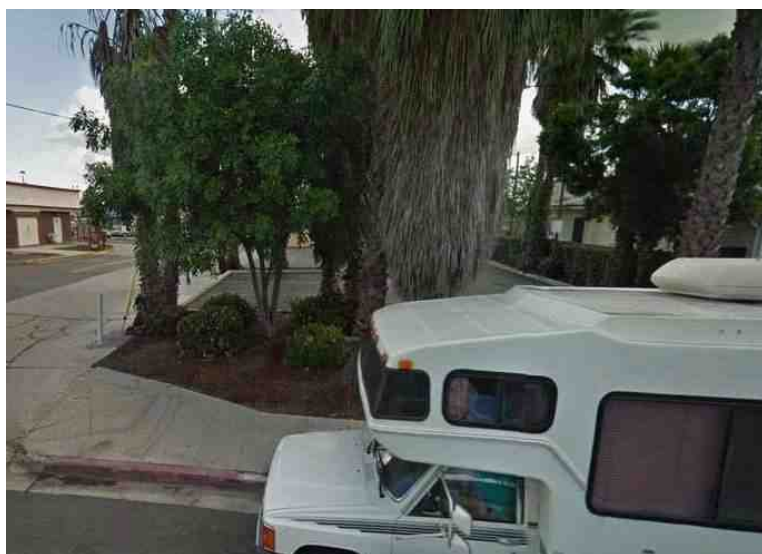
**Comparable 1**

4202 Kansas St  
 Prox. to Subject 0.04 miles E  
 Sale Price 505,000  
 Gross Living Area  
 Total Rooms  
 Total Bedrooms  
 Total Bathrooms  
 Location Neutral/Typical  
 View 3,546 Sqft  
 Site  
 Quality  
 Age



**Comparable 2**

4332 Ohio St  
 Prox. to Subject 0.20 miles NE  
 Sale Price 375,000  
 Gross Living Area  
 Total Rooms  
 Total Bedrooms  
 Total Bathrooms  
 Location Neutral/Typical  
 View 2,997 Sqft  
 Site  
 Quality  
 Age



**Comparable 3**

4221 Idaho St  
 Prox. to Subject 0.08 miles W  
 Sale Price 385,000  
 Gross Living Area  
 Total Rooms  
 Total Bedrooms  
 Total Bathrooms  
 Location Neutral/Typical  
 View 7,000 Sqft  
 Site  
 Quality  
 Age

**Comparable Photo Page**

Client	Three Frogs, Inc.				
Property Address	4213 Utah St				
City	San Diego	County	San Diego	State	CA
Appraiser	Brian Ward	Zip Code	92104		



**Comparable 4**

4090 Louisiana St  
 Prox. to Subject 0.49 miles W  
 Sale Price 519,000  
 Gross Living Area  
 Total Rooms  
 Total Bedrooms  
 Total Bathrooms  
 Location Neutral/Typical  
 View 2,797 Sqft  
 Site  
 Quality  
 Age



**Comparable 5**

4094 Kansas St  
 Prox. to Subject 0.17 miles S  
 Sale Price 657,000  
 Gross Living Area  
 Total Rooms  
 Total Bedrooms  
 Total Bathrooms  
 Location Neutral/Typical  
 View 3,999 Sqft  
 Site  
 Quality  
 Age

**Comparable 6**

Prox. to Subject  
 Sale Price  
 Gross Living Area  
 Total Rooms  
 Total Bedrooms  
 Total Bathrooms  
 Location  
 View  
 Site  
 Quality  
 Age

# INVOICE

**FROM:**

Brian Ward  
 Brian Ward  
 16553 Aldama Ct  
 San Diego, CA 92127-3498

Telephone Number: (619) 630-9273

Fax Number:

**TO:**

Scot Wolfe  
 Three Frogs, Inc.  
 5345 Timken St.  
 La Mesa, CA 91942

E-Mail: wolfe.scot@gmail.com

Telephone Number: (619)-464-6200

Fax Number:

Alternate Number:

**INVOICE NUMBER**

SD-4211 Utah

**DATES**

Invoice Date: 03/25/2016

Due Date:

**REFERENCE**

Internal Order #: SD-4211 Utah

Lender Case #:

Client File #:

FHA/VA Case #:

Main File # on form: SD-4211 Utah

Other File # on form:

Federal Tax ID:

Employer ID:

**DESCRIPTION**

**Lender:** Three Frogs Inc

**Client:** Three Frogs, Inc.

**Purchaser/Borrower:** Not for a loan

**Property Address:** 4213 Utah St

**City:** San Diego

**County:** San Diego

**State:** CA

**Zip:** 92104

**Legal Description:** Lot 16 & N 1 Ft Lot 17 Blk 120 Tr Lp0008pg / APN: 446-231-18-00

**FEES**

**AMOUNT**

Land Appraisal

100.00

**SUBTOTAL**

100.00

**PAYMENTS**

**AMOUNT**

**Check #:**                      **Date:**                      **Description:** Payment Received

100.00

**Check #:**                      **Date:**                      **Description:**

**Check #:**                      **Date:**                      **Description:**

**SUBTOTAL**

100.00

**TOTAL DUE**

**\$** 0