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8 **UNITED STATES BANKRUPTCY COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**
10 **LOS ANGELES DIVISION**

11 In re

12 GATEWAY METRO CENTER, LLC,
13 a California limited liability company,
14 Debtor and Debtor in Possession.

Case No.: 2:11-bk-47919-BR

Chapter 11

**AMENDED DISCLOSURE STATEMENT
DESCRIBING DEBTOR'S CHAPTER 11
PLAN**

Disclosure Statement Hearing:

Date: November 1, 2011
Time: 2:00 p.m.
Place: Courtroom 1668
255 E. Temple Street
Los Angeles, CA 90012

Plan Confirmation Hearing:

Date: TBD
Time: TBD
Place: Courtroom 1668
255 E. Temple Street
Los Angeles, CA 90012

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I. INTRODUCTION

Gateway Metro Center, LLC (the “Debtor”) is the debtor in the above-captioned chapter 11 bankruptcy case (the “Chapter 11 Case”). On September 6, 2011 (the “Petition Date”), the Debtor commenced the Chapter 11 Case by filing a voluntary petition under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The provisions under chapter 11 of the Bankruptcy Code allow the Debtor to propose a plan to, among other things, reorganize its Assets and settle certain debts with Creditors. This Disclosure statement contains information about the Debtor and describes the Debtor’s Chapter 11 Plan (the “Plan”) filed by the Debtor on September 23, 2011. The Plan provides for the vesting of substantially all of the Debtor’s Assets in the Reorganized Debtor, a restructuring of certain of the Debtor’s debts, and payment to Creditors on account of their Claims. The Effective Date of the proposed Plan is proposed to be approximately January 1, 2012.

A. Purpose of This Document

This Disclosure Statement summarizes what is in the Plan, and tells you certain information relating to the Plan and the process the Bankruptcy Court follows in determining whether to confirm the Plan. Terms not otherwise defined herein are used as defined in the Plan.

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

- (1) WHO CAN VOTE ON, OR OBJECT TO, THE PLAN;
- (2) THE PROPOSED TREATMENT OF YOUR CLAIM UNDER THE PLAN (i.e., what your Claim will receive if the Plan is confirmed), AND HOW THIS TREATMENT COMPARES TO WHAT YOUR CLAIM WOULD RECEIVE IN A LIQUIDATION;
- (3) THE HISTORY OF THE DEBTOR AND SIGNIFICANT EVENTS DURING THIS CASE;
- (4) THE THINGS THE BANKRUPTCY COURT WILL LOOK AT TO DECIDE WHETHER TO CONFIRM THE PLAN;
- (5) THE EFFECT OF CONFIRMATION OF THE PLAN; AND

1 (6) WHETHER THE PLAN IS FEASIBLE.

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

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

7 The Bankruptcy Code requires a Disclosure Statement to contain “adequate information”
8 concerning the Plan. The Bankruptcy Court has approved this document as an adequate Disclosure
9 Statement, containing enough information to enable parties affected by the Plan to make an informed
10 judgment about the Plan. Any party can now solicit votes for or against the Plan.

11 **B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing**

12 THE BANKRUPTCY COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN
13 THIS DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN ARE NOT
14 YET BINDING ON ANYONE. HOWEVER, IF THE BANKRUPTCY COURT LATER
15 CONFIRMS THE PLAN, THEN THE PLAN WILL BE BINDING ON THE DEBTOR AND ON
16 ALL CREDITORS AND INTEREST HOLDERS IN THIS CASE.

17 **1. Time and Place of the Confirmation Hearing**

18 The hearing where the Bankruptcy Court will determine whether or not to confirm the Plan will
19 take place before the Honorable Barry Russell on [, 2011] , at [time] in Courtroom 1668, 255 E.
20 Temple Street, Los Angeles, CA 90012.

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

22 If you are entitled to vote, it is in your best interest to vote timely on the enclosed ballot and to
23 return the ballot in the enclosed envelope to Lorie A. Ball, Peitzman, Weg & Kempinsky LLP, 2029
24 Century Park East, Suite 3100, Los Angeles, CA 90067, fax: (310) 552-3101.

25 YOUR BALLOT MUST BE RECEIVED BY [], AT 5:00 P.M., LOS ANGELES TIME,
26 OR IT WILL NOT BE COUNTED.
27

1 **3. Deadline for Objecting to the Confirmation of the Plan**

2 Objections to the Confirmation of the Plan must be filed with the Bankruptcy Court and served
3 upon the following attorneys by []: (1) Attorneys for the Debtor: Lorie A. Ball, Peitzman, Weg &
4 Kempinsky LLP, 2029 Century Park East, Suite 3100, Los Angeles, CA 90067, fax: (310) 552-3101;
5 and (2) Attorneys for the Office of the United States Trustee: Ron Maroko, 725 S. Figueroa Street,
6 Suite 2600, Los Angeles, CA 90017.

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

8 Any interested party desiring further information about the Plan should contact the attorneys for
9 the Debtor: Lorie A. Ball, Peitzman, Weg & Kempinsky LLP, 2029 Century Park East, Suite 3100,
10 Los Angeles, CA 90067, email: lball@pwkllp.com, fax: (310) 552-3101.

11 **C. Disclaimer**

12 The information relied upon in formulating the Plan is based on the Debtor's books and records,
13 appraisals, and documents Filed with the Bankruptcy Court. The information contained in this
14 Disclosure Statement is provided by the Debtor and its financial advisor, FTI Consulting, Inc. The
15 Debtor represents that everything stated in the Disclosure Statement is true to the best of the Debtor's
16 knowledge. The Bankruptcy Court has not yet determined whether the Plan is confirmable and makes
17 no recommendation as to whether you should support or oppose the Plan.

18 **II.**

19 **BACKGROUND**

20 **A. Description of the Debtor's Business and Events Leading To the Bankruptcy**

21 The Debtor is a California limited liability company that was formed on September 25, 2006.
22 The Debtor's primary assets include (1) an approximately 121,462 square foot – 11 story office
23 building and land located in the City of Pasadena, California (“Gateway Metro Center” formerly
24 known as Gateway Tower) including rights to further develop the land on which the Gateway Metro
25 Center is located, and (2) an approximately 8,000 square feet parcel of land immediately abutting the
26 office building (the “Land”).
27
28

1 In October, 2006, Allstate Life Insurance Company (“Allstate”) loaned the Debtor \$20,500,000
2 to purchase Gateway Tower (the “Loan”). The Loan is secured by, among other things, a Deed of
3 Trust and an Assignment of Leases, Rents and Contracts. Thereafter, the property was renamed
4 Gateway Metro Center to sharpen and brand its identity, distinguish it from other property, and take
5 advantage of its immediate proximity to Metro Light Rail and bus transportation modes. Gateway
6 Metro Center performed well in 2007, its first full year of operation. It ended the year with improved
7 revenue levels and revenue sources and closely managed expenses. It was 100% leased as of
8 December 31, 2007.

9 Since its ownership in 2006, the Debtor instituted programs to upgrade substantially and
10 establish the property as a premier Class A Pasadena office location. The various programs were
11 designed to improve the office building’s physical and market image, both exterior and interior, to
12 maximize rents and other revenues as well as tenant retention and to attract new tenants. Each of these
13 goals was accomplished. During this time, the Debtor also began to explore ways in which it could
14 monetize and take advantage of the substantial, additional buildable area available on the site. In that
15 regard, the Debtor submitted a proposal to the City of Pasadena for comments on a conceptual
16 proposal to add approximately 166,000 additional square feet of space to rentable building space to the
17 site.
18

19 Moreover, in November 21, 2007, the Debtor acquired the Land next to Gateway Metro Center
20 from the California Department of Transportation. The purchase of the Land enables the Debtor to
21 add an additional 16,000 buildable square feet and/or additional parking. With the acquisition of the
22 Land and recalculation of the land area, the new additional building area would be about an
23 incremental 202,000 square feet, potentially creating a total project of over 323,000 square feet.

24 In 2008, the Debtor’s revenues began to decline due to the severe global economic recession
25 and the corresponding reduction in consumer spending and collapse in the real estate and capital
26 markets.

27 The Debtor firmly believed at that time that due to the location of Gateway Metro Center, and
28 the improvements, excellent tenant relations, and substantial marketing efforts made by management,

1 the Debtor would be able to maintain the very high tenant occupancy level that was previously
2 achieved. This, unfortunately, has not been the case. Substantial vacancies have occurred for a variety
3 of reasons mainly due to the global recession of 2008, tenant consolidations, contractions, relocations,
4 or tenant financial difficulties. The Debtor continues to market the property responsibly and
5 aggressively and, despite extraordinarily difficult economic conditions, has successfully closed
6 twenty-six separate lease transactions over the past nineteen months including renewals, expansions,
7 and new leases. The building is currently approximately 60% leased. The Debtor has also looked for
8 creative ways to increase its monthly revenues by instituting paid parking, and has also closely
9 managed property expenses.

10 Foreseeing a deep and extended economic decline and with increased vacancy and resulting
11 reduction in cash flow, in early 2008 the Debtor proactively contacted Allstate and requested that
12 Allstate negotiate an extension or refinance of the Loan that came due in September 2011. The Debtor
13 was informed, through Allstate's loan servicer, that Allstate would not consider such a proposal. Over
14 the course of the next three years, the Debtor and its representatives made numerous and repeated
15 attempts to engage Allstate in a negotiation over the Allstate Loan. FTI Consulting, Inc., a well-
16 known real estate restructuring expert was engaged to act as financial advisor to advise the Debtor
17 regarding alternatives and to contact Allstate in a further attempt to negotiate with Allstate. During
18 this time, the Debtor made several restructuring proposals to Allstate in writing. All of these proactive
19 efforts with Allstate proved to be fruitless.

20
21 As a result, in May, 2011, the Debtor stopped making loan payments to Allstate with the
22 intention to engage Allstate in a discussion. The Debtor delivered a letter to Allstate to evidence its
23 intention. Instead of engaging in a dialogue with the Debtor, on June 20, 2011, Allstate sent the
24 Debtor a letter stating that the Debtor is in default and that Allstate was reserving its rights under the
25 Loan documents. Thereafter, on June 29, 2011, the Debtor received a letter from counsel for Allstate
26 stating that the Debtor is in default and that Allstate may seek the appointment of a state court
27 receiver. Additional attempts to establish a dialogue with Allstate were rejected and on July, 15, 2011,
28

1 Allstate publicly recorded a notice of default. The notice of default has affected the Debtor's
2 marketing efforts of Gateway Metro Center.

3 In August, 2011, Flying Tigers, LLC loaned the Debtor \$350,000 to cover certain expenses
4 incurred by the Debtor and for the potential costs associated with a bankruptcy filing (the "Flying
5 Tigers Loan"). The members of Flying Tigers, LLC are also the Members of the Debtor. The Flying
6 Tigers Loan is secured by a junior lien on Gateway Metro Center including an interest in all rents,
7 issues and profits thereof and a senior lien on the Land. The Debtor filed for chapter 11 bankruptcy
8 protection on September 6, 2011 to utilize the chapter 11 process to maximize the value of its assets,
9 which will include: (1) a continued effort to lease office space in Gateway Metro Center; and (2) a
10 refinancing or restructuring of the Loan. The Loan documents provide that the Loan matured on
11 September 6, 2011.

12 **B. Insiders/Members of Debtor's Business**

13 **1. Members**

14 The current Members of the Debtor are Pacific Starr Group II, LLC, which is the Manager of
15 the Debtor and holds a 15% interest in the Debtor, Foothill Hastings, LLC which holds a 39.54%
16 interest in the Debtor and HSP-PC One Corp., which holds a 45.46% interest in the Debtor.

17 **2. Officers**

- 18 a. President - John F. Pipia; and
19 b. Senior Vice President and Secretary - Betty W. Ma.
20

21 **C. Management of the Debtor Before, During and After the Bankruptcy and**
22 **Compensation**

23 Since its formation in September 2006, Pacific Starr Group II, LLC has been the managing
24 member of the Debtor, John F. Pipia has been the President and Betty W. Ma has been the Senior Vice
25 President and Secretary. Each of the Debtor's present members will continue to be members and each
26 of the current officers will continue to serve as officers of the Reorganized Debtor after the Effective
27 Date of the Plan.
28

1 Pursuant to the Debtor's operating agreement, the Managing Member is entitled to a Monthly
2 Asset Management Fee for its services in managing and controlling the business, property and affairs
3 of the Debtor.¹ Following the Effective Date, to the extent necessary to supplement cash flow and
4 allow for repayment of Claims, the Managing Member has agreed to defer payment of the Monthly
5 Asset Management Fee for up to two (2) years and reduce Monthly Asset Management Fees during
6 years six (6) and seven (7). Moreover, the Managing Member has agreed to defer repayment of the
7 Managing Member Claims (as defined herein) for up to seven (7) years.

8 **D. Significant Events During the Bankruptcy**

9 **1. Use Of Cash Collateral**

10 On the Petition Date, the Debtor sought emergency relief from the Court seeking to continue to
11 utilize the Cash generated in the ordinary course of its business (which Cash is considered Allstate's
12 and Flying Tigers' "cash collateral" under the Bankruptcy Code) to operate its business, including the
13 payment of ongoing obligations to and for utilities, building repair and maintenance expenses,
14 property taxes, insurance, adequate protection payments to certain secured creditors, and other related
15 expenses all as set forth in a budget attached to the Cash Collateral Motion. The Court approved the
16 use of cash collateral on an interim basis in an order entered on September 13, 2011 and approved the
17 same on a final basis, through December 31, 2011, in a separate order dated October 3, 2011.

18 **2. Debtor In Possession Financing**

19 Concurrently with the filing of the cash collateral motion, the Debtor also filed a motion for an
20 order to approve up to \$350,000 of post-petition financing ("DIP Financing"), and to grant security
21 interests pursuant to section 364 of the Bankruptcy Code in order to pay, to the extent the Debtor does
22 not have sufficient Cash on hand, reasonable and necessary costs associated with operating the Debtor
23 during the Bankruptcy Case in the amounts set forth in the budget attached to the Cash Collateral
24

25 _____
26 ¹ The Monthly Asset Management Fee is calculated as the annual sum of one percent (1%) of (a)
27 100% of the total consideration paid for the Building the first year of ownership of the Building;
28 (b) 104% of the total consideration paid for the Building during the second year; (c) 108% of the
total consideration paid for the Building during the third year; and (d) so on, such that the
percentage increases by 4% each year. The average pre-petition Monthly Asset Management Fee
was approximately \$27,000. Following the Effective Date, the average Monthly Asset
Management Fee will be approximately \$29,000.

1 Motion, and allowed professional fees and costs associated with effectuating a restructuring (the “DIP
2 Motion”). Flying Tigers is the proposed lender under the DIP Motion (the “DIP Lender”). While the
3 Debtor anticipated that it would have sufficient cash from operations to pay all routine operating
4 expenses, leasing and capital costs during the pendency of the case, it was unclear at the outset of the
5 case whether the Debtor would have sufficient funds to pay some additional reasonable and necessary
6 costs including fees and costs of professionals allowed by the Bankruptcy Court. Out of an abundance
7 of caution, the Debtor filed the DIP Motion to have financing in place to draw upon in the event the
8 Debtor did not have sufficient funds on hand to pay these costs. The lack of such funding would have
9 impaired the value of the Debtor’s business, making it difficult, if not impossible, for the Debtor to
10 reorganize.

11 The key terms and conditions, which are reasonable and customary, include a 5% simple
12 interest rate, a term that expires (the “DIP Termination Date”) on the earlier of December 31, 2012, the
13 Effective Date of the Plan, or upon the occurrence of an Event of Default (as defined in the DIP
14 Agreement) and the ability of the Debtor to borrow available amounts under the DIP Facility upon
15 written request and full payment of all amounts owing, including interest, on the DIP Termination
16 Date.

17 To the extent that any professional fees and expenses, for which the Debtor is obligated to pay
18 pursuant to the DIP Agreement, have not been finally approved by the Bankruptcy Court as of the
19 Final Maturity Date, the amount of such fees and expenses shall be advanced by the DIP Lender to the
20 Debtor on or before the Final Maturity Date and held by the Debtor and paid to the Debtor’s
21 Professionals within five (5) days of entry of an order of the Bankruptcy Court allowing and approving
22 such fees and expenses. Any such amount reserved but not paid to the Debtor’s Professionals shall be
23 repaid to the DIP Lender, plus interest at the rate set forth in the DIP Agreement.

24 To secure the DIP Facility, the Debtor granted the DIP Lender a (1) junior secured lien on
25 Gateway Metro Center and (2) a junior secured lien on the Land.

26 The Court approved the debtor in possession financing on October 27, 2011.
27
28

1 **3. Administrative Matters**

2 The Debtor materially has complied with, and continues materially to comply with, all of its
3 duties under the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure (“FRBP”) and all
4 applicable guidelines of the Office of the United States Trustee. The Debtor’s complete Schedules of
5 Assets and Liabilities and Statement of Financial Affairs were Filed early on the Petition Date.
6 Following the Petition Date, the Debtor timely presented its 7-Day Package and has submitted all
7 required monthly operating reports to the Office of the United States Trustee. The Debtor’s meeting
8 of creditors under section 341(a) of the Bankruptcy Code was held and concluded on October 3, 2011.

9 **4. Bar Date for Claims**

10 At the Debtor’s request, the Court entered an Order setting October 31, 2011 as the Claims Bar
11 Date for filing proofs of claim against the Debtor’s Estate, with certain specified exceptions. The
12 Debtor served notice of the Claims Bar Date on or about September 21, 2011 to all known Creditors
13 and parties on the Debtor’s Master Mailing List.

14 **5. Objections to Claims**

15 No objections to Claims have been Filed by the Debtor, but the Debtor reserves its right to
16 object to all Claims before and after Confirmation of the Plan. On and after the Effective Date, the
17 Reorganized Debtor shall be the sole representative of the Debtor’s Estate entitled to review and,
18 where necessary or appropriate, object to Administrative Claims, Claims and Interests, which shall
19 thereafter be resolved in accordance with the Bankruptcy Code and the Bankruptcy Rules. For good
20 cause shown, after notice and a hearing, other parties in interest may be authorized by the Bankruptcy
21 Court to object to Administrative Claims, Claims and Interests. The deadline to object to claims is
22 ninety (90) days after the later of (1) the last day set by the Bankruptcy Court for filing Claims or
23 Interests and (2) the Effective Date. The Debtor reserves its right to object to any Claims on any
24 available grounds, including any claims, counterclaims, defenses, right to setoff, or other basis, in
25 favor of the Debtor as against any claimant.
26

27 **6. Employment of Professionals**

28 The Bankruptcy Court has approved the employment of the following Professionals:

Name	Date Court Approved Employment
Peitzman, Weg & Kempinsky LLP Bankruptcy Counsel for the Debtor	October 21, 2011
FTI Consulting, Inc. Financial Advisor to the Debtor	October 26, 2011
Skeehan & Company Accountant for the Debtor	October 27, 2011
Colliers International, Inc. Leasing Broker	September 20, 2011

7. Other Bankruptcy Proceedings

Aside from the motions and proceedings described above or related to the Plan and Disclosure Statement, there are no significant proceedings pending in the Bankruptcy Court.

E. Other Legal Proceedings

The Debtor is not currently involved in any other nonbankruptcy legal proceedings.

F. Investigation and Prosecution of Litigation Claims

The Debtor has not had an opportunity to complete a full investigation and analysis of all claims, rights, causes of action, claims for relief, and counterclaims of the Debtor or the Estate, including “avoidance actions” (fraudulent conveyance, preferential transfer and other actions arising under Bankruptcy Code sections 542 through 553) (the “Litigation Claims”). All Litigation Claims of the Debtor and its Estate are preserved by the Plan, and upon the Effective Date, the Reorganized Debtor shall be authorized to investigate all Litigation Claims and to determine which, if any, should be prosecuted in its sole discretion in accordance with the Plan. The Reorganized Debtor shall have full power and authority to prosecute, settle, adjust, retain, enforce, or abandon any claim, right, or cause of action as the representative of the Debtor’s Estate under section 1123(b) of the Bankruptcy Code or otherwise in accordance with the Plan in accordance with the Bankruptcy Code and the Bankruptcy Rules after notice and an opportunity for a hearing, such notice to be provided to the U.S.

1 Trustee and the entity that is the subject of the Litigation Claim. The Reorganized Debtor
2 automatically shall be substituted as a party in place of the Debtor in any Litigation Claims pending on
3 the Effective Date. After the Effective Date, all Litigation Claims shall be Filed and prosecuted in the
4 name of the Reorganized Debtor.

5 **G. Current and Historical Financial Conditions**

6 The identity and fair market value of the Estate's assets as of the Petition Date are listed in
7 Exhibit 1. The fair market value of the assets has been estimated by the Debtor with the assistance
8 of FTI Consulting, Inc. The Debtor's historical financial information is contained in its financial
9 statements. The Debtor's 2008 financial statements are attached hereto as Exhibit 2, the 2009
10 financial statements are attached hereto as Exhibit 3, and 2010 financial statements are attached
11 hereto as Exhibit 4. Projected financial statements over the life of the Plan are attached hereto as
12 Exhibit 5.

13 **III.**

14 **SUMMARY OF THE PLAN OF REORGANIZATION**

15 **A. What Creditors and Interest Holders Will Receive Under The Proposed Plan**

16 As required by the Bankruptcy Code, the Plan classifies Claims and Interests in various Classes
17 according to their right to priority. The Plan states whether each Class of Claims or Interests is
18 Impaired or Unimpaired. The Plan provides the treatment each Class will receive, which is
19 summarized herein below.

20 **B. Unclassified Claims**

21 Certain types of Claims are not placed into Classes; instead they are unclassified. They are not
22 considered Impaired, and they do not vote on the Plan because they automatically are entitled to
23 specific treatment provided for them in the Bankruptcy Code. As such, the Debtor has not placed the
24 following Claims in a Class.
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1 **1. Statutory Fees**

2 On the Effective Date, all fees due and payable pursuant to 28 U.S.C. § 1930, including any
3 Office of the United States Trustee quarterly fees incurred pursuant to 28 U.S.C. § 1930(a)(6), to the
4 extent not previously paid by the Debtor shall be paid in Cash in full.

5 **2. Priority Tax Claims**

6 Priority Tax Claims are certain unsecured income and other taxes described by Bankruptcy
7 Code section 507(a)(8). Section 1129(a)(9)(C) of the Bankruptcy Code requires that, except as
8 otherwise agreed to by the parties, each holder of an Allowed Priority Tax Claim, calculated as of
9 the Effective Date of the Plan, be paid over a period not exceeding five (5) years after the Petition
10 Date.

11 As of the date of the Plan, the Debtor is not aware of any section 507(a)(8) Priority Tax
12 Claims against the Estate. To the extent that Priority Tax Claims exist, the Debtor will pay such
13 Allowed Priority Tax Claim in equal semiannual installments with the first installment due on the
14 later of (a) the Effective Date, or (b) such other time as may be agreed to by the holder of such
15 Allowed Priority Tax Claims and either the Debtor or the Reorganized Debtor. If a Disputed
16 Priority Tax Claim later becomes an Allowed Priority Tax Claim, then the first installment shall be
17 due thirty (30) calendar days after the date on which the order allowing such Priority Tax Claim, or
18 portion thereof, becomes a Final Order. Each installment shall include simple interest on the unpaid
19 portion of such Allowed Priority Tax Claim, without penalty of any kind, at the rate set forth in 26
20 U.S.C. § 6621. Notwithstanding anything to the contrary contained herein, the Reorganized Debtor
21 may pay any Allowed Priority Tax Claim, or any remaining balance of such Allowed Priority Tax
22 Claim, in full, at any time on or after the Effective Date, without premium or penalty.

23 **3. Administrative Claims**

24 Administrative Claims are claims for costs or expenses of administering the Debtor's Chapter
25 11 Case that are allowed under Code section 507(a)(2). The Bankruptcy Code requires that all
26 Administrative Claims be paid on the Effective Date of the Plan, unless a particular Creditor agrees to
27 a different treatment.

28 The following chart lists the Debtor's § 507(a)(2) and their treatment under this Plan.

<u>Name</u>	<u>Amount Owed</u>	<u>Treatment</u>
Expenses Arising in the Ordinary Course of Business After the Petition Date	\$0 (all expenses shall be paid in the Ordinary Course)	Paid in full on the Effective Date of the Plan, or according to terms of obligation if later
DIP Lender	\$185,228	Paid in full after the Effective Date. DIP Lender Secured Claim shall be an unsecured claim and, unless agreed to by the Reorganized Debtor and the DIP Lender, the DIP Lender will be paid by the Reorganized Debtor on the fifteenth (15 th) day of each month after the Effective Date in an amount equal to the lesser of (a) principal and simple interest at the annual rate of 5% based on 84 equal monthly payments and (b) the net amount of Available Monthly Cash. Any interest not paid in a month shall be added to principal. All principal and interest owed under the DIP Lender Secured Claim shall be due and payable in full seven (7) years after the Effective Date.
Peitzman, Weg & Kempinsky LLP (Bankruptcy Counsel for the Debtor)	\$95,000 (estimated)	Paid in full after the Effective Date, following approval by the Court of a final fee application
FTI Consulting, Inc. (Financial Advisor to the Debtor)	\$80,828 (estimated)	Paid in full after the Effective Date, following approval by the Court of a final fee application
Clerk's Office Fees	\$0	Paid in Full on Effective Date
Office of the U.S. Trustee Fees	\$4,875	Paid in Full on Effective Date
TOTAL	\$365,931	

a. Bankruptcy Court Approval of Fees Required. The Bankruptcy Court must approve all Professional fees listed above. The Professionals in question must File and serve a

1 properly noticed fee application and the Bankruptcy Court must rule on the applications. Only the
2 amount of fees allowed by the Bankruptcy Court will be required to be paid under this Plan. On the
3 Effective Date, the Debtor will reserve and set aside Cash to cover the estimated \$185,228 worth of
4 Administrative Claims (including Professional Fees that have not been approved by the Bankruptcy
5 Court less any remaining retainer amounts), to be distributed by the Reorganized Debtor as provided
6 in the Plan. The Reorganized Debtor will be responsible to pay any Administrative Claims over the
7 initial estimated amounts.

8 b. Bar Date for Administrative Claims. All requests for payment of
9 administrative costs and expenses incurred on or before the Effective Date under Bankruptcy Code
10 section 507(a)(2) or 503(b) or the terms hereof (except for post-Petition Date Claims for professional
11 fees and expenses incurred during the Chapter 11 Case and claims under 28 U.S.C. § 1930) shall be
12 Filed and served on (a) the Debtor, (b) Debtor's counsel, and (c) the Office of the United States
13 Trustee, no later than thirty (30) days after the notice of the Effective Date is Filed. Any holder of
14 an Administrative Claim that is required to but does not File a request for payment of such
15 Administrative Claim or expense by the deadline set forth herein forever shall be barred from
16 asserting such Administrative Claim against the Debtor, the Estate, The Reorganized Debtor or their
17 successors, assigns, or their respective property, and shall receive no distribution under the Plan or
18 otherwise on account of such Claim.

19 c. Bar Date for Professional Administrative Claims. All Professionals or other
20 entities employed in the Chapter 11 Case and requesting compensation or reimbursement of expenses
21 pursuant to Bankruptcy Code sections 327, 328, 330, 331, or 503(b) for services rendered on or before
22 the Effective Date (including any compensation requested by any professional or any other entity for
23 making a substantial contribution in the Chapter 11 Case) must File and serve on (a) the Debtor; (b)
24 Debtor's counsel, and (c) the Office of the United States Trustee, an application for final allowance of
25 compensation and reimbursement of expenses no later than the Professional Administrative Claims Bar
26 Date. Professionals that do not File such requests on or before the Professional Administrative Claims
27 Bar Date shall be barred from asserting such Claims against the Debtor, the Estate, the Reorganized
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1 Debtor, their successors, assigns, or any other Person or Entity, or any of their respective property.
2 Objections to applications of Professionals for compensation or reimbursement of expenses must be
3 Filed and served on (a) the Debtor; (b) Debtor's counsel, (c) the Office of the United States Trustee,
4 and (d) the Professional to whose application the objection is addressed, in accordance with the
5 Bankruptcy Code and the Bankruptcy Rules, or pursuant to any other procedure set forth in an order of
6 the Bankruptcy Court.

7 d. Ordinary Course Liabilities. Holders of Administrative Claims based on
8 Ordinary Course Liabilities shall not be required to File any request for payment of such Claims
9 (other than invoices sent in the ordinary course of business) and all such Claims shall be paid by the
10 Reorganized Debtor at such time as such Claims would have been due in the ordinary course of the
11 Debtor's business, whether before or after the Effective Date. Any holder of an Ordinary Course
12 Liability that presents such Claim for payment, which Claim is disputed or rejected by the Debtor or
13 the Reorganized Debtor, must File and serve a request for payment with the Bankruptcy Court and
14 the Reorganized Debtor no later than fifteen (15) days following its receipt of the notice of dispute
15 or rejection of such Claim. Any holder of an Ordinary Course Liability that has been subject to
16 dispute that does not File and serve such Claim by the deadline set forth herein **forever shall be**
17 **barred** from asserting such Claim against the Debtor, the Estate, the Reorganized Debtor, or their
18 respective property, and shall receive no distributions under the Plan or otherwise on account of such
19 Claim.

20 **C. Classified Claims and Interests**

21 Claims and Interests are classified for all purposes, including voting, Confirmation and
22 distribution pursuant to the Plan, as provided below. The following chart summarizes the treatment
23 for all classes:
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Class #	Description	Treatment	Status
1	Allstate Secured Claim	Impaired	May Accept or Reject
2	Flying Tigers Secured Claim	Impaired	May Accept or Reject
3	Secured Equipment Claim	Impaired	May Accept or Reject
4	General Unsecured Claims	Impaired	May Accept or Reject
5	Managing Member Claims	Impaired	May Accept or Reject
6	Interest Holders	Not Impaired	Deemed to Accept

1. Class 1 – Allstate Secured Claim

a. Impairment and Voting. Class 1 is Impaired by the Plan. Each holder of an Allowed Class 1 Claim is entitled to vote to accept or reject the Plan.

b. Treatment. Following the Effective Date, all liens held by Allstate as of the Petition Date shall continue in full force and effect under the Modified Allstate Loan with the same validity and priority as prior to the Petition Date. On the Effective Date, the Allstate Documentation shall be modified to conform to the provisions set forth in Exhibit B to the Plan. Without limiting the foregoing, the material terms of the Modified Allstate Loan shall be:

i. Name of Borrower: All references to Pacific Starr Pasadena, LLC, a California limited liability company shall be amended to refer to Gateway Metro Center, LLC, a California limited liability company.

ii. Amount: The principal amount of the Modified Allstate Loan shall be \$20,500,000 plus (a) all interest at the contract rate accrued and unpaid as of the Effective Date, and (b) all reasonable fees and costs, including Allstate’s reasonable attorneys’ fees, accrued and unpaid as of the Effective Date.

iii. Term: The term of the Modified Allstate Loan shall be seven (7) years from the Effective Date.

iv. Interest: 4.25% per annum, as set forth below.

1 v. Repayment Terms: Monthly installments of interest only in the
2 amount of \$76,075.00, based upon 4.25% per annum of the projected loan balance on the Effective
3 Date paid over the first two years after the Effective Date in equal monthly installments; and
4 thereafter, monthly installments of principal and interest (currently estimated at \$105,669.00), based
5 on a 4.25% interest rate and a 360 month amortization schedule, which shall be applied each month
6 first to interest and the balance to principal.

7 vi. Additional Cash for Tenant Improvements, Property Taxes, Interest,
8 Leasing Costs and Commissions: On the Effective Date, the Members shall make a one million
9 dollar (\$1,000,000) capital contribution to the Reorganized Debtor to establish a reserve fund to be
10 held by the Reorganized Debtor and to be used to pay tenant improvement allowances, leasing costs,
11 leasing commissions, property taxes and any interest on the Modified Allstate Loan that is not paid
12 when due. With respect to tenant improvements and leasing commissions, funds in the reserve fund
13 shall be released after execution of individual leases for space in the Building when the applicable
14 work or services have been provided and payment is then due and payable.

15 vii. Existing Collateral: Allstate shall retain all existing liens with the
16 same validity and priority as of the Petition Date.

17 viii. Additional Collateral: Allstate shall be granted a lien on the Land.
18 Such lien shall be senior to voluntary financial liens, but junior to all taxes, easements and rights of
19 ways.

20 ix. Prepayment: Debtor or Reorganized Debtor may prepay the Modified
21 Allstate Loan in full at any time without cost or penalty provided Debtor or Reorganized Debtor
22 gives Allstate at least 30 days prior written notice.

23 x. Property Taxes: The Reorganized Debtor shall not be required to
24 escrow or impound any funds for Property Taxes or to account for or to turn over real estate tax
25 accruals. The Reorganized Debtor shall be responsible for timely paying Property Taxes directly to
26 the proper taxing authority.
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1 xi. Notices: All notices to the Debtor under the Modified Allstate Loan
2 shall be provided to the following: Gateway Metro Center, LLC, c/o Pacific Starr Group, LLC, Attn:
3 John F. Pipia, 3452 East Foothill Boulevard, Suite 1170A, Pasadena, CA 91107, fax (626)356-0855.

4 xii. Lease Approvals: Debtor may enter into leases, extend or renew
5 leases, and permit the assignment or sublease of leases that demise 25,000 rentable square feet or
6 less for a term of ten (10) years or less without approval of Allstate.

7 xiii. Remaining Provisions: Except as set forth in the Plan or in Exhibit B
8 to the Plan, the terms and provisions of the Allstate Documentation shall remain unchanged and shall
9 continue in full force and effect as if no Event of Default had occurred prior to or on the Effective
10 Date. All references to an Event of Default shall mean any Event of Default that may occur after
11 the Effective Date.

12 xiv. Payment in Full: To the extent that the Modified Allstate Loan is not
13 paid in full seven (7) years after the Effective Date, unless otherwise agreed to by the parties, the
14 Modified Allstate Loan shall be paid in full in Cash at that time that would require the refinancing of
15 the Modified Allstate Loan or a sale of the Building.

16 **2. Class 2 – Flying Tigers Secured Claim**

17 a. Impairment and Voting. Class 2 is Impaired by the Plan. Each holder of an
18 Allowed Class 2 Claim is entitled to vote to accept or reject the Plan.

19 b. Treatment. On the Effective Date, Class 2 Creditors shall have an unsecured
20 claim and, unless agreed to by the Reorganized Debtor and Flying Tigers, the Flying Tigers Secured
21 Claim will be paid in full by the Reorganized Debtor as follows: On the fifteenth (15th) day of each
22 month after the Effective Date, Flying Tigers shall be paid Cash in an amount equal to the lesser of
23 (a) principal and simple interest at the annual rate of 5% based on 84 equal monthly payments and
24 (b) Available Monthly Cash after deducting monthly payments made to the DIP Lender as provided
25 in Section II.B.3 above. Unless otherwise agreed to by the parties, all principal and interest under
26 the Flying Tigers Secured Claim shall be due and payable in full seven (7) years after the Effective
27 Date. Notwithstanding anything to the contrary contained herein, the Reorganized Debtor may pay
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1 Class 2 Claims, or any remaining balance of such Claims, in part or in full, at any time on or after
2 the Effective Date, without premium or penalty.

3 **3. Class 3 –Secured Equipment Claims**

4 a. Impairment and Voting. Class 3 is Impaired by the Plan. Each holder of an
5 Allowed Class 3 Claim is entitled to vote to accept or reject the Plan.

6 b. Treatment. Holders of Secured Equipment Claims shall be paid in full, in
7 cash in twenty-four (24) equal monthly installments of principal and interest with the first
8 installment due on the later of (a) the Effective Date or (b) such other time as may be agreed to by
9 the holder of such Secured Equipment Claims and either the Debtor or the Reorganized Debtor.
10 Each installment shall include simple interest on the unpaid portion of such Secured Equipment
11 Claim at the rate of 5% per annum from and after the Effective Date. Notwithstanding anything to
12 the contrary contained herein, the Reorganized Debtor may pay the Secured Equipment Claim, or
13 any remaining balance of such Secured Equipment Claims, in full, at any time on or after the
14 Effective Date, without premium or penalty.

15 **4. Class 4 - General Unsecured Claims**

16 General Unsecured Claims are Unsecured Claims not entitled to priority under Bankruptcy
17 Code section 507(a). Class 4 consists of all Allowed General Unsecured Claims including, to the
18 extent timely Filed pursuant to Bankruptcy Rule 3003(c)(3), any executory contract and lease
19 rejection damage Claims under Bankruptcy Code section 502(g), and any Claims under Bankruptcy
20 Code section 502(h) arising from the recovery of property under Bankruptcy Code sections 522, 550
21 or 553. The Debtor is not aware of any Unsecured Claims under sections 502(g) or 502(h) of the
22 Bankruptcy Code.

23 a. Impairment and Voting. Class 4 is Impaired by the Plan. Each holder of a
24 Claim in Class 4 is entitled to vote to accept or reject the Plan.

25 b. Treatment. Holders of Allowed General Unsecured Claims shall be paid in
26 full in Cash in two (2) equal installments with (1) the first installment due on the later of (a) the
27 Effective Date or (b) such other time as may be agreed to by the holder of such Allowed General
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1 Unsecured Claim and either the Debtor or the Reorganized Debtor, and (2) the second installment
2 due on the later of (a) the 60th day after the Effective Date or (b) such other time as may be agreed to
3 by the holder of such Allowed General Unsecured Claim. If a Disputed General Unsecured Claim
4 later becomes an Allowed General Unsecured Claim, then the first installment shall be due on the
5 first Business Day that is thirty (30) calendar days after the date on which the order allowing such
6 General Unsecured Claim, or portion thereof, becomes a Final Order. Each installment shall include
7 simple interest on the unpaid portion of such General Unsecured Claim, without penalty of any kind,
8 at the rate of 7.5% per annum from and after the Effective Date. Notwithstanding anything to the
9 contrary contained herein, the Reorganized Debtor may pay any Allowed General Unsecured Claim,
10 or any remaining balance of such Allowed General Unsecured Claim, in full, at any time on or after
11 the Effective Date, without premium or penalty.

12 **5. Class 5 – Managing Member Claims**

13 Class 5 consists of all unsecured claims held by the Managing Member of the Debtor for
14 accrued and unpaid Monthly Asset Management Fees. Prior to the Petition Date, pursuant to the
15 Debtor's operating agreement, the Managing Member was entitled to a Monthly Asset Management
16 Fee (as described in Section II.D.2, footnote 1, above) in the approximate average amount of
17 \$27,000 per month for its services in managing and controlling the business, property and affairs of
18 the Debtor. Prior to the Petition Date, the Managing Member agreed to defer payment of a portion
19 of the Monthly Asset Management Fee. As of the Petition Date, the amount of the deferred Monthly
20 Asset Management Fee was approximately \$1,414,000.

21 a. Impairment and Voting. Class 5 is Impaired by the Plan. Each holder of an
22 Allowed Class 5 Claim is entitled to vote to accept or reject the Plan. Class 5 consists of claims of
23 Insiders, and, as such, votes by Class 5 Creditors shall not count towards determining whether an
24 Impaired class has accepted the Plan under Bankruptcy Code section 1129.

25 b. Treatment. Unless otherwise agreed to by the Debtor and Class 5 Creditors,
26 payment of the Class 5 Claims shall be deferred for up to seven (7) years, provided that, to the extent
27 that, in any month after the Effective Date, there is Available Monthly Cash after payments to the
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1 DIP Lender and the Flying Tigers Secured Claim (“Net Cash”), the Reorganized Debtor may pay
2 Class 5 Claims, or any remaining balance of such Claims, in part or in full from Net Cash without
3 premium or penalty. The Managing Member Claims shall accrue simple interest on the unpaid
4 portion at the rate of 5% per annum from and after the Effective Date. To the extent that the
5 Managing Member Claims are not paid in full seven (7) years after the Effective Date, unless
6 otherwise agreed to by the parties, such amounts shall be paid in Cash at that time.

7 **6. Class 6 - Interest Holders**

8 Class 6 consists of all Allowed Interests in the Debtor arising from the Membership Interests
9 held in the Debtor by its Members immediately prior to the Effective Date, and all other rights and
10 interests thereunder.

11 a. Impairment and Voting. Class 6 is unimpaired by the Plan. Each holder of an
12 Interest in Class 6 is conclusively presumed to have accepted the Plan and is not entitled to vote to
13 accept or reject the Plan.

14 b. Treatment. The Plan leaves unaltered the legal, equitable and contractual
15 rights to which the Interests of the Members are entitled. Holders of Membership Interests in the
16 Debtor shall retain their Interests in the Reorganized Debtor.

17 **D. Means of Performing the Plan**

18 **1. Vesting Of The Debtor’s Assets And Funding Of The Plan**

19 On the Effective Date, to the extent that any Assets of the Estate are not sold, transferred, or
20 otherwise distributed under the Plan to holders of Claims, or otherwise, such property of the Estate
21 shall vest in the Reorganized Debtor.

22 All Cash necessary for the Reorganized Debtor to make payments under this Plan shall be
23 obtained from (i) existing Cash balances on the Effective Date including funds borrowed pursuant to
24 the DIP Agreement, (ii) the operations of the Debtor or Reorganized Debtor after the Effective Date,
25 and (iii) a capital contribution in the amount of \$1,000,000 from the Members of the Debtor made on
26 the Effective Date for the purposes set forth in Section III.C.1. On and after the Effective Date, all
27

1 distributions under the Plan shall be made by the Reorganized Debtor. The Reorganized Debtor
2 shall make all distributions from the Assets vested in it upon the Effective Date and thereafter.

3 The following is a summary of the total Cash principal amounts to be paid under the Plan on
4 account of Allowed Claims:

<u>Claims Of</u>	<u>Principal Amounts To Be Paid Pursuant To Plan (Estimated)</u>
Administrative Claims	\$185,228
Priority Tax Claims	\$ 0
US Trustee Fees, 28 U.S.C. § 1930	\$4,875
Clerk's Office Fees	\$ 0
Class 1 - Allstate Secured Claim	\$21,400,000
Class 2 – Flying Tigers Secured Claim	\$350,000
Class 3 – Secured Equipment Claim	\$1,516
Class 4 – General Unsecured Claims	\$87,127
Class 5 – Managing Member Claims	\$1,414,000
Approximate Total of Cash Payments:	\$23,442,746

18 **2. Structure of the Reorganized Debtor**

19 Except as otherwise provided in the Plan, the Debtor will continue to exist as the
20 Reorganized Debtor on and after the Effective Date as a limited liability company, with all of the
21 powers of such an entity under applicable California law and pursuant to the Debtor's operating
22 agreement and other organization documents in effect as of the Effective Date (provided that such
23 organizational documents shall be amended to prohibit the Reorganized Debtor from issuing non-
24 voting equity securities, to the extent necessary to comply with section 1123(a) of the Bankruptcy
25 Code), without prejudice to any right to change or terminate such existence under applicable law
26 after the Effective Date.

1 **3. Post-Effective Date Leasing Efforts**

2 The Debtor has projected income from operations and leasing efforts over the next seven (7)
3 years. See Exhibit 5 attached hereto. Based on the projections, the Debtor anticipates that the
4 Reorganized Debtor will be able to make all payments required under the Plan, while building and
5 maintaining a sufficient cash reserve to operate.

6 Following the Effective Date, the Reorganized Debtor will have the certainty of an extended and
7 restructured loan as well as a \$1 million capital contribution as added financial means to ensure the
8 successful operation of its business. Prior to the Petition Date, the Debtor's competitors were able to
9 use the uncertainty created by Allstate and its unwillingness to extend or refinance the Loan to lure
10 existing and prospective tenants away from the Building. Further, it was a challenge to invest heavily
11 in leasing commissions and tenant improvements for new tenants with an impending loan maturity and
12 an unresponsive lender. In contrast, Confirmation of the Plan, including new and definite loan terms
13 with Allstate, will eliminate that uncertainty, facilitate the investment in the capital expenditures
14 necessary to lease the Building, and allow the Reorganized Debtor to assure tenants of long-term
15 office space.

16 Market indicators show that occupancy rates in similar buildings in the markets surrounding the
17 Building are on the rise. With the infusion of the \$1 million Member capital contribution, the
18 Reorganized Debtor will have additional funds to pay necessary leasing and tenant improvement costs.

19 The Reorganized Debtor will continue its aggressive leasing efforts, including retention of a
20 major, international brokerage company, Colliers International, Inc., to act as the Reorganized
21 Debtor's leasing broker, interaction on a regular basis with the brokerage community, e-mail
22 marketing blasts to the brokerage community, running periodic promotions where prizes are awarded
23 to brokers that successfully deliver tenants and close leases, conducting broker open houses to ensure
24 that brokers are familiar with the Building and current leasing opportunities, community outreach
25 efforts that benefit both existing tenant businesses and draw market attention to the Building, and
26 personal, direct contact with outside brokers to promote the Building.
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1 In its on-going efforts to increase occupancy, the Reorganized Debtor will closely follow the
2 leasing market and regularly meet with Colliers International, Inc. to discuss the market, activity, and
3 competition. Unlike many of its competitors, the Reorganized Debtor will maintain a leasing office in
4 the Building and will be available, full-time, for showings. The Reorganized Debtor will vigorously
5 pursue all prospective tenants and the principals of the Reorganized Debtor will be immediately
6 available to make rapid decisions. Proposals will be responded to within twenty-four (24) hours and,
7 once business terms are agreed upon, leases will be prepared and delivered within twenty-four (24) to
8 forty-eight (48) hours. In addition, the Reorganized Debtor will maintain select “model suites” and
9 furnish certain small suites to provide prospective tenants with immediate move-in opportunities.

10 The Reorganized Debtor will also initiate efforts to attract new tenants both based on geography
11 and by type of tenant. By reaching out to prospective tenants in the surrounding areas of Arcadia,
12 Monrovia, South Pasadena and various other parts of the San Gabriel Valley, the Reorganized Debtor
13 will expand its potential tenant base. Finally, the Reorganized Debtor will reach out to residential
14 leasing brokers who frequently have large net worth clients that own businesses that need office space.

15 The Debtor’s two main principals have a combined 72 years of experience in real estate. They
16 are committed to the success of the Building and, with a stable capital structure provided by the Plan,
17 are confident in the Reorganized Debtor’s ability to increase occupancy rates, operate profitably and to
18 make all required post-Confirmation payments based on the projections of the Debtor set forth in
19 Exhibit 5.

20
21 **E. Risk Factors**

22 **1. Risk of Insufficient Cash On The Effective Date**

23 Because the Plan provides that, on or prior to the Effective Date, the Debtor will reserve and set
24 aside Cash in an amount sufficient to fund all estimated distributions to be made on the Effective Date
25 under the Plan, including the \$1 million capital contribution from the Members for the limited
26 purposes of paying tenant improvements, leasing costs, leasing commissions, property taxes and any
27 interest on the Modified Allstate Loan that is not paid when due, the primary risk under the Plan is the
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1 unlikely possibility that the total amount required to be distributed on the Effective Date to creditors
2 exceeds the funds available to make the distributions.

3 **2. Financial Risks Following the Effective Date**

4 In the unlikely event that the Reorganized Debtor does not achieve projected occupancy levels
5 and leasing rates, or it experiences tenant roll-over rates significantly higher than projected, there is an
6 unlikely risk that the Reorganized Debtor may not be able to make all payments required under the
7 Plan as projected. This risk has been minimized by very conservative projections and assumptions
8 under the Plan, and even the attainment of such conservative assumptions is not required for a feasible
9 reorganization. For example, even if the Reorganized Debtor misses by 50% or more the projected
10 occupancy rates and net absorption rates listed in Exhibit 5 during 2012 and 2013, and occupancy rates
11 never rise above 75%, the Debtor will still have sufficient cash to make all payments to non-insider,
12 non-affiliate Creditors required under the Plan, including all payments to Allstate and General
13 Unsecured Creditors. This is because Flying Tigers and the Managing Member have already agreed to
14 defer and/or reduce repayment of their Claims and/or post-Effective Date Monthly Asset Management
15 Fees in the event the Debtor has insufficient cash to make the payments required under the Plan or as
16 called for by the Debtor's operating agreement. The resulting reduction in monthly expenses will
17 protect the Reorganized Debtor's financial condition and ensure performance under the Plan.
18

19 In addition, in the event the Reorganized Debtor does not meet its projected leasing targets,
20 there will also be a reduction in related leasing and tenant improvement costs. Accordingly, with the
21 infusion of the \$1 million capital contribution as a back-up source for debt service and property taxes,
22 and the agreement to defer payment of insider Claims and post-Effective Date Monthly Asset
23 Management Fees, the risk that the Reorganized Debtor will not be able to make the Plan related
24 payments to non-insiders and non-affiliates is unlikely.

25 **3. Risks If the Plan Is Not Confirmed**

26 If the Bankruptcy Court does not confirm the Plan, there is a risk that an alternative plan could
27 be proposed by another party in interest. The Debtor cannot predict the terms of an alternative plan, or
28 the treatment of Creditors under an alternative plan. Furthermore, if the Plan is not confirmed there is

1 a risk that the Chapter 11 Case could be converted to a chapter 7 bankruptcy case and the Debtor's
2 Assets liquidated to satisfy Creditor Claims. See Section IV.B. for a discussion of the chapter 7
3 liquidation value of the Debtor's Assets and potential recovery to Creditors.

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

5 **1. Procedures For Resolving Disputed Claims**

6 a. Objections to Claims. The Debtor reserves its right to object to all Claims
7 before and after the Confirmation of the Plan. The Debtor reserves its right to object to any Claims
8 on any available grounds, including any claims, counterclaims, defenses, right to setoff, or other
9 basis, in favor of the Debtor as against any Creditor.

10 b. Deadline to Object to Claims. All objections to claims shall be filed no later
11 than ninety (90) days after the later of (1) the last day set by the Bankruptcy Court for filing
12 Claims or Interests and (2) the Effective Date. If an objection has not been Filed to a timely Filed
13 proof of claim by such date, the Claim to which the proof of claim relates shall be treated as an
14 Allowed Claim, if such Claim has not been previously Disallowed.

15 c. Authority to Prosecute Objections. After the Effective Date, the
16 Reorganized Debtor, or any designee or successor thereto by merger, consolidation, or otherwise,
17 through counsel or otherwise, shall be the sole representative of the Debtor's Estate entitled to
18 review and, where necessary or appropriate, object to Administrative Claims, Claims and Interests,
19 which shall thereafter be resolved in accordance with the Bankruptcy Code and the Bankruptcy
20 Rules. The Reorganized Debtor shall have the authority to File, withdraw, or litigate to judgment
21 objections to Claims. The Reorganized Debtor may compromise or settle objections to Claims in
22 accordance with the Bankruptcy Code and the Bankruptcy Rules after notice and an opportunity
23 for a hearing, such notice to be provided to the Office of the United States Trustee and the holder
24 of any Claim to be settled or compromised. For good cause shown, after notice and a hearing,
25 other parties in interest may be authorized by the Bankruptcy Court to object to Administrative
26 Claims, Claims and Interests.
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1 d. Treatment of Disputed Claims. Notwithstanding any other provisions of the
2 Plan, no payments or distributions shall be made on account of any or all of a Disputed Claim until
3 such Claim becomes an Allowed Claim in its entirety. Disputed Claims may be disallowed and/or
4 forever discharged by settlement or order of the Bankruptcy Court in accordance with the
5 Bankruptcy Code and the Bankruptcy Rules.

6 e. Distributions on Account of Disputed Claims After Allowance. The
7 Reorganized Debtor shall make all appropriate distributions on account of any Disputed Claim
8 that has become an Allowed Claim within either (i) the time set for payment of such Allowed
9 Claims under the Plan or (ii) thirty (30) business days after the entry of a Final Order in which the
10 Disputed Claim becomes an Allowed Claim in its entirety, whichever is later.

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

12 a. Assumptions. The Plan provides that, unless otherwise rejected, the Debtor
13 will assume all executory contracts and unexpired leases listed in Exhibit 6 attached hereto
14 (“Assumed Contracts”). Assumption means that the Debtor has elected to continue to perform the
15 obligations under such contracts and unexpired leases, and to cure defaults of the type that must be
16 cured under the Bankruptcy Code, if any. Exhibit 6 lists how the Debtor will cure and compensate
17 the other party to such contract or lease for any such defaults. Unless there is a specific cure amount
18 designated on Exhibit 6, the Debtor has determined that there are no unpaid amounts or defaults that
19 must be paid or cured as a condition to assumption. Any unpaid amounts or defaults that must be
20 paid as a condition to assumption will be paid by the Debtor on the Effective Date.

21 The Confirmation Order shall constitute an Order approving the assumption of the Assumed
22 Contracts. If you are a party to a contract or lease to be assumed and you object to the assumption of
23 your contract or lease or the cure amount set forth in Exhibit 6, if any, you must File and serve your
24 objection within the deadline for objecting to the Confirmation of the Plan set forth in Section I.B.3
25 of this Disclosure Statement. Any objection to the assumption of an executory contract or
26 unexpired lease will be barred if the objection is not timely Filed and served, unless the Bankruptcy
27 Court later orders otherwise.
28

1 b. Rejections. With the exception of those executory contracts and unexpired
2 leases that have been rejected by order of the Bankruptcy Court prior to Confirmation, the Debtor
3 does not intend to reject any executory contracts and unexpired leases under the Plan.

4 THE BAR DATE FOR FILING A PROOF OF CLAIM BASED ON A CLAIM ARISING
5 FROM THE REJECTION OF A LEASE OR CONTRACT IS THIRTY (30) DAYS AFTER THE
6 DATE OF ENTRY OF THE ORDER APPROVING THE REJECTION. Any claim based on the
7 rejection of an executory contract or unexpired lease forever shall be barred if the proof of claim is
8 not timely Filed, unless the Bankruptcy Court orders otherwise. Any Claim for damages arising
9 from the rejection under the Plan of an executory contract or unexpired lease will be treated as a
10 Class 4 Claim, unless otherwise provided in the Plan.

11 **G. Tax Consequences of Plan**

12 **TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230,**
13 **HOLDERS OF CLAIMS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF**
14 **FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR**
15 **WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY THE DEBTOR**
16 **OR HOLDERS OF CLAIMS FOR THE PURPOSE OF AVOIDING PENALTIES THAT**
17 **MAY BE IMPOSED ON HOLDERS OF CLAIMS UNDER THE INTERNAL REVENUE**
18 **CODE; (B) SUCH DISCUSSION IS BEING USED IN CONNECTION WITH THE**
19 **PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE**
20 **DEBTOR OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C)**
21 **HOLDERS OF CLAIMS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR**
22 **CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

23 The following discussion summarizes certain anticipated U.S. federal income tax
24 consequences of the transactions proposed by the Plan that are applicable to the Debtor and holders
25 of Claims who are entitled to vote to accept or reject the Plan. This summary is provided for
26 informational purposes only and is based on the Internal Revenue Code of 1986, as amended (the
27 “Tax Code”), treasury regulations promulgated thereunder, judicial authorities, and current
28

1 administrative rulings and practice, all as in effect as of the date hereof and all of which are subject
2 to change or differing interpretations, possibly with retroactive effect.

3 This summary does not address all aspects of U.S. federal income taxation that may be
4 relevant to the Debtor or to a particular holder of a Claim in light of its particular facts and
5 circumstances or to certain types of holders of Claims subject to special treatment under the Tax
6 Code (for example, non-U.S. taxpayers, financial institutions, broker-dealers, life insurance
7 companies, cooperatives, tax-exempt organizations, persons whose functional currency is not the
8 U.S. dollar, and holders' claims that are, or hold Claims through, a partnership or other pass-through
9 entity). This summary does not discuss any aspects of state, local or non-U.S. taxation or U.S.
10 federal taxation other than income taxation. Furthermore, this summary does not address the U.S.
11 federal income tax consequences applicable to "Non-U.S. Holders" of Claims (as defined below) or
12 to holders that are not entitled to vote to accept or reject the Plan.

13 A substantial amount of time may elapse between the date of the Disclosure Statement and
14 the receipt of a final distribution under the Plan. Events subsequent to the date of the Disclosure
15 Statement, such as additional tax legislation, court decisions, or administrative changes, could affect
16 the U.S. federal income tax consequences of the Plan and the transactions contemplated thereunder.
17 No ruling has been or will be sought from the Internal Revenue Service ("IRS") with respect to any
18 of the tax aspects of the Plan and no opinion of counsel has been or will be obtained by the Debtor
19 with respect thereto. No representations are being made regarding the particular tax consequences of
20 the confirmation or implementation of the Plan to the Debtor or any holder of a Claim. This
21 discussion is not binding upon the IRS or other taxing authorities. No assurance can be given that
22 the IRS or another authority would not assert, or that a court would not sustain, a different position
23 from any discussed herein. Accordingly, each holder of a Claim is strongly urged to consult its own
24 tax advisor regarding the federal, state, local, and non-U.S. tax consequences of the Plan to such
25 holder.

26 **THE DISCUSSION SET FORTH BELOW IS INCLUDED FOR GENERAL**
27 **INFORMATION ONLY. THE DEBTOR, ITS COUNSEL, AND FINANCIAL ADVISOR**
28 **ARE NOT MAKING ANY REPRESENTATIONS REGARDING THE PARTICULAR TAX**

1 **CONSEQUENCES OF CONFIRMATION AND CONSUMMATION OF THE PLAN, WITH**
2 **RESPECT TO THE DEBTOR, HOLDERS OF CLAIMS OR HOLDERS OF EQUITY**
3 **INTERESTS, NOR ARE THEY RENDERING ANY FORM OF LEGAL OPINION OR TAX**
4 **ADVICE ON SUCH TAX CONSEQUENCES. THE TAX LAWS APPLICABLE TO**
5 **CORPORATIONS OR LIMITED LIABILITY COMPANIES IN BANKRUPTCY ARE**
6 **EXTREMELY COMPLEX, AND THE FOLLOWING SUMMARY IS NOT EXHAUSTIVE.**
7 **HOLDERS OF CLAIMS AND HOLDERS OF EQUITY INTERESTS ARE STRONGLY**
8 **URGED TO CONSULT THEIR TAX ADVISORS REGARDING TAX CONSEQUENCES**
9 **OF THE PLAN, INCLUDING FEDERAL, FOREIGN, STATE, AND LOCAL TAX**
10 **CONSEQUENCES.**

11 **1. Certain U.S. Federal Income Tax Consequences to the Debtor**

12 a. Cancellation of Indebtedness

13 Cancellation of indebtedness (“COD”) income is the amount by which indebtedness
14 discharged (reduced by any unamortized original issue discount) exceeds the amount of cash and the
15 fair market value of any consideration given in exchange therefore. Certain statutory or judicial
16 exceptions can apply to exclude or limit the amount of COD realized upon the discharge of
17 indebtedness (such as where the payment of the cancelled debt would have given rise to a tax
18 deduction not previously claimed). Although any COD realized by the Debtor will be excluded from
19 its taxable income for U.S. federal income tax purposes under a special bankruptcy exception
20 contained in the Tax Code, the Tax Code provides that a debtor in a bankruptcy case generally must
21 reduce certain of its tax attributes, such as NOL carryforwards and current year NOLs, capital loss
22 carryforwards, tax credits, and the tax basis in assets, by the amount of the COD income excluded
23 from taxable income. If the amount of COD income exceeds the tax attributes available for
24 reduction, there are no U.S federal income tax consequences associated with such COD income.
25 However, because any reduction in tax attributes in respect of excluded COD income does not occur
26 until after the computation of income tax for the taxable year in which the COD is incurred, the
27 resulting COD will not impair the Debtors’ ability to use their tax attributes (to the extent otherwise
28

1 available) to reduce their tax liability, if any, otherwise resulting from the implementation of the
2 Plan.

3 In connection with the implementation of the Plan, the Debtor does not expect to cancel any
4 debt under the Plan, and all creditors will be paid in full. Therefore, it is expected that the Debtor
5 will not incur COD income for U.S. federal income tax purposes.

6 b. Limitations on NOL Carryforwards and Other Tax Attributes

7 Under section 382 of the Tax Code, if a corporation undergoes an “ownership change,” the
8 amount of its pre-change losses (including certain losses or deductions that are “built-in,” i.e.,
9 economically accrued but unrecognized as of the date of the ownership change) that may be utilized
10 to offset future taxable income generally are subject to an annual limitation. In addition, under
11 certain circumstances, a special exception can apply where the corporation undergoes an ownership
12 change pursuant to a confirmed chapter 11 plan. While the Plan does not contemplate a change in
13 ownership, in the event that the Debtor was considered to undergo an ownership change as of the
14 Effective Date, it is possible that all or a portion of the Debtor’s NOLs, if any, as of such date would
15 be effectively eliminated.

16 **2. Certain U.S. Federal Income Tax Consequences to U.S. Holders of Claims**

17 For purposes of the following discussion, a “U.S. Holder” is a holder of a Claim that is (1) a
18 citizen or individual resident of the U.S., (2) a corporation created or organized in the U.S or under
19 the laws of the U.S. or any political subdivision thereof, (3) an estate the income of which is subject
20 to federal income taxation regardless of its source, or (4) a trust if (i) a court within the U.S. is able
21 to exercise primary supervision over the administration of the trust and one or more U.S. fiduciaries
22 have the authority to control all substantial decisions of the trust, or (ii) the trust was in existence on
23 August 20, 1996 and properly elected to be treated as a U.S. person. A “Non U.S. Holder” is a
24 holder of a Claim (other than an entity treated as a partnership or other flow-through entity and its
25 beneficial owners) that is not a U.S. Holder.

26 The U.S. federal income tax treatment of a partner or other beneficial owner in a partnership
27 or other flow-through entity generally will depend on the status of the partner and the activities of
28 such partnership. Partners and partnerships (including beneficial owners of pass-through entities and

1 such entities themselves) should consult their own tax advisors as to the particular U.S. federal
2 income tax consequences applicable to them.

3 The U.S. federal income tax consequences of the Plan to U.S. Holders and the character,
4 amount and timing of income, gain or loss recognized as a consequence of the Plan and the
5 distributions provided for or by the Plan generally will depend upon, among other things, (i) the
6 manner in which a holder acquired a Claim; (ii) the length of time a Claim has been held; (iii)
7 whether the Claim was acquired at a discount; (iv) whether the holder has taken a bad debt deduction
8 in the current or prior years; (v) whether the holder has previously included accrued but unpaid
9 interest with respect to a Claim; (vi) the holder's method of tax accounting; (vii) whether the holder
10 will realize foreign currency exchange gain or loss with respect to a Claim; (viii) whether a Claim is
11 an installment obligation for federal income tax purposes; and (ix) whether the transaction is treated
12 as a "closed transaction" or an "open transaction." Therefore, holders of Claims are urged to consult
13 their tax advisors for information that may be relevant to their particular situation and circumstances
14 and the particular tax consequences to such holders as a result thereof.

15 a. General. Any gain or loss with respect to the receipt of Cash in respect of a
16 Claim pursuant to the Plan generally will be treated as capital gain or loss or ordinary income or
17 deduction. Capital losses may generally offset only capital gains, although individuals may, to a
18 limited extent, offset ordinary income with capital losses. In addition, holders of Claims may be
19 subject to other special tax rules that affect the character, timing and amount of any income, gain,
20 loss or deduction. Accordingly, holders are urged to consult their own tax advisors regarding the tax
21 consequences of the Plan to them.

22 In general, and except as described below under the caption "Accrued but Unpaid Interest,"
23 each U.S. Holder that is entitled to receive distributions will recognize taxable gain, income, loss or
24 deduction for U.S. federal income tax purposes when Cash distributions are received or deemed
25 received (in accordance with the holder's regular method of tax accounting) in an amount equal to
26 the difference, if any, between (1) the amount of such Cash distributions and (2) the holder's
27 adjusted tax basis in its Claim.

28

1 b. Post-Effective Date Cash Distributions. Because certain holders of Claims
2 may receive Cash distributions subsequent to the Effective Date of the Plan, the imputed interest
3 provisions of the Tax Code may apply to treat a portion of the subsequent distributions as imputed
4 interest. Additionally, because holders of Claims may receive distributions with respect to a Claim
5 in a taxable year or years following the year of the initial distribution, any loss and a portion of any
6 gain realized by the holder may be deferred. All holders of Claims are urged to consult their tax
7 advisors regarding the possible application of (or the ability to elect out of) the “installment method”
8 of reporting with respect to their Claims.

9 c. Accrued but Unpaid Interest. To the extent that any Claim entitled to a
10 distribution under the Plan is treated as a debt instrument for U.S. federal income tax purposes and
11 comprises principal and accrued but unpaid interest thereon, the Debtor and the Reorganized Debtor
12 intend to take the position that, for U.S. federal income tax purposes, the distribution will be
13 allocated first to the principal amount of the Claim and then, to the extent the consideration exceeds
14 the principal amount of the Claim, to the portion of such Claim representing accrued but unpaid
15 interest. No assurances can be given that the IRS would not take a contrary position. If, contrary to
16 the Debtor’s and Reorganized Debtor’s intended position, such a distribution were treated as being
17 allocated first to accrued but unpaid interest, a holder of a Claim would first realize ordinary income
18 with respect to the distribution in an amount equal to the accrued but unpaid interest not already
19 taken into income under the holder’s method of accounting, regardless of whether the holder
20 otherwise realizes a loss as a result of the Plan.

21 d. Market Discount. If a Claim is treated as a debt instrument for U.S. federal
22 income tax purposes and the holder acquired the Claim after its original issuance at a “market
23 discount” (generally defined as the amount, if any, by which the debt obligation’s adjusted issue
24 price exceeds the holder’s tax basis in a debt obligation immediately after its acquisition, subject to a
25 de minimis exception), the holder of the Claim generally will be required to treat any gain
26 recognized pursuant to the Plan as ordinary income to the extent of the market discount accrued
27 during the holder’s period of ownership, unless the holder elected to include the market discount in
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1 income as it accrued. All holders of Claims are urged to consult their tax advisors regarding the
2 possible application of the “market discount” rules with respect their Claims.

3 e. Information Reporting and Backup Withholding. Certain payments, including
4 payments in respect of Claims pursuant to the Plan, are generally subject to information reporting to
5 the IRS. Moreover, such reportable payments may be subject to backup withholding at a rate of
6 28% unless the holder (i) comes within certain exempt categories (which generally include
7 corporations) and, when required, demonstrates this fact or (ii) provides a correct taxpayer
8 identification number and certifies under penalty of perjury that the taxpayer identification number is
9 correct and that the taxpayer is not subject to backup withholding because of a failure to report all
10 dividend and interest income.

11 Backup withholding is not an additional tax. Any amounts withheld under the backup
12 withholding rules will be allowed as a refund or a credit against your United States federal income
13 tax liability provided the required information is furnished to the IRS.

14 f. Importance of Obtaining Professional Tax Assistance. **THE FOREGOING**
15 **DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL**
16 **INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR**
17 **CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION**
18 **IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX**
19 **CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING**
20 **ON A CLAIM HOLDER’S PARTICULAR CIRCUMSTANCES. ACCORDINGLY,**
21 **HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS**
22 **ABOUT THE UNITED STATES FEDERAL, STATE, AND LOCAL, AND APPLICABLE**
23 **FOREIGN INCOME AND OTHER, TAX CONSEQUENCES OF THE PLAN.**
24

25 **IV.**

26 **CONFIRMATION REQUIREMENTS AND PROCEDURES**

27 PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OF THE PLAN
28 SHOULD CONSULT WITH THEIR OWN ATTORNEYS BECAUSE THE LAW ON

1 CONFIRMING A PLAN OF REORGANIZATION IS VERY COMPLEX. The following discussion
2 is intended solely for the purpose of alerting readers about basic Confirmation issues that readers may
3 wish to consider, as well as certain deadlines for filing Claims. The Debtor CANNOT and DOES
4 NOT represent that the discussion contained below is a complete summary of the law on this topic.

5 Many requirements must be met before the Court can confirm a Plan. Some of the requirements
6 include that the Plan must be proposed in good faith, that the Plan pays Creditors at least as much as
7 Creditors would receive in a chapter 7 liquidation, and that the Plan is feasible. These requirements
8 are not the only requirements for Confirmation.

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

10 **1. Who May Object To Confirmation Of The Plan**

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

13 **2. Who May Vote to Accept/Reject the Plan**

14 A Creditor or Interest holder has a right to vote for or against the Plan if that Creditor or Interest
15 holder has a Claim that is both (1) Allowed or Allowed for voting purposes and (2) classified in an
16 "Impaired" Class (See, Section III.C., *infra*).

17 a. What Is An Allowed Claim/Interest. As noted above, a Creditor or Interest
18 holder must first have an Allowed Claim or Allowed Interest to have the right to vote. Generally, any
19 proof of Claim or Interest will be Allowed, unless otherwise provided in the Plan or a party in interest
20 brings a motion objecting to the Claim. When an objection to a Claim or Interest is Filed, the Creditor
21 or Interest holder holding the Claim or Interest cannot vote unless the Court, after notice and hearing,
22 either overrules the objection or temporarily allows the Claim or Interest for voting purposes.

23 THE DEADLINE FOR FILING A PROOF CLAIM IN THIS CASE WAS October 31, 2011.
24 A Creditor or Interest holder may have an Allowed Claim or Allowed Interest even if a proof of Claim
25 or Interest was not Filed timely. A Claim is deemed Allowed if (1) it is Scheduled on Debtor's
26 Schedules and such Claim is not Scheduled as disputed, contingent, or unliquidated, and (2) no party
27 in interest has objected to the Claim. An Interest is deemed Allowed if it is Scheduled and no party in
28

1 interest has objected to the Interest. Consult Exhibit 7 to see how the Debtor has characterized your
2 Claim or Interest in its Schedules.

3 b. What Is An Impaired Claim/Interest. As noted above, an Allowed Claim or
4 Allowed Interest only has the right to vote if it is in a Class that is Impaired under the Plan. A Class is
5 Impaired if the Plan alters the legal, equitable, or contractual rights of the members of that Class. For
6 example, a Class comprised of holders of General Unsecured Claims is Impaired if the Plan fails to
7 pay the members of that Class 100% of what they are owed.

8 In this case, the Debtor believes that Classes 1, 2, 3, 4 and 5 are Impaired and that holders of
9 Allowed Claims in Classes 1, 2, 3, 4 and 5 are entitled to vote to accept or reject the Plan. The holders
10 of Class 6 Interests are presumed to accept the Plan because they are Unimpaired under the Plan and,
11 therefore, are not entitled to vote on the Plan. Parties who dispute the Debtor's characterization of
12 their Claim or Interest as being Impaired or Unimpaired may File an objection to the Plan contending
13 that the Debtor has incorrectly characterized the Class.

14 **3. Who Is Not Entitled To Vote**

15 The following four (4) types of Claims are not entitled to vote: (1) Claims that have been
16 disallowed; (2) Claims in Unimpaired Classes; (3) Priority Claims under Bankruptcy Code sections
17 507(a)(2), (a)(3), and (a)(8); and (4) Claims in Classes that do not receive or retain any value under the
18 Plan. Claims in Unimpaired Classes are not entitled to vote because such Classes are deemed to have
19 accepted, or rejected, the Plan as applicable. Priority Claims pursuant to Bankruptcy Code sections
20 507(a)(2), (a)(3), and (a)(8) are not entitled to vote because such Claims are not placed in Classes, and
21 they are required to receive certain treatment specified by the Bankruptcy Code. EVEN IF YOUR
22 CLAIM IS OF THE TYPE DESCRIBED ABOVE, YOU MAY STILL HAVE A RIGHT TO
23 OBJECT TO THE CONFIRMATION OF THE PLAN.
24

25 **4. Who Can Vote In More Than One (1) Class**

26 A Creditor who's Claim has been allowed in part as a Secured Claim and in part as an
27 Unsecured Claim is entitled to accept or reject a Plan in both capacities by casting one ballot for the
28 secured part of the Claim and another ballot for the Unsecured Claim.

1 **5. Votes Necessary To Confirm The Plan**

2 If Impaired Classes exist, the Court cannot confirm the Plan unless (1) at least one Impaired
3 Class has accepted the Plan without counting the votes of any insiders within that Class, and (2) all
4 Impaired Classes have voted to accept the Plan, unless that Plan is eligible to be confirmed by
5 "crashdown" on non-accepting Classes, as discussed in Section IV.A.6-7, below.

6 **6. Votes Necessary For A Class To Accept The Plan**

7 A Class of Claims is considered to have accepted the Plan when, of the votes actually cast, more
8 than one-half (1/2) in number and at least two-thirds (2/3) in dollar amount of the Claims vote in favor
9 of the Plan. A Class of Interests is considered to have accepted the Plan when, of the votes actually
10 cast, at least two-thirds (2/3) in amount of the Interest-holders of such Class vote to accept the Plan.

11 **7. Treatment Of Non-accepting Classes**

12 As noted above, even if all Impaired Classes do not accept the proposed Plan, the Court
13 nonetheless may confirm the Plan if the non-accepting Classes are treated in the manner required by
14 the Bankruptcy Code. The process by which non-accepting Classes are forced to be bound by the
15 terms of a Plan is commonly referred to as "crashdown." The Bankruptcy Code allows the Plan to be
16 "crashed down" on nonaccepting Classes of Claims or Interests if the Plan meets all consensual
17 requirements except the voting requirements of Bankruptcy Code section 1129(a)(8) and if the Plan
18 does not "discriminate unfairly" and is "fair and equitable" toward each Impaired Class that has not
19 voted to accept the Plan, as referred to in Bankruptcy Code section 1129(b) and applicable case law.

20 **8. Request For Confirmation Despite Nonacceptance by Impaired Class(es)**

21 The Debtor will ask the Court to confirm the Plan by crashdown on Classes 1, 2, 3, 4, and 5 if
22 any of these Classes do not vote to accept the Plan. In addition, if the Court determines that any Class
23 identified by the Debtor as unimpaired is Impaired and that Class does not vote to accept the Plan, the
24 Debtor will ask the Court to confirm the Plan by crashdown on that Class.
25

26 **B. Liquidation Analysis**

27 Another Confirmation requirement is the "Best Interest Test." Under the Best Interest Test, if a
28 Creditor or Interest holder is in an Impaired Class and that Creditor or Interest holder does not vote to

1 accept the Plan, then the Creditor or Interest holder must receive or retain under the Plan property of a
2 value not less than the amount that such holder would receive or retain if the Debtor were liquidated
3 under chapter 7 of the Bankruptcy Code.

4 In a chapter 7 case, the Debtor's Assets usually are sold by a chapter 7 trustee, either as a
5 “going-concern” business or piecemeal liquidation of assets. Secured Creditors are paid first from the
6 sales proceeds of properties on which the secured Creditors have a lien. Administrative Claims are
7 paid thereafter. Next, unsecured Creditors are paid from any remaining sales proceeds, according to
8 their rights to priority. Unsecured Creditors with the same priority share in proportion to the amount
9 of their Allowed Claim in relationship to the amount of total Allowed Unsecured Claims sharing the
10 same priority. Finally, Interest holders receive the balance that remains, if any, after all Creditors are
11 paid.

12 For the Bankruptcy Court to be able to confirm the Plan, the Bankruptcy Court must find that all
13 Creditors and Interest holders who do not accept the Plan will receive at least as much under the Plan
14 as such holders would receive if the Estate were liquidated in a chapter 7 liquidation case. The Debtor
15 maintains that this requirement is met here.

16 Below is a demonstration, in balance sheet format, that all Creditors and Interest holders will
17 receive at least as much under the Plan as such Creditor or Interest holder would receive under a
18 chapter 7 liquidation. This information is provided by the Debtor and with the assistance of its
19 financial advisor, FTI Consulting, Inc.

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Gateway Metro Center - Liquidation Analysis				
	Net Value	Est. Liquidation Proceeds	Est. Liquidation Recovery	
Assets				
Unrestricted Cash	293,000	293,000	100.0%	
Restricted Cash[1]	27,000	27,000	100.0%	
Net Operating Income [2]	186,000	186,000	100.0%	
Furniture and Equipment	2,900	1,450	50.0%	
Other Assets	1,800	900	0.0%	
Real Property	29,664,000	23,122,600	77.9%	
Total Assets Available for Distribