

1 VANDERHOFF LAW GROUP
Alan Vanderhoff, Cal. Bar No. 138032
2 Jeanne C. Vanderhoff, Cal. Bar No. 138011
600 West Broadway, Suite 1550
3 San Diego, California 92101
Telephone: (619) 299-2050
4 Attorneys for Pacific Imperial Railroad, Inc.
5

6
7
8 UNITED STATES BANKRUPTCY COURT
9 SOUTHERN DISTRICT OF CALIFORNIA

10 In re:
11 PACIFIC IMPERIAL RAILROAD, INC.,
12
13 Debtor.
14
15

Case No. 16-06253-LT11
**DISCLOSURE STATEMENT TO
DEBTOR'S SECOND AMENDED
PLAN OF REORGANIZATION
DATED APRIL 3, 2017**
Date: June 8, 2017
Time: 2:00 p.m.
Dept: 3
Judge: Hon. Laura S. Taylor

16 Pacific Imperial Railroad, Inc., debtor-in-possession in the above-captioned case (the
17 "Debtor"), is providing this Disclosure Statement to each known holder of a Claim or
18 Interest in the Debtor for the purpose of soliciting acceptances of its Plan of Reorganization
19 Dated April 3, 2017 (the "Plan")¹ and to enable Creditors to make an informed decision with
20 regard to voting on the Plan. A copy of the Plan is attached hereto as Exhibit "A."
21

22 **I. INTRODUCTION**

23 The purpose of this Disclosure Statement is to provide holders of claims against or
24 interest in the Debtor with adequate information to enable them to make informed
25 judgments about the Plan before exercising their right to vote for acceptance or rejection of
26 the Plan.
27

28 ¹¹ Many terms, capitalized and otherwise, used in this Disclosure Statement are defined in the Plan. You should consult the Plan for those definitions.

1 Acceptance or rejection of the Plan is important and must be made in writing. An
2 acceptance or rejection of the Plan may only be made by completing the Ballot that
3 accompanies the Plan and mailing it to:

4 Alan Vanderhoff, Esq.
5 Vanderhoff Law Group
6 600 West Broadway, Suite 1550
7 San Diego, CA 92101

8 In order for a vote to be counted, the completed Ballot must be received no later than
9 5:00 p.m. Pacific Time, May 8, 2017. The Disclosure Statement describes the business
10 background of the Debtor, the events that preceded the filing of this chapter 11 case, and
11 summarizes the terms of the Plan. If the Plan is confirmed by the Court, it will bind all
12 creditors and interest holders regardless of whether an individual claimant voted for or
13 against the Plan and regardless of whether that claimant filed a proof of claim or interest.

14 The Debtor strongly urges that each recipient carefully and completely review the
15 contents of this Disclosure Statement and the Plan. Particular attention should be given to
16 the provisions of the Plan affecting or impairing the rights of each holder of a Claim or
17 Interest. The information contained in this Disclosure Statement has been submitted by the
18 Debtor, unless specifically stated to be from other sources. The Debtor has authorized no
19 representations concerning it or its financial affairs, other than those set forth herein.

20 The Plan is summarized below under the heading "Summary of the Plan," but all
21 summaries are qualified by the terms of the Plan itself, which are in all instances
22 controlling. You may not rely upon this Disclosure Statement for any purpose other than to
23 determine how to vote on the Plan. Nothing contained in the Plan or Disclosure Statement
24 shall constitute an admission of any fact or liability by any party, or be admissible in any
25 proceeding involving the Debtor or any other party.

26 The statements contained in this Disclosure Statement are made as of the date hereof,
27 unless another time is specified herein. Neither delivery of this Disclosure Statement nor
28 any exchange of rights made in connection with the Disclosure Statement or the Plan shall
under any circumstances create an implication that there has been no change in the facts set

1 forth herein after the date the Disclosure Statement was prepared. Although the Debtor
2 believes that the contents of this Disclosure Statement are complete and accurate to the best
3 of its knowledge, information and belief, the Debtor is unable to warrant or represent that
4 the information contained herein is without any inaccuracy.

5 After notice and a hearing held on March 20, 2017, and upon the request of the
6 Debtor, the Court, pursuant to Section 1125 of the Bankruptcy Code, approved this
7 Disclosure Statement as containing information of a kind, and in sufficient detail, as far as is
8 reasonably practicable in light of the nature and history of Debtor and the condition of its
9 books and records, that would enable a hypothetical reasonable investor, typical of the
10 Debtor's creditors and shareholders, to make an informed judgment to vote to accept or
11 reject the Plan. Approval of this Disclosure Statement by the Court does not, however,
12 constitute a recommendation by the Court to accept or reject the Plan.

13 The Debtor believes that confirmation of the Plan is in the best interests of creditors.
14 The Debtor recommends that investors and creditors vote to accept the Plan.

15 **II. BACKGROUND INFORMATION**

16 **A. Introduction.**

17 Pacific Imperial Railroad, Inc. ("PIR") was created for the purpose of rehabilitating
18 and operating the Desert Line rail line (the "Desert Line"). The Desert Line is the railroad
19 right of way stretching approximately 70 miles from Mileposts 59.6 at or near the U.S.
20 Border in Division, California to Milepost 130.0 at Plaster City, California. PIR leases the
21 Desert Line pursuant to that certain Amended and Restated Desert Line Lease and
22 Operating Agreement dated as of December 20, 2012, as amended, by and between Pacific
23 Imperial Railroad, Inc., San Diego and Arizona Eastern Railway Company, a Nevada
24 nonprofit corporation, and San Diego Metropolitan Transit Development Board also known
25 as the San Diego Metropolitan Transit System, and all amendments thereto (the "Desert
26 Line Lease").

27 In May of 2016, PIR subleased a substantial portion of the Desert Line to Baja
28 California Rail Road, Inc. ("Baja Rail") pursuant to that certain Cali-Baja Joint Venture

1 Sublease and Operating Agreement dated as of May 31, 2016, by and among Pacific
2 Imperial Railroad, Inc. and Baja California Rail Road, Inc. (the “Desert Line Sublease”).
3 Approximately 11 miles of the Desert Line were not subleased to Baja Rail. In addition, PIR
4 owns real property adjacent to the Desert Line which may be suitable for the development
5 of an intermodal facility. An intermodal facility is a facility that can transfer shipping
6 containers from one mode of transportation to another – in this case, from trucks to trains.

7 The Debtor’s plan of reorganization is a liquidating plan. The Debtor will sell its
8 remaining non-cash assets, assume and assign the Desert Line Lease, and will distribute the
9 cash proceeds from the sale of those assets to its creditors in the priority set forth in the
10 Bankruptcy Code. The Debtor’s assets will be sold pursuant to a motion brought under
11 Bankruptcy Code section 363(f). The Debtor will assume and assign executory contracts
12 and unexpired leases pursuant to Bankruptcy Code section 365, subject to the rights of non-
13 debtor parties to such contracts and leases. The sale is not dependent upon the confirmation
14 of the Plan and may occur either before or after confirmation of the Plan.

15 **B. Description the Desert Line, the Desert Line Lease, and the Desert Line**
16 **Sublease.**

17 **1. The Desert Line.**

18 Over the span of approximately 70 miles, the Desert Line has 17 tunnels and 57
19 bridges. Both bridges and tunnels are costly features to maintain even when in the best of
20 conditions, let alone situations in which remediation work may be required. Additionally, a
21 significant portion of the line serpentine through the Carrizo Gorge Canyon where the edge
22 of the right of way meets with near-vertical drops off rocky precipices. This poses several
23 challenges for rehabilitation and the maintenance of way given the extreme remoteness and
24 inaccessibility. For the portion of rail line running through the canyon, there is little to no
25 room for maintenance equipment to sit adjacent to the line to allow trains to pass. This
26 means that in many cases the maintenance must be performed from the rail line itself. The
27 line also features a prolonged ruling grade of 1.4% through the Carrizo Gorge, with the
28 approaches to the Gorge reaching grades up to 2.2%. The railroad is curvy, with over sixty

1 percent of the route miles featuring curvature, much of which exceeds ten degrees. These
2 numerous curves not only increase wear on the track structure, requiring more frequent
3 replacement of track components, but also severely constrict the length of railcars and trains
4 that can traverse the line. Simply put, the railroad is among the most rugged railroads, both
5 operationally and regarding maintenance, in the country.

6 **2. The Desert Line Lease.**

7 The Desert Line Lease was entered into by and between the Debtor, on the one hand,
8 and San Diego and Arizona Eastern Railway Company, a Nevada nonprofit corporation, and
9 San Diego Metropolitan Transit Development Board also known as the San Diego
10 Metropolitan Transit System, on the other. The Desert Line Lease is for a term of 50 years
11 with an option to renew for an additional 49 years. Beginning on July 1, 2017, Section
12 2.1.3.7 of the Desert Line Lease requires minimum rent of \$1,050,000 per year in semi-
13 annual payments of \$525,000 (increasing by 5 percent every five years). Upon
14 commencement of railroad operations, the lease payment shall be the greater of the
15 established minimum rent amount or 7 percent of gross freight revenue.

16 The Desert Line Lease also contains repair and improvement “milestones.” Initial
17 repairs were to be completed within 12 months of the approval of the Debtor’s Desert Line
18 Rehabilitation Plan, followed by testing of the track with trains. Within 36 months of the
19 effective date of the Desert Line Lease, the Debtor was to have begun limited operations.
20 Full scale repairs were to be completed within 60 months of the lease effective date,
21 followed by full scale operations. For various reasons discussed below, the Debtor was not
22 able to raise sufficient funds to complete the milestones on time. As a result, the Debtor is in
23 default on various performance milestone provisions under the Desert Line Lease, which
24 MTS has informed the Debtor must be cured in a timely manner as a condition of
25 assumption, and further that MTS will require adequate assurance of future performance of
26 performance milestones coming due under the Desert Line Lease from the Debtor and any
27 proposed assignee of the Desert Line Lease, with a full reservation of rights by MTS to
28 object to a proposed assumption and assignment of the Desert Line Lease.

3. Challenges with the Desert Line Lease.

Although the Desert Line Lease is PIR's most valued asset, it is also the source of several challenges. First amongst these challenges is the biannual minimum lease payment of \$500,000. Given that PIR has no operating income, these payments have resulted in PIR assuming additional debt every six-month interval when the payments are due. From a fundraising standpoint, the high lease payments every six months have put undue pressure on PIR's management to shift fundraising focus to the payment of the lease rather than rehabilitation efforts. Originally, PIR had anticipated being fully vested and operational by the close of 2015, however due to issues arising from past management teams, PIR experienced substantial timeframe and material setback.

The second challenge with the lease is the obligation of 7% of annual gross freight revenues that ultimately must be paid to MTS once the Desert Line is fully operational and earning revenues. This has been a major roadblock for PIR with respect to securing substantial long-term financing given that short lines, on average, have operating ratios at or around 80%. If the Desert Line could be considered an "average" short line, this would leave PIR with an approximate 13% operating profit margin available to pay taxes and reinvest, and/or for distributing dividends to stockholders. This is not an attractive opportunity from an investor's standpoint especially considering the Desert Line is likely to have higher operating and maintenance costs due to the rugged nature of the line. It is reasonable to assume that the Desert Line's operating ratio will exceed 80%. David L. Parkinson, an unaffiliated and uninterested third party and Principal of Park Rail Co., a short line operator who is familiar with the line, asserted that over his career he has operated short line railroads with a 65% operating ratio; however, it was his opinion that because of the Desert Line's 17 tunnels and 57 bridges, PIR would have much higher than average maintenance of way costs. It was also Mr. Parkinson's opinion that if the Desert Line were operated efficiently, it could have an operating ratio of approximately 80-84%. The reality facing PIR is that the annual obligations of 7% of gross freight revenues could cause PIR to incur a deficit if it isn't operating below a 93% operating ratio.

1 Another key challenge with the lease has been that of the reconstruction and
2 operating performance milestones. In July of 2015, it was clear that PIR had no chance of
3 meeting initial milestones originally set forth in December of 2012. It had become difficult
4 to attract sufficient investment to complete costly rehab work. As such, PIR revised its
5 operational and reconstruction phasing strategy so that it included the build out of an
6 intermodal facility at Coyote Wells that could accommodate trucking from Tijuana's
7 maquiladoras, effectively bypassing the Baja Rail portion of rail. The rationale for such a
8 revision was that it would allow PIR to cut down on capital expenditures, given it primarily
9 entailed rehab of approximately ten miles of track, or about 14% of Desert Line, and
10 avoided much of the costly repairs associated with track structures in the Carrizo Gorge
11 Canyon. It would also enable PIR to earn revenue quickly and independently of an
12 agreement with Baja Rail, allowing PIR to finance continued reconstruction on the balance
13 of the Desert Line by reinvesting earnings rather than going further into debt.

14 The Debtor requested and MTS agreed in or about July 2015 to modifications of the
15 Desert Line Lease to change certain performance milestones which provided PIR with
16 additional time to, among other things, complete certain construction phases and to begin
17 railroad operations on the Desert Line. While current management of PIR believes it has an
18 improved relationship with MTS, it is important to note that MTS believes it has the sole
19 discretion to declare the Desert Line Lease in default based on PIR's failure to perform
20 various performance milestones in a timely manner, and MTS has advised PIR that MTS
21 has fully reserved its rights to refuse to grant any further requests for modifications of future
22 performance milestones or to otherwise modify the terms of the Desert Line Lease.

23 **4. The Desert Line Sublease.**

24 In June of 2016, the Debtor entered into the Desert Line Sublease with Baja Rail. The
25 Desert Line Sublease is a ninety-six year sublease of the Desert Line, granting Baja Rail
26 exclusive operating rights between milepost 59.6 and milepost 119 ("Baja Rail Segment"),
27 and nonexclusive operating rights between milepost 119 and milepost 129.61 ("Intermodal
28 Segment"), in effect creating a binational rail corridor allowing Baja Rail the ability to

1 traverse and operate over the entirety of the Desert Line, while reserving to PIR, or its
2 assignee, the non-exclusive right to operate over the Intermodal Segment and the exclusive
3 right to develop, construct, and operate an intermodal facility along the Intermodal Segment.

4 Baja Rail paid PIR \$3,000,000 as initial consideration for the operating rights over
5 the Desert Line, and Baja Rail will be responsible for paying PIR semiannual lease
6 payments of \$425,000. Additionally, Baja Rail will be responsible for financing the
7 reconstruction of the Baja Rail Segment and maintaining compliance with reconstruction
8 milestones in the Desert Line Lease as they apply to the Baja Rail Segment.

9 **C. The Reasons for Bankruptcy.**

10 PIR had exhausted its efforts to raise investor capital to develop its remaining assets.
11 Restoring the last 10 miles of the Desert Line would cost approximately \$10 million.
12 Developing an intermodal facility would cost tens of millions of dollars more. During its
13 entire history, PIR was unable to attract capital investment at a scale that would permit PIR
14 to develop its assets. The reasons included such things as a perception by prospective
15 investors that the revenue based portion of the rent under the Desert Line Lease was too
16 high and that the Desert Line had been and continues to be the subject of intense litigation
17 by multiple parties.

18 PIR was facing improvement milestones required under the Desert Line Lease which
19 it knew it would not be able to meet. Moreover, PIR was being sued by multiple parties in
20 multiple lawsuits. In one lawsuit, an investor in a company that was a prior operator of the
21 Desert Line who had sued PIR, sought to amend its cross complaint to name individual
22 employees of the MTS and Baja Rail.

23 Given that PIR would not be able to complete the milestones required under the
24 Desert Line Lease, it made sense to sell the remaining assets to maximize the value of the
25 remaining assets, rather than to simply default under the Desert Line Lease and lose the
26 lease through termination by the MTS. Baja Rail was a likely candidate as a buyer of the
27 remaining assets. However, it was under threat of being sued by prior operators of the line.
28

1 Current management of the Debtor decided that a chapter 11 bankruptcy would be
2 the best course of action for PIR. A chapter 11 bankruptcy case would stay the pending
3 litigation against PIR, would enable PIR to sell its remaining assets to a buyer who could
4 receive clean title to the assets free of the threat of future litigation, and it would provide a
5 forum where creditors and shareholders could voice their view, concerns, and objections to
6 any course of action proposed by PIR. After a full and fair opportunity for all parties to
7 heard, the bankruptcy judge would ultimately decide what course of action was in the best
8 interests of the bankruptcy estate and its creditors.

9 III. SUMMARY OF THE PLAN

10 A. Introduction.

11 This Disclosure Statement contains a brief summary of the Plan and is qualified in its
12 entirety by the full text of the Plan itself, a copy of which is attached hereto as **Exhibit "A."**
13 All terms defined in the Plan have the same meaning in this Disclosure Statement unless
14 otherwise stated. The Plan, if confirmed, will be binding upon the Debtor, the creditors and
15 interest holders. All creditors and interest holders are urged to carefully read the Plan.

16 B. Classification and Treatment of Claims.

17 The Plan provides for the payment of Administrative Expenses and Claims of
18 creditors. Administrative Expenses and priority tax Claims are not classified. The Plan
19 divides all other prepetition Claims and equity interests into six (6) classes. The Claims of
20 creditors and interests of equity holders are classified and treated as follows:

21 **1. Class 1.** Class 1 consists of the Allowed Secured Claim, if any, of Charles
22 Fletcher. Class 1 is impaired. The holder of the Class 1 claim, Charles Fletcher, asserts a
23 security interest in all of the Debtor's assets including, without limitation, the Desert Line
24 Lease. The Debtor believes that the security interest of Charles Fletcher in the Desert Line
25 Lease is unperfected and is subject to avoidance under applicable bankruptcy law. Charles
26 Fletcher contests this and contends his claim is fully secured and that the balance of the
27 note, all accrued interest, fees and other sums due under the Convertible Grid Note and
28

1 Security Agreement are secured by the Debtor's assets and should be paid as an Allowed
2 Secured Claim with priority over all other claims in the Estate.

3 The holder of the Class 1 claim shall receive payment on the Distribution Date equal
4 to the value of the property of the Debtor in which the holder of the Class 1 claim has a
5 valid, duly-perfected, security interest as determined by the Bankruptcy Court or as set forth
6 in a compromise between the Debtor and Mr. Fletcher which is approved by the Bankruptcy
7 Court. To the extent that all or a portion of the security interest asserted by the holder of the
8 Class 1 claim is avoided or compromised, the Class 1 claim shall receive the same treatment
9 as the claims in Class 5.

10 **2. Class 2.** Class 2 consists of the Allowed Secured Claim of the Imperial
11 County Tax Collector. Class 2 is unimpaired. The holder of the Class 2 claims shall be paid
12 the later of the Distribution Date or the date upon which the Class 2 claims becomes due.

13 **3. Class 3.** Class 3 consists of the Allowed Secured Claim of the San Diego
14 Tax Collector. Class 3 is unimpaired. The holder of the Class 3 claims shall be paid the later
15 of the Distribution Date or the date upon which the Class 3 claims becomes due.

16 **4. Class 4.** Class 4 consists of Allowed Secured Claim, if any, of Locati
17 Global Holdings, Inc. Class 4 is impaired. The Class 4 claim is disputed. The Debtor
18 believes that the security interest asserted by Locati Global Holdings, Inc. is invalid or
19 avoidable and that the claim asserted by Locati Global Holdings, Inc. is invalid. To the
20 extent that the Class 4 claim is determined by the Court to be an allowed, secured claim, the
21 holder of the Class 4 claim shall receive on the Distribution Date payment in an amount
22 equal to the value of the Class 4 claimant's interest in property owned by the Debtor. To the
23 extent that the Class 4 claim is determined by the Court to be an allowed claim and all or
24 part of that claim is determined to be an unsecured claim, the Class 4 claimant's unsecured
25 claim shall receive the same treatment as the claims in Class 5.

26 **5. Class 5.** Class 5 consists of Allowed unsecured Claims. Class 5 is
27 impaired. The holders of general unsecured claims shall receive on the Distribution Date a
28

1 pro rata share of the Cash Assets of the Debtor remaining after the payment of Classes 1, 2,
2 3 and 4.

3 **6. Class 6.** Class 6 consists of the holders of equity interests in the Debtor.
4 Class 6 is unimpaired. The equity holders shall receive on the Distribution Date a pro rata
5 share of the Cash Assets of the Debtor remaining after the payment of Classes 1, 2, 3, 4 and
6 5.

7 **C. Payment of Administrative Expenses.**

8 Administrative Claims are not classified under the Plan. Each holder of an Allowed
9 Administrative Claim that has not been satisfied during the Case shall be paid in full on the
10 Effective Date. The administrative claims are expected to be comprised of the legal fees and
11 costs of the Debtor's counsel. The Debtor estimates that the administrative expenses on the
12 Effective Date will be approximately \$100,000.

13 **D. Estimated Payment to Unsecured Creditors.**

14 Many variables will effect what payment, if any, will be made to unsecured creditors.
15 The variables include (1) whether purported secured creditors have properly perfected
16 secured claims which encumber the Debtor's assets, (2) whether the sale of the Debtor's
17 assets that was recently approved will be consummated, (3) the allowed amounts of the
18 disputed unsecured claims, and (4) the amount of the pre and post confirmation legal fees
19 incurred by the Debtor and the Reorganized Debtor. It is impossible to predict how those
20 variables will be resolved. The only estimate that the Debtor may give would be a range of
21 recoveries based on the outcome of the variables.

22 Attached hereto as Exhibit "B" is a summary of the purported secured claims against
23 the estate. Attached hereto as Exhibit "C" is a summary of the purported unsecured claims
24 against the estate. Each summary lists the scheduled amount of each claim, the amount of
25 any proof of claim that was filed, whether the claim is disputed, the possible low amount of
26 each claim, and the possible high amount of each claim.

27 As of the end of February 2017, the Debtor had cash on hand of approximately
28 \$1,444,000. Current and estimated future administrative expenses are estimated to be

1 approximately \$190,000. After administrative expenses, the Debtor would have
2 approximately \$1,254,000. If the sale of the Debtor's assets is consummated in the amount
3 of \$3,800,000, less \$45,000 to be paid to the MTS, the Debtor would have approximately
4 \$5,009,000.

5 The estimated secured claims range from a high of \$5,257,491 to a low of \$165,675.
6 After payment of secured claims, the amount available to unsecured creditors would range
7 from \$0.00 to \$4,843,325.

8 The estimated unsecured claims range from a high of \$24,566,349 to a low of
9 \$3,953,051. Accordingly, the estimated range of recover from unsecured creditors is from a
10 low of 0% to a high of 100%. If the two non-tax secured claimants are found to be
11 unsecured, the estimated range of recover from unsecured creditors is from a low of 19% to
12 a high of 100%.

13 **E. Executory Contracts and Unexpired Leases .**

14 At the time of a closing of a sale of the Assets pursuant to the Plan or pursuant to a
15 motion to sell the Assets under Bankruptcy Code section 363 and to assume and assign
16 executory contracts and unexpired leases pursuant to Bankruptcy Code section 365, the
17 Debtor shall assume the Desert Line Lease, the Desert Line Sublease, and all other leases
18 and executory contracts designated by the Buyer and assign those leases and executory
19 contracts to the Buyer, subject to the rights of non-debtor parties to such contracts and
20 leases. All other executory contracts and unexpired leases shall be rejected as of the
21 Effective Date of the Plan.

22 Any individual or entity holding a Claim based upon the rejection of an executory
23 contract or unexpired lease pursuant to this Article must, within thirty days after
24 Confirmation, file a proof of claim with the Bankruptcy Court. Any such Claims shall be
25 treated as Class 5 unsecured Claims unless the Bankruptcy Court orders otherwise. The
26 failure of any such individual or entity to file a proof of claim within the specified time
27 period will result in the disallowance of such Claim.

28

1 **F. Means for Implementing the Plan.**

2 **1. Sale of Assets.** The Debtor shall sell all of its real and non-cash personal
3 property of every kind and description including, without limitation, all of Debtor’s real
4 property, equipment, inventories, technology, patents, patent applications, copyrights,
5 trademarks, trade names, trade secrets, know-how, and other intellectual property rights, and
6 Debtor’s rights under all contracts (collectively, the "Assets"). The sale will include the
7 assumption by Debtor of such executory contracts and unexpired leases as the buyer selects
8 and the concomitant assignment of those contracts and leases to the buyer pursuant to
9 Bankruptcy Code section 365, subject to the rights of non-debtor parties to such contracts
10 and leases. The Assets shall not include any cash or cash equivalents, deposit accounts,
11 accounts receivable, bankruptcy avoidance claims, or any other assets that are specifically
12 excluded by the asset purchase agreement entered into between the Debtor and the ultimate
13 buyer (the “Buyer”).

14 The sale will be free and clear of all liens and interests pursuant to Bankruptcy Code
15 section 363(f). All liens on the assets to be sold will attach to the proceeds of the sale in the
16 same validity and priority and subject to the same defenses and avoidability, if any, as
17 before the sale. The proceeds of the Sale of Assets will be maintained by the Debtor in a
18 federally insured interest-bearing account in compliance with section 345 of the Code.

19 **2. Procedure and Timing of Sale.** The sale of the Debtor’s assets shall be
20 free and clear of all liens and interests pursuant to Bankruptcy Code section 363(f). The sale
21 will be pursuant to a motion to sell the Assets free and clear of liens. The sale may be
22 approved prior to confirmation of this Plan, or may be accomplished after confirmation of
23 this Plan. If the sale is conducted after confirmation of this Plan, it shall comply with all of
24 the requirements of Bankruptcy Code section 363 and section 365.

25 On February 10, 2017, the Debtor filed a motion with the Bankruptcy Court to sell
26 substantially all of its non-cash assets and to assign the Desert Line Lease to International
27 Transportation Association LLC (“ITA”) pursuant to the terms of an Asset Purchase
28 Agreement (the “APA”). Baja Rail owns a 50% interest in ITA. ITA’s obligations under the

1 APA is guaranteed by Baja Rail pursuant to a written guarantee. The purchase price is
2 \$3,800,000. ITA has paid a deposit of \$100,000. The remainder of the purchase price is due
3 90 days following the closing. The sale is subject to MTS board approval. The Debtor
4 expects the MTS board to approve the sale in April of 2017. The sale is expected to close
5 immediately upon MTS board approval.

6 The Debtor's motion to sell its assets and assume and assign the Desert Line Lease
7 was not opposed by any party. The Bankruptcy Court held a hearing on the motion on
8 March 10, 2017. The Bankruptcy Court approved the sale on that date.

9 **3. Revesting of Property.** Except as otherwise provided in the Plan, all
10 property of the Debtor which has not been previously sold shall be revested in the
11 Reorganized Debtor on the Effective Date of the Plan.

12 **4. Reorganized Debtor Power and Authority.** Subject to the provisions of
13 the Plan, the Reorganized Debtor may administer, manage, operate, or liquidate all property,
14 contractual interests, setoffs, and recoupments of the estate and may prosecute or settle any
15 and all causes of action of any type not otherwise disposed of by the Plan.

16 Without limiting any other power or authority granted to the Reorganized
17 Debtor hereunder, the Reorganized Debtor shall have the power and authority to (1)
18 prosecute, settle, compromise, and/or dismiss any of the causes of action owned by the
19 bankruptcy estate, (2) manage and protect the estate and distribute the net proceeds as
20 specified herein, (3) grant options to purchase, enter into contracts to sell, and sell the assets
21 of the estate or any part or parts thereof on such terms as it shall deem appropriate in its
22 independent business judgment, (4) release convey, assign, or sell any right, title, or interest
23 in or about the estate, (5) pay and discharge any costs, expenses, fees, or obligations deemed
24 necessary to preserve the estate, (6) purchase insurance to protect the estate, the
25 Reorganized Debtor, and their agents and professionals from liability, (7) deposit funds and
26 draw checks and make disbursements thereof, (8) employ and compensate brokers to help
27 sell property of the estate, (9) file and prepare tax returns on behalf of the estate, (10) take
28 any action required or permitted by this Plan, (11) employ attorneys, accountants, brokers,

1 and other professionals, as it deems necessary to assist it in performing its duties as
2 Reorganized Debtor, and compensate such persons pursuant to the Plan, (12) settle,
3 compromise, or adjust by arbitration or otherwise, any disputes or controversies in favor of
4 or against the estate subject to approval of the Bankruptcy Court, (13) abandon property of
5 the estate pursuant to section 554 of the Bankruptcy Code, (14) waive or release rights of
6 any kind, and (15) cause the Debtor to be dissolved.

7 **5. Disbursements.** The Reorganized Debtor may make any number of
8 interim distributions on account of allowed claims and expenses as it deems appropriate.
9 Distributions shall be made to the addresses contained in the proofs of claim filed by such
10 holders or the last known address of such holders. Checks issued by the Reorganized
11 Debtor shall be null and void if not cashed within ninety days of the date of issuance
12 thereof. If any distribution is returned as undelivered, no further distributions to such holder
13 shall be made unless and until the Reorganized Debtor is notified of such holder's then
14 current address, at which time all missed distributions shall be made to such holder without
15 interest. Amounts with respect to undeliverable distributions made by the Reorganized
16 Debtor shall be returned to the Reorganized Debtor until such distributions are claimed. All
17 Claims for undeliverable distributions shall be made on or before the second anniversary of
18 the Effective Date. After such date, all unclaimed property shall be deemed property of the
19 Reorganized Debtor and no longer subject to the terms of the Plan, and all Claims against
20 the Reorganized Debtor shall be forever barred.

21 **6. Reserve.** Prior to making distributions to particular classes, the
22 Reorganized Debtor shall reserve sufficient cash for the payment of (1) all estimated post-
23 confirmation expenses of the Reorganized Debtor and its agents, (2) all Claims in senior
24 classes, and (3) Contested Claims in senior classes and Contested Claims in the class
25 receiving the distribution. No reserve shall be established for any contingent Claim in the
26 absence of a Final Order requiring such reserve. If a contingent Claim becomes fixed and
27 absolute, the holder of such contingent Claim shall receive distributions pursuant to section
28 502(j) of the Bankruptcy Code, to the extent the Claim may otherwise be Allowed. In the

1 event a contingent Claim is entitled to distributions pursuant to section 502(j) of the
2 Bankruptcy Code, such Claim shall receive pro rata distribution in the proportion it bears to
3 all other Allowed Claims of the same Class.

4 **7. Post-confirmation Compensation of Reorganized Debtor's**

5 **Professionals.** The Reorganized Debtor's professionals shall be entitled to compensation
6 and reimbursement of expenses. The Reorganized Debtor's professionals may invoice the
7 Reorganized Debtor directly on a monthly basis and also serve a copy of the invoice on the
8 Office of the United States Trustee. In the event no objection to payment of an invoice is
9 filed and served on the Reorganized Debtor and the billing professional by the Office of the
10 United States Trustee within fifteen (15) days of service of the invoice and the Reorganized
11 Debtor does not otherwise object to payment of the invoice, the Reorganized Debtor may
12 pay such invoice without further order of the Court from non-estate property or from Net
13 Sale Proceeds provided that all secured claims have been paid in full; provided further
14 however, that in the event an objection is timely filed and served on the Reorganized Debtor
15 and the billing professional or in the event of a dispute between the Reorganized Debtor and
16 the professional, the professional may submit an application for payment to the Court, and
17 the Court retains jurisdiction to hear such applications and enter appropriate orders thereon.

18 **G. Objections to Claims.**

19 Objections to Claims, whether filed by the Debtor, the Reorganized Debtor or
20 creditors, must be filed not later than 90 days following the Effective Date of the Plan. This
21 section shall not limit parties' rights to object to Claims, if any, filed or amended after the
22 Effective Date, or to seek an extension of the time to object to Claims for cause shown.
23 appropriate orders thereon.

24 **H. Approval of Settlements.**

25 Court approval for compromises entered into by the Reorganized Debtor shall be
26 obtained pursuant to the Notice of Intended Action procedure set forth in Bankruptcy Local
27 Rule 2002-2.
28

1 **I. Preservation and Prosecution of Claims against Third Parties.**

2 All claims that the Debtor has against third parties including, without limitation,
3 avoidance claims arising under the Bankruptcy Code and fraudulent conveyance claims
4 arising under non-bankruptcy law are preserved to the fullest extent allowed by law.
5 Nothing in the Plan or Disclosure Statement is intended to be a waiver of such claims.
6 Failure to identify particular parties against which the Debtor may have such claims shall
7 not constitute a waiver of such claims. All creditors and interest holders voting on the Plan
8 who received any payment or transfer of property from the Debtor in the four years
9 preceding the Petition Date should assume for the purposes of voting that they might be
10 sued by the Reorganized Debtor for the recovery of such payments or distributions.

11 The Debtor may have claims against Mark Maasch and Maasch Law, Inc. for
12 misfeasance and malfeasance related to breaches of his professional duties to the Debtor. All
13 such claims are expressly preserved and will be available for prosecution by the
14 Reorganized Debtor.

15 The Debtor has not completed its analysis of potential avoidance actions against third
16 parties and cannot state what avoidance claims the bankruptcy estate may have. Parties who
17 have received significant distributions from the Debtor during the four years preceding the
18 Petition Date include the following:

- 19 Charles McHaffie Maasch Law, Inc.
- 20 CC Trust Mark Maasch
- 21 Charlemagne Trust Turner & Maasch, Inc.
- 22 Verdelle Jones Stoecklein Law Group, LLP
- 23 Sheila Lemire Donald Stoecklein
- 24 Tracie Matsuo Broadway Lexington, LLC
- 25 Jennifer Trowbridge Inter- Zone, Inc.
- 26 Carrizo Gorge Railway Police Locati Global Holdings, LLC
- 27 MIR International Services Inc. Montana Rail Inc.
- 28 Camden Healthcare, Inc. Dwight Jory

1	American Pacific Constructors	All entities owned or controlled by Dwight Jory
2	Joseph Zappala	All entities owned or controlled by Charles McHaffie
3	Maria Sherwood	Philip Mindlin

4
5 The list above is not intended to imply that the Debtor has actionable avoidance
6 claims against all of the parties that are listed. Rather, the list is simply some of the parties
7 who have received significant distributions from the Debtor. The names are listed only to
8 assist in preserving claims that may or may not exist. Nor does the absence of a name on the
9 list imply that the Debtor does not have avoidance claims against that unlisted party or that
10 the Debtor intends to waive claims against such a party. It is the Debtor's intention to
11 preserve all claims of every kind that the Debtor may have against all parties.

12 **IV.LIQUIDATION ANALYSIS**

13 When evaluating the terms of the Plan, each creditor should weigh various
14 alternatives for payment. One alternative to the Plan is the liquidation of all of the estate's
15 assets, through a proceeding under chapter 7 the Bankruptcy Code. If the Debtor's case was
16 converted to a case under chapter 7 of the Bankruptcy Code, a chapter 7 trustee would be
17 appointed and would liquidate all of the Debtor's assets and distribute the proceeds to the
18 creditors.

19 In the present case, the Plan is a liquidating plan of reorganization. The assets will be
20 sold as they would be in a chapter 7 case. The timing of the assumption and assignment of
21 the Desert Line Lease is critical in this case. The Desert Line Lease is in default due to the
22 inability of the Debtor to timely complete certain milestone improvements. The MTS has
23 expressed concern regarding the defaults and has indicated that it reserves the right to
24 declare a default under the Desert Line Lease if a sale to a qualified party is not completed
25 quickly, and existing defaults are not cured promptly, and adequate assurance of future
26 performance by such purchasing party is not provided to the satisfaction of the MTS. If the
27 case were to be converted to a chapter 7, it is not certain that a Chapter 7 trustee could
28 assume and assign the Desert Line Lease within timeframes acceptable to the MTS. It is

1 possible that the primary asset of the Debtor could be lost if the Debtor's case was converted
2 to a chapter 7. Creditors under the Plan will receive as least as much as they would have
3 received if the Debtor's case was a chapter 7 case.

4 **V. ADDITIONAL SOURCES OF INFORMATION**

5 Additional sources of information available to all creditors include the various
6 schedules and reports which were filed by the Debtor in accordance with the provisions of
7 Bankruptcy Code. These include, without limitation, the "Chapter 11 Statement of
8 Financial Affairs for Debtor Engaged in Business," Schedules and monthly operating
9 reports for all periods from October 2016 to the present. The schedules and operating
10 reports described above are available for inspection and review by the public in the office of
11 the Clerk of the United States Bankruptcy Court located at 325 West F Street, San Diego,
12 California during regular business hours (Monday - Friday, 9:00 a.m. to 4:00 p.m.).

13 **VI. VOTING INSTRUCTIONS AND CONFIRMATION PROCEDURES**

14 **A. Voting Procedure.**

15 Bankruptcy is a type of creditor democracy. The Plan divides the Claims of
16 Creditors and Equity Interest holders into six (6) separate classes. Only impaired classes of
17 creditors are entitled to vote on the Plan. As a general rule "impaired classes" include
18 creditors who, under the Plan, will not receive payment in full of their Claims on the
19 Effective Date of the Plan. In this case, all Classes are impaired.

20 All creditors entitled to vote on the Plan must cast their vote by completing, dating
21 and signing the "Ballot," which is enclosed with this Disclosure Statement. When fully
22 executed, the Ballot must be mailed to Alan Vanderhoff, Esq., 600 West Broadway, San
23 Diego, California 92101 such that it is received not later than 5:00 p.m. (PDT) on May 8,
24 2017. A vote rejecting the Plan may be changed to a vote accepting the Plan anytime prior
25 to the conclusion of the confirmation hearing by providing notice of the change to counsel
26 for the Debtor.

27 **B. Confirmation of Plan/Solicitation of Acceptances.**

28 This Disclosure Statement has been approved by the Bankruptcy Court in accordance

1 with Section 1125 of the Bankruptcy Code and is provided to each person whose Claim or
2 Equity Interest has been scheduled by the Debtor or who has filed a proof of Claim or
3 Equity Interest with respect to the Debtor or its property, and to the Debtor. The Disclosure
4 Statement is intended to assist creditors in evaluating the Plan and determining whether to
5 accept the Plan.

6 In determining acceptance of the Plan, votes of creditors will only be counted if
7 submitted by a creditor whose Claim is duly scheduled by the Debtor as undisputed, non-
8 contingent and liquidated, or who has filed with the Court a proof of Claim or proof of
9 interest to which no objection has been filed.

10 **C. Hearing on Confirmation of Plan.**

11 The Court has set June 8, 2017, at 2:00 p.m., in Department Three (3) of the
12 Bankruptcy Court as the time, date and place for the hearing to determine whether the Plan
13 has been accepted by the requisite number of creditors and whether the other requirements
14 for confirmation of the Plan have been satisfied. Each creditor will receive, with this
15 Disclosure Statement, a Notice of Hearing on Confirmation of the Plan which gives the
16 details of that hearing and a date by which objections to the confirmation of the Plan, if any,
17 must be filed. That hearing may be continued from time to time by announcements made by
18 the Bankruptcy Court in open session at the hearing without any further written notice being
19 provided to you. Your attendance at the hearing on Confirmation of the Plan is encouraged.

20 **D. Acceptances Necessary to Confirm Plan.**

21 At the scheduled hearing, the Court must determine, among other things, whether the
22 Plan has been accepted by each impaired class. Under Section 1126 of the Code, an
23 impaired Class of Claims is deemed to have accepted the Plan upon a favorable vote of at
24 least two-thirds in (dollar) amount and more than one-half in number of the Allowed Claims
25 of Class members voting on the Plan. Further, unless there is unanimous acceptance of the
26 Plan by an impaired class, the Court must also determine that Class members will receive at
27 least as much as they would if the Debtor was liquidated under chapter 7 of the Code. The
28 Debtor believes that the Plan satisfies this requirement as to each Class.

1 **E. Confirmation of the Plan Without Necessary Acceptances.**

2 The Plan may be confirmed even if it is not accepted by one or more of the impaired
3 classes, if the Court finds that the Plan does not discriminate unfairly against and is "fair and
4 equitable" as to each dissenting class. This provision is generally set forth in Section
5 1129(b) of the Bankruptcy Code. Generally, that section requires a showing that the Claims
6 in such Class either will receive the full value of the Claim or, if they receive less, no Class
7 with junior liquidation priority may receive anything. With respect to a class of unsecured
8 Claims, the term "fair and equitable" in section 1129(b) means that the Plan provides that
9 each holder of a Claim of such class receive or retain on account of such Claim property of a
10 value, as of the effective date of the Plan, equal to the allowed amount of such Claim, or that
11 the holder of any Claim or interest that is junior to the Claims of such class will not receive
12 or retain any property under the Plan on account of such junior Claim or interest. Section
13 1129(b) is a relatively flexible, yet very complex provision, and this summary is not
14 intended to be a complete statement of the law. You should consult your own legal counsel
15 for a full understanding of your rights and the Debtor's powers under that section.

16 Please take notice that if one or more classes of impaired Claims fail to accept the
17 Plan the Debtor presently intends to request confirmation of the Plan notwithstanding the
18 non-acceptance of that class pursuant to the provisions of Bankruptcy Code section 1129(b).

19 **F. Plan Amendments at Confirmation Hearing.**

20 The provisions of the Bankruptcy Code give the Debtor substantial power to amend
21 and alter provisions of the Plan up to and including the time of the Confirmation Hearing.
22 The provisions of the Plan regarding technical and curative amendments are particularly
23 significant because they permit the Debtor to propose and implement any number or type of
24 amendments to the Plan for the purpose of neutralizing or curing an actual or claimed defect
25 in the Plan asserted by the Bankruptcy Court or any party-in-interest. This right extends
26 additionally to any amendments which are made to respond to or neutralize any objections
27 to the Plan previously advanced by any party-in-interest.

28

1 By its terms, the Plan does not require any prior written notice of such technical
2 and/or curative amendment to be given to any creditor or party-in-interest. The only
3 requirement for notice of such modification is that the modification be disclosed in open
4 session of the confirmation hearing. Unless you attend all sessions of the confirmation
5 hearing, you may not have the opportunity to object to such changes.

6 In addition to the foregoing, the provisions of the Bankruptcy Code vest the
7 Bankruptcy Court with substantial power and discretion to effectively modify (in ways
8 which may be favorable or unfavorable) the rights and benefits which various parties may
9 receive under the Plan by superimposing various conditions or other requirements as part of
10 its Order of Confirmation. No prior notice of any provisions that the Court may insert in its
11 Order of Confirmation will be given to any party-in-interest except to the extent that such
12 intentions are disclosed in open session of the Bankruptcy Court. Here again, your failure to
13 attend any session of the Confirmation Hearing might mean you will not have the
14 opportunity to object to or otherwise be heard as to potential amendatory provisions to the
15 Plan (if any) which the Court decides to insert in its Order of Confirmation.

16 All parties-in-interest are encouraged to personally attend every session of the
17 confirmation hearing. Only by such attendance can parties be assured of obtaining notice
18 and an opportunity to be heard on all amendatory provisions which may affect their rights
19 under the Plan.

20 **VII. TAX CONSEQUENCES**

21 The Debtor is not offering tax advice to any creditor and this Disclosure Statement
22 should not be considered to contain any specific advice or instruction considering the tax
23 treatment of any Claim or interest. Each creditor is urged to consult with its own legal,
24 accounting or other advisor concerning the tax treatment of its Claim or any distribution
25 from or on behalf of the Debtor pursuant to the Plan or otherwise.

26
27
28

VIII. SOLICITATION OF ACCEPTANCES OF THE PLAN

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

The Debtor believes that the Plan will provide the best distribution that is possible in this case. The Debtor urges you to vote to accept the Plan. To accept or reject the Plan, the enclosed Ballot must be returned to the place and by the time specified on the Ballot.

April 3, 2017

VANDERHOFF LAW GROUP

/s/ Alan Vanderhoff

By: _____

Alan Vanderhoff

Attorneys for Pacific Imperial Railroad, Inc.

EXHIBIT "A"

VANDERHOFF LAW GROUP
Alan Vanderhoff, Cal. Bar No. 138032
Jeanne C. Vanderhoff, Cal. Bar No. 138011
600 West Broadway, Suite 1550
San Diego, California 92101
Telephone: (619) 299-2050

Attorneys for Pacific Imperial Railroad, Inc.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF CALIFORNIA

<p>In re: PACIFIC IMPERIAL RAILROAD, INC., Debtor.</p>	<p>Case No. 16-06253-LT11 DEBTOR’S SECOND AMENDED PLAN OF REORGANIZATION DATED APRIL 3, 2017 Date: June 8, 2017 Time: 2:00 p.m. Dept: 3 Judge: Hon. Laura S. Taylor</p>
--	---

Pacific Imperial Railroad, Inc., the debtor and debtor-in-possession in the above-captioned case (the “Debtor”), hereby proposes this plan of reorganization (the “Plan”).

ARTICLE 1

Definitions

1.01 “Administrative Claim” means any cost or expense of administration of the Debtor’s Chapter 11 bankruptcy case entitled to priority in accordance with the provisions of sections 503(b) and 507(a)(1) of the Bankruptcy Code.

1.02 “Administrative Claim Request” means a request for payment of an Administrative Claim that is to be filed with the Bankruptcy Court and served on the Debtor and counsel for the Debtor by not later than the Administrative Claim Request Deadline.

1 1.03 “Administrative Claim Request Deadline” means the date set as the
2 deadline for filing Administrative Claim Requests, which shall be thirty (30) days
3 after the Effective Date, unless otherwise ordered by the Bankruptcy Court.

4 1.04 “Allowed” when used in reference to a Claim means (i) a Claim against
5 the Debtor, proof of which was timely filed, as to which no objection has been
6 interposed; or (ii) if no proof of Claim has been filed, but the Claim has been
7 scheduled by the Debtor as liquidated in amount and not disputed or contingent, as to
8 which no objection has been interposed; or (iii) a Claim as to which any objection has
9 been interposed, to the extent such Claim has been Allowed in whole or in part by a
10 Final Order.

11 1.05 “Bankruptcy Code” means title 11 of the United States Code.

12 1.06 “Bankruptcy Court” means the United States Bankruptcy Court for the
13 Southern District of California or, in the event of a withdrawal of the reference, the
14 United States District Court for the Southern District of California.

15 1.07 “Causes of Action” means any and all actions, proceedings, causes of
16 action (including, without limitation, any causes of action of a debtor or debtor in
17 possession or trustee under chapter 5 of the Bankruptcy Code, including pursuant to
18 Sections 506, 510, 544, 545, 547, 548, 549, 550 or 553 thereof), suits, accounts, debts,
19 sums of money, accounts, reckonings, covenants, contracts, controversies,
20 agreements, promises, rights to legal remedies, rights to equitable remedies, rights to
21 payment and claims, variances, trespasses, damages, judgments, executions, claims
22 and demands whatsoever, whether known, unknown, reduced to judgment, not
23 reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured,
24 disputed, undisputed, secured or unsecured or whether asserted or assertable directly
25 or derivatively, in law, equity or otherwise, and all rights thereunder or attendant
26 thereto.

27
28

1 1.08 “Claim” means any right to payment from the Debtor, whether or not
2 such right is reduced to judgment, liquidated, unliquidated, fixed, contingent,
3 matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; or
4 any right to an equitable remedy for breach of performance if such breach gives rise
5 to a right of payment from either of the Debtor, whether or not such right to an
6 equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured,
7 disputed, undisputed, secured, or unsecured.

8 1.09 “Confirmation Order ” means a Final Order of the Bankruptcy Court
9 confirming the Plan.

10 1.10 “Contested Claim” means any Claim that is not an Allowed Claim.

11 1.11 “Debtor” means Pacific Imperial Railroad, Inc.

12 1.12 “Desert Line” means the Desert Line railroad right of way stretching
13 approximately 70 miles from Mileposts 59.6 at or near the U.S. Border in Division,
14 California to Milepost 130.0 at Plaster City, California;

15 1.13 “Desert Line Lease” means that certain Amended and Restated Desert
16 Line Lease and Operating Agreement dated as of December 20, 2012, by and between
17 Pacific Imperial Railroad, Inc., San Diego and Arizona Eastern Railway Company, a
18 Nevada nonprofit corporation, and San Diego Metropolitan Transit Development
19 Board also known as the San Diego Metropolitan Transit System, a California public
20 agency, and all amendments thereto.

21 1.14 “Desert Line Sublease” means that certain Cali-Baja Joint Venture
22 Sublease and Operating Agreement dated as of May 31, 2016, by and among Pacific
23 Imperial Railroad, Inc. and Baja California Rail Road, Inc., and all amendments
24 thereto.

25 1.15 “Disputed Claim” means a claim to which an objection has been filed
26 and which has not been determined by a final, non-appealable order of the Bankruptcy
27 Court.

28

1 1.16 “Distribution Date” when used with respect to each Allowed Claim,
2 means the later of (i) the Effective Date, and (ii) the date upon which the Claim
3 becomes an Allowed Claim, and when used with respect to an Administrative Claim,
4 means the later of (i) the Effective Date, and (ii) ten days following the entry of a
5 Final Order allowing the Administrative Claim.

6 1.17 “Effective Date” means the first business day that is more than 15 days
7 after the Confirmation Order becomes a Final Order.

8 1.18 “Estate” means the bankruptcy estate of the Debtor.

9 1.19 “Final Order” means an order or judgment of a court of competent
10 jurisdiction, including the Bankruptcy Court, which is no longer subject to appeal or
11 certiorari proceeding and as to which no appeal or certiorari proceeding is pending. .

12 1.20 “Petition Date” means October 13, 2016.

13 1.21 “Reorganized Debtor” means the Debtor after the Effective Date.

14 1.22 Other Terms. The words “herein,” “hereof,” “hereto,” “hereunder” and
15 others of similar import refer to the Plan as a whole and not to any particular article,
16 section or clause contained in the Plan. The term “day” means calendar day, except
17 when used in the defined term “Business Day.” The terms “include,” “including” and
18 forms thereof means inclusive without limitation. Whenever from the context it
19 appears appropriate, each term stated in either the singular or the plural includes the
20 singular and the plural, and pronouns stated in the masculine, feminine or neuter
21 general include the masculine, feminine and the neuter. Section headings and captions
22 contained in the Plan are for reference purposes only and shall not affect in any way
23 the meaning or interpretation of the Plan. A reference to an “Article” or “Section”
24 refers to an Article or Section of the Plan. A term used herein that is not defined
25 herein shall have the meaning ascribed to that term, if any, in or by the Bankruptcy
26 Code. The rules of construction set forth in section 102 of the Bankruptcy Code shall
27 apply in constructing the Plan.

28

ARTICLE 2

Payment of Administrative Claims and Priority Tax Claims

2.01 Administrative Claims. Unless the holder of an Administrative Claims agrees to a different treatment, Administrative Claims Allowed pursuant to Bankruptcy Code sections 503(b)(1) and 507(a)(2) (and not previously paid), shall be paid in full on the Effective Date. All unpaid fees to the United States Trustee shall be paid in full on the Effective Date.

2.02 Administrative Claim Request Deadline. In order to be paid an Administrative Claim, all administrative claimants, other than professionals employed pursuant to Bankruptcy Code section 327, must file Administrative Claim Requests and serve those requests on counsel for the Debtor not later than the Administrative Claim Request Deadline. All Administrative Claims for which an Administrative Claim Request is not filed and served prior to the Administrative Claim Request Deadline shall be forever barred.

2.03 Priority Tax Claims. Taxes entitled to priority under Section 507(a)(8) of the Bankruptcy Code shall be paid in full on the Effective Date. The Debtor does not believe that there are any priority tax claims in this case.

ARTICLE 3

Classification of Claims and Equity Interests

3.01 Class 1. Class 1 consists of the Allowed Secured Claim, if any, of Charles Fletcher.

3.02 Class 2. Class 2 consists of the Allowed Secured Claim of the Imperial County Tax Collector.

3.03 Class 3. Class 3 consists of Allowed Secured Claim of the San Diego Tax Collector.

3.04 Class 4. Class 4 consists of Allowed Secured Claim, if any, of Locati Global Holdings, Inc.

1 3.05 Class 5. Class 5 consists of Allowed unsecured Claims.

2 3.06 Class 6. Class 6 consists of the holders of equity interests in the Debtor.

3 ARTICLE 4

4 Treatment of Claims

5 4.01 Class 1 – Charles Fletcher. Class 1 is impaired. The holder of the Class
6 1 Claim, Charles Fletcher, asserts a security interest in all of the Debtor’s assets
7 including, without limitation, the Desert Line Lease. The Debtor believes that the
8 security interest of Charles Fletcher in the Desert Line Lease is unperfected and is
9 subject to avoidance under applicable bankruptcy law. Charles Fletcher contests this
10 and contends his claim is fully secured and that the balance of the note, all accrued
11 interest, fees and other sums due under the Convertible Grid Note and Security
12 Agreement are secured by the Debtor’s assets and are to be paid as an Allowed
13 Secured Claim with priority over all other claims in the Estate.

14 The holder of the Class 1 Claim shall receive payment on the Distribution Date
15 equal to the value of the property of the Debtor in which the holder of the Class 1
16 claim has a valid, duly-perfected, security interest as determined by the Bankruptcy
17 Court or as set forth in a compromise between the Debtor and Mr. Fletcher which is
18 approved by the Bankruptcy Court.. To the extent that all or a portion of the security
19 interest asserted by the holder of the Class 1 claim is avoided or compromised, the
20 Class 1 claim shall receive the same treatment as the claims in Class 5.

21 4.02 Class 2 – Imperial County Tax Collector. Class 2 is unimpaired. The
22 holder of the Class 2 claims shall be paid the later of the Distribution Date or the date
23 upon which the Class 2 claims becomes due.

24 4.03 Class 3 – San Diego Tax Collector. Class 3 is unimpaired. The holder of
25 the Class 3 claims shall be paid the later of the Distribution Date or the date upon
26 which the Class 3 claims becomes due.

1 4.04 Class 4 – Locati Global Holdings, Inc. Class 4 is impaired. The Class 4
2 claim is disputed. The Debtor believes that the security interest asserted by Locati
3 Global Holdings, Inc. is invalid or avoidable and that the claim asserted by Locati
4 Global Holdings, Inc. is invalid. To the extent that the holder of the Class 4 claim is
5 determined by the Court to be an allowed, secured claim, the holder of the Class 4
6 claim shall receive on the Distribution Date payment in an amount equal to the value
7 of the Class 4 claimant's interest in property owned by the Debtor. To the extent that
8 the Class 4 claim is determined by the Court to be an allowed claim and all or part of
9 that claim is determined to be an unsecured claim, the Class 4 claimant's unsecured
10 claim shall receive the same treatment as the claims in Class 5.

11 4.05 Class 5 – Unsecured Claims. Class 5 is impaired. The holders of
12 general unsecured claims shall receive on the Distribution Date a pro rata share of the
13 Cash Assets of the Debtor remaining after the payment of Classes 1, 2, 3 and 4.

14 4.06 Class 6 – Equity Holders. Class 6 is unimpaired. The equity holders
15 shall receive on the Distribution Date a pro rata share of the Cash Assets of the Debtor
16 remaining after the payment of Classes 1, 2, 3, 4 and 5.

17 ARTICLE 5

18 Means for Implementing the Plan

19 5.01 Sale of Assets. The Debtor shall sell all of its real and non-cash
20 personal property of every kind and description including, without limitation, all of
21 Debtor's real property, equipment, inventories, technology, patents, patent
22 applications, copyrights, trademarks, trade names, trade secrets, know-how, and other
23 intellectual property rights, and Debtor's rights under all contracts (collectively, the
24 "Assets"). The sale will include the assumption by Debtor of such executory contracts
25 and unexpired leases as the buyer selects and the concomitant assignment of those
26 contracts and leases to the buyer. pursuant to Bankruptcy Code section 365, and
27 subject to the rights of non-debtor parties to such contracts and leases. The Assets
28

1 shall not include any cash or cash equivalents, deposit accounts, accounts receivable,
2 bankruptcy avoidance claims, or any other assets that are specifically excluded by the
3 asset purchase agreement entered into between the Debtor and the ultimate buyer (the
4 “Buyer”).

5 The sale will be free and clear of all liens and interests pursuant to Bankruptcy
6 Code section 363(f). All liens on the assets to be sold will attach to the proceeds of
7 the sale in the same validity and priority and subject to the same defenses and
8 avoidability, if any, as before the sale. The proceeds of the Sale of Assets will be
9 maintained by the Debtor in a federally insured interest-bearing account in
10 compliance with section 345 of the Code.

11 5.02 Procedure and Timing of Sale. The sale of the Debtor’s assets shall be
12 free and clear of all liens and interests pursuant to Bankruptcy Code section 363(f).
13 The sale may be approved prior to confirmation of this Plan pursuant to a motion filed
14 by the Debtor, or may be accomplished after confirmation of this Plan. If the sale is
15 conducted after confirmation of this Plan, it shall comply with all of the requirements
16 of Bankruptcy Code section 363, and section 365, and subject to the rights of non-
17 debtor parties to any executory contracts or unexpired leases.

18 5.03 Revesting of Property. Except as otherwise provided in the Plan, all
19 property of the Debtor which has not been previously sold shall be revested in the
20 Reorganized Debtor on the Effective Date.

21 5.04 Reorganized Debtor Power and Authority. Subject to the provisions of
22 the Plan and the Bankruptcy Code, the Reorganized Debtor may administer, manage,
23 operate, or liquidate all property, contractual interests, setoffs, and recoupments of the
24 estate and may prosecute or settle any and all causes of action of any type not
25 otherwise disposed of by the Plan.

26 Without limiting any other power or authority granted to the Reorganized
27 Debtor hereunder, the Reorganized Debtor shall have the power and authority to (1)
28

1 prosecute, settle, compromise, and/or dismiss any of the causes of action owned by
2 the bankruptcy estate, (2) manage and protect the estate and distribute the net
3 proceeds as specified herein, (3) grant options to purchase, enter into contracts to sell,
4 and sell the assets of the estate or any part or parts thereof on such terms as it shall
5 deem appropriate in its independent business judgment, (4) release convey, assign, or
6 sell any right, title, or interest in or about the estate, (5) pay and discharge any costs,
7 expenses, fees, or obligations deemed necessary to preserve the estate, (6) purchase
8 insurance to protect the estate, the Reorganized Debtor, and their agents and
9 professionals from liability, (7) deposit funds and draw checks and make
10 disbursements thereof, (8) employ and compensate brokers to help sell property of the
11 estate, (9) file and prepare tax returns on behalf of the estate, (10) take any action
12 required or permitted by this Plan, (11) employ attorneys, accountants, brokers, and
13 other professionals, as it deems necessary to assist it in performing its duties as
14 Reorganized Debtor, and compensate such persons pursuant to the Plan, (12) settle,
15 compromise, or adjust by arbitration or otherwise, any disputes or controversies in
16 favor of or against the estate subject to approval of the Bankruptcy Court, (13)
17 abandon property of the estate pursuant to section 554 of the Bankruptcy Code, (14)
18 waive or release rights of any kind, and (15) cause the Debtor to be dissolved.

19 5.05 Distributions. The Reorganized Debtor may make any number of
20 interim distributions on allowed claims and expenses as it deems appropriate and
21 subject to the funds being available that are not subject to a lien or security interest.
22 Distributions shall be made to the addresses contained in the proofs of claim filed by
23 such holders or the last known address of such holders. Checks issued by the
24 Reorganized Debtor shall be null and void if not cashed within ninety days of the date
25 of issuance thereof. If any distribution is returned as undelivered, no further
26 distributions to such holder shall be made unless and until the Reorganized Debtor is
27 notified of such holder's then current address, at which time all missed distributions
28

1 shall be made to such holder without interest. Amounts with respect to undeliverable
2 distributions made by the Reorganized Debtor shall be returned to the Reorganized
3 Debtor until such distributions are claimed. All Claims for undeliverable distributions
4 shall be made on or before the second anniversary of the Effective Date. After such
5 date, all unclaimed property shall be deemed property of the Reorganized Debtor and
6 no longer subject to the terms of the Plan, and all Claims against the Reorganized
7 Debtor shall be forever barred.

8 5.06 Reserve. Prior to making distributions to particular classes, the
9 Reorganized Debtor shall reserve sufficient cash for the payment of (1) all estimated
10 post-confirmation expenses of the Reorganized Debtor and its agents, (2) all Claims
11 in senior classes, and (3) Contested Claims in senior classes and Contested Claims in
12 the class receiving the distribution. No reserve shall be established for any contingent
13 Claim in the absence of a Final Order requiring such reserve. If a contingent Claim
14 becomes fixed and absolute, the holder of such contingent Claim shall receive
15 distributions pursuant to section 502(j) of the Bankruptcy Code, to the extent the
16 Claim may otherwise be Allowed. In the event a contingent Claim is entitled to
17 distributions pursuant to section 502(j) of the Bankruptcy Code, such Claim shall
18 receive pro rata distribution in the proportion it bears to all other Allowed Claims of
19 the same Class.

20 5.07 Post-confirmation Compensation of Reorganized Debtor's
21 Professionals. The Reorganized Debtor's professionals shall be entitled to
22 compensation and reimbursement of expenses. The Reorganized Debtor's
23 professionals may invoice the Reorganized Debtor directly on a monthly basis and
24 also serve a copy of the invoice on the Office of the United States Trustee. In the
25 event no objection to payment of an invoice is filed and served on the Reorganized
26 Debtor and the billing professional by the Office of the United States Trustee within
27 fifteen (15) days of service of the invoice and the Reorganized Debtor does not
28

1 otherwise object to payment of the invoice, the Reorganized Debtor may pay such
2 invoice without further order of the Court; provided further however, that in the event
3 an objection is timely filed and served on the Reorganized Debtor and the billing
4 professional or in the event of a dispute between the Reorganized Debtor and the
5 professional, the professional may submit an application for payment to the Court,
6 and the Court retains jurisdiction to hear such applications and enter appropriate
7 orders thereon.

8 5.08 Approval of Settlements. Court approval for compromises entered into
9 by the Reorganized Debtor shall be obtained pursuant to the Notice of Intended
10 Action procedure set forth in Bankruptcy Local Rule 2002-2.

11 ARTICLE 6

12 Executory Contracts and Unexpired Leases

13 6.01 Assumption and Rejection. At the time of a closing of a sale of the
14 Assets pursuant to the Plan or pursuant to a motion to sell the Assets under
15 Bankruptcy Code section 363 and to assume and assign executory contracts and
16 unexpired leases under Bankruptcy Code section 365, the Debtor shall assume the
17 Desert Line Lease, the Desert Line Sublease, and all other leases and executory
18 contracts designated by the Buyer and assign those leases and executory contracts to
19 the Buyer, pursuant to Bankruptcy Code section 365, and subject to the rights of non-
20 debtor parties to such contracts and leases. All other executory contracts and
21 unexpired leases shall be rejected as of the Effective Date.

22 6.02 Bar to Rejection Damages. Any individual or entity holding a Claim
23 based upon the rejection of an executory contract or unexpired lease pursuant to this
24 Article must, within thirty days after Confirmation, file a proof of claim with the
25 Bankruptcy Court. Any such Claims shall be treated as Class 5 unsecured Claims
26 unless the Bankruptcy Court orders otherwise. The failure of any such individual or
27
28

1 entity to file a proof of claim within the specified time period will result in the
2 disallowance of such Claim.

3 ARTICLE 7

4 Procedures for Resolving and Treating Contested and Contingent Claims

5 7.01 Objection Deadline. Objections to Claims, whether filed by the Debtor,
6 the Reorganized Debtor or creditors, must be filed not later than 90 days following the
7 Effective Date. This section shall not limit parties' rights to object to Claims, if any,
8 filed or amended after the Effective Date, or to seek an extension of the time to object
9 to Claims for cause shown.

10 7.02 Time for Filing Administrative Claims. Administrative Claims against
11 the Debtor, other than the applications of court-approved professionals, must be filed
12 within thirty days following the entry of an order confirming the Plan.

13 ARTICLE 8

14 Miscellaneous Provisions

15 8.01 Modification of Plan. Modifications of the Plan may be proposed in
16 writing by the Debtor at any time before confirmation, provided that the Plan, as
17 modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code,
18 and the Debtor shall have complied with section 1125 of the Bankruptcy Code. The
19 Plan may be modified at any time after confirmation and before its substantial
20 consummation, provided that the Plan, as modified, meets the requirements of
21 sections 1122 and 1123 of the Bankruptcy Code and the Bankruptcy Court, after
22 notice and a hearing, confirms the Plan, as modified, under section 1129 of the
23 Bankruptcy Code, and the circumstances warrant such modification. A holder of a
24 Claim or equity interest that has accepted or rejected the Plan shall be deemed to have
25 accepted or rejected, as the case may be, such Plan as modified, unless, within the
26 time fixed by the Bankruptcy Court, such holder changes its previous acceptance or
27 rejection.

28

1 8.02 Revocation of Plan. The Debtor reserves the right to revoke and
2 withdraw the Plan prior to the commencement of the hearing to confirm the Plan. If
3 the Debtor revokes or withdraws the Plan, or if confirmation of the Plan does not
4 occur, then the Plan shall be deemed null and void and nothing contained herein shall
5 be deemed to constitute a waiver or release of any Claims by or against the Debtor or
6 any other person or to prejudice in any manner the rights of the Debtor or any person
7 in any further proceedings involving the Debtor.

8 8.03 Cramdown. The Debtor requests the Bankruptcy Court to confirm the
9 Plan pursuant to the provisions of section 1129(b) of the Bankruptcy Code with
10 respect to any Class that is deemed not to have accepted the Plan and any Class that
11 fails to accept the Plan.

12 8.04 US Trustee Fees. The Reorganized Debtor shall file timely post-
13 confirmation reports as required by law and shall pay all post-confirmation fees
14 pursuant to 28 U.S.C. § 1930(a)(6).

15 8.05 Preservation of Claims. All claims that the Debtor has against third
16 parties including, without limitation, avoidance claims arising under the Bankruptcy
17 Code and fraudulent conveyance claims arising under non-bankruptcy law are
18 preserved to the fullest extent allowed by law. Nothing in the Plan or Disclosure
19 Statement is intended to be a waiver of such claims. Failure to identify particular
20 parties against which the Debtor may have such claims shall not constitute a waiver of
21 such claims. All creditors and interest holders voting on the Plan who received any
22 payment or transfer of property from the Debtor in the four years preceding the
23 Petition Date should assume for the purposes of voting that they might be sued by the
24 Reorganized Debtor for the recovery of such payments or distributions.

25
26
27
28

ARTICLE 9

Effects of Plan Confirmation

1
2
3 9.01 Injunction. Except as to obligations arising under the Plan, and except in
4 connection with the enforcement of the terms of the Plan or any documents provided
5 for or contemplated in the Plan, all entities who have held, hold or may hold Claims
6 against or Interests in the Debtor or the Estate that arose prior to the Effective Date
7 are permanently enjoined from: (a) commencing or continuing in any manner, directly
8 or indirectly, any action or other proceeding of any kind against the Estate, the
9 Reorganized Debtor, or any property of the Reorganized Debtor with respect to any
10 such Claim or Interest; (b) the enforcement, attachment, collection or recovery by any
11 manner or means, directly or indirectly, of any judgment, award, decree, or order
12 against the Reorganized Debtor the Estate, or any property of the Reorganized Debtor
13 or the Estate, with respect to any such Claim or Interest; (c) creating, perfecting or
14 enforcing, directly or indirectly, any Lien or encumbrance or any kind against the
15 Reorganized Debtor, the Estate, or any property of the Reorganized Debtor or the
16 Estate with respect to any such Claim or Interest; and (d) any act, in any manner, in
17 any place whatsoever, that does not conform to or comply with the provisions of the
18 Plan with respect to such Claim or Interest. Nothing contained in this Article shall
19 prohibit the holder of a timely-filed proof of Claim from litigating its right to seek to
20 have such Claim declared an Allowed Claim and paid in accordance with the
21 distribution provisions of the Plan, or enjoin or prohibit the interpretation or
22 enforcement by the holder of such Claim of any of the obligations of the Estate or the
23 Reorganized Debtor under the Plan. Nothing contained in this Article shall prohibit
24 the Reorganized Debtor from pursuing any Claims against third parties.

25 9.02 Effect of Confirmation. Except as otherwise expressly provided in the
26 Plan, the confirmation of the Plan shall, if not vacated, have the effect described in
27 Bankruptcy Code 1141 with respect to the Debtor and, without in any way limiting
28

1 the foregoing, shall (i) bind all holders of Claims and Interests against the Debtor,
2 whether or not they accept the Plan, and (ii) discharge the Debtor effective
3 immediately from any Claim and any “debt” (as that term is defined in section
4 101(12) of the Bankruptcy Code) incurred before the Confirmation Date, and liability
5 of the Debtor in respect thereof is extinguished completely including, without
6 limitation, any liability of a kind specified in section 502(g) of the Bankruptcy Code.
7 In addition, except as otherwise provided in the Plan, confirmation of the Plan
8 pursuant to the Confirmation Order acts as a discharge effective as of the
9 Confirmation Date, as to each Claim or Interest holder receiving or entitled to receive
10 any distribution under the Plan in respect of any direct or indirect right or Claim or
11 Interest such Claim or Interest holder had or may have had against or in the Debtor.
12 On and after the Confirmation Date, as to every discharged Claim and Interest the
13 Debtor, every holder of such Claim or Interest against the Debtor shall be precluded
14 from asserting against the Reorganized Debtor or its assets, any further Claim or
15 Interest based on any document, instrument or act, omission, transaction or other
16 activity of any kind or nature that occurred prior to the Confirmation Date.

17 9.03 Binding Effect of Plan. Except as otherwise provided in the Plan or in
18 section 1141(d)(3) of the Bankruptcy Code, on and after the Confirmation Date, the
19 provisions of the Plan shall bind any holder of a Claim against, or Interest in, the
20 Debtor, the Estate and their respective successors or assigns, whether or not the Claim
21 or Interest of such holders is impaired under the Plan and whether or not such holder
22 has accepted the Plan. The rights, benefits and obligations of any Person named or
23 referred to in the Plan, whose actions may be required to effectuate the terms of the
24 Plan, shall be binding on and shall inure to the benefit of any heir, executor,
25 administrator, successor or assign of such Person (including, without limitation, any
26 Trustee or any other trustee appointed for the Debtor under Chapters 7 or 11 of the
27 Bankruptcy Code).

28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

ARTICLE 10

Jurisdiction of the Bankruptcy Court

10.01 The Bankruptcy Court shall retain jurisdiction to the fullest extent permitted by law.

April 3, 2017

VANDERHOFF LAW GROUP

/s/ Alan Vanderhoff

By: _____

Alan Vanderhoff

Attorneys for Pacific Imperial Railroad, Inc.

EXHIBIT "B"

Exhibit "B"

Summary of Secured Claims

<u>Name</u>	<u>Schedules</u>	<u>POC</u>	<u>Disputed</u>	<u>Low</u>	<u>High</u>
Charles Fletcher	2,863,831	3,095,676	✓	0.00	3,095,676
Locati Global Holdings, Inc.	190,930	2,106,083	✓	0.00	2,106,083
Karen Vogel Treasurer Tax Collector	52,192	28,708		28,708	28,708
Karen Vogel Treasurer Tax Collector	N/A	13,512		13,512	13,512
San Diego County Tax Collector	87,807	123,455		123,455	13,512
Total				165,675	5,257,491

EXHIBIT "C"

Exhibit "C"

Summary of Unsecured Claims

<u>Name</u>	<u>Schedules</u>	<u>POC</u>	<u>Disputed</u>	<u>Low</u>	<u>High</u>
American Pacific Constructors	36,244	N/A	✓	0.00	0.00
Blue Berry Ridge Holdings	35,762	N/A	✓	0.00	0.00
Charles M. Patterson	636,000	N/A	✓	0.00	0.00
Christopher Larocca	382,480	300,000	✓	0.00	300,000
David Rohal	860,748	860,748	✓	0.00	860,748
David Rohal	N/A	326,267	✓	0.00	326,267
David Rohal	N/A	750,000	✓	0.00	750,000
David Arganbright	591,000	N/A	✓	0.00	0.00
Donald Stoecklein (SLG)	590,796	590,796	✓	0.00	590,796
Donald Stoecklein	587,000	587,000	✓	0.00	587,000
Dwight Jory	61,989	N/A	✓	61,989	61,989
Ernest Dahlman	1,400,000	1,300,000	✓	0.00	1,300,000
Ernest Dahlman	30,616	N/A	✓	0.00	0.00
GSW Holding Corporation	268,627	312,774	✓	0.00	312,774
International Railroad Investment Fund	323,497	N/A	✓	0.00	0.00
John Robert Rohal	150,000	N/A	✓	0.00	0.00
Mark Maasch	157,688	125,688	✓	125,688	125,688
MIR International Services	392,178	N/A		392,178	392,178

<u>Name</u>	<u>Schedules</u>	<u>POC</u>	<u>Disputed</u>	<u>Low</u>	<u>High</u>
Raul Pulido	576,000	540,000	✓	0.00	540,000
Pro Logic Analytics	1,554	N/A		1,554	1,554
Sheila Lemire	396,000	N/A	✓	0.00	0.00
Tracie Matsuo	200,000	N/A	✓	0.00	0.00
Mickelson & Company, LLC	12,045	N/A		12,045	12,045
Business Connexion	7,850	N/A		7,850	7,850
California Environmental	1,200	N/A	✓	0.00	0.00
Cathy T. Rohal/CTR Consulting	15,750	16,133	✓	0.00	16,133
Fitzsimmons Accountancy	2,916	N/A		2,916	2,916
Locati Global Holdings, Inc.	190,930	2,106,083	✓	0.00	2,106,083
East County Dirt Works	N/A	6,370,998	✓	0.00	6,370,998
Gary Sweetwood	N/A	5,300,654	✓	0.00	5,300,654
Robert A. Strasberg Trust UAD 9/22/10	0.00	1,000,000	✓	0.00	1,000,000
Arturo Alemany	435,000	N/A		435,000	435,000
Greensward Partners, LLC	50,000	70,000		50,000	70,000
MTS	N/A	35,611		0.00	0.00
Charles Fletcher	2,863,831	3,095,676	✓	2,863,831	3,095,676
Total				3,953,051	24,566,349

In re Pacific Imperial Railroad, Inc.

Case No. 16-06253-LT11

PROOF OF SERVICE BY ECF

I, the undersigned, declare that I am, and was at the time of service of the papers herein referred to, over the age of 18 years and not a party to the within action or proceeding. My business address is 600 West Broadway, Suite 1550, San Diego, California 92101.

On April 3, 2017, I served the following document(s):

Disclosure Statement to Debtor's Second Amended Plan of Reorganization Dated April 3, 2017

Debtor's Second Amended Plan of Reorganization Dated April 3, 2017

Redlined Pages of Plan and Disclosure Statement Dated April 3, 2017

by CM/ECF Notice Of Electronic Filing by causing such document(s) listed above to be served through this Court's electronic transmission facilities via the Notice of Electronic Filing (NEF) and hyperlink, to the parties and/or counsel who are determined this date to be registered CM/ECF Users set forth in the service list obtained from this Court on the Electronic Mail Notice List set forth below.

- Robert R. Barnes bbarnes@allenmatkins.com, jholman@allenmatkins.com
- Michael D. Breslauer mbreslauer@swsslaw.com, wyones@swsslaw.com
- Jess R. Bressi jess.bressi@dentons.com, kimberly.sigismondo@dentons.com
- Judith A. Descalso jad@jdescalso.com
- Joseph R. Dunn jrdunn@mintz.com, tlmayo@mintz.com; aobrient@mintz.com; dsjohnson@mintz.com; docketing@mintz.com
- Michael A. Gardiner mgardiner@gardinerlegal.com, ctally@gardinerlegal.com
- Christopher V. Hawkins hawkins@sullivanhill.com, hill@sullivanhill.com; millerick@sullivanhill.com; bkstaff@sullivanhill.com; vidovich@ecf.inforuptcy.com; hawkins@ecf.inforuptcy.com
- James P. Hill Hill@sullivanhill.com, hawkins@sullivanhill.com; bkstaff@sullivanhill.com; vidovich@ecf.inforuptcy.com; hill@ecf.inforuptcy.com; millerick@sullivanhill.com
- Joseph M. Hoats josephhoats@hotmail.com
- Mark A. Maasch m-law@cox.net
- Kristin Mihelic Kristin.T.Mihelic@usdoj.gov, tiffany.l.carroll@usdoj.gov
- Abigail O'Brient aobrient@mintz.com, docketing@mintz.com; CJGreen@mintz.com; DEHashimoto@mintz.com
- Fletcher W. Paddison fletcherpaddison@outlook.com
- Stewart J Powell stewart@yplawfirm.net
- Donald Stoecklein djs@prologicanalytics.net
- United States Trustee ustp.region15@usdoj.gov
- Alan Vanderhoff alan.vanderhoff@vanderhofflaw.com, alanvanderhoff@cox.net

I declare under penalty of perjury under the laws of the United States of America and the State of California that the foregoing is true and correct. This proof of service was executed on April 3, 2017, in San Diego, California.

/s/ Alan Vanderhoff

Alan Vanderhoff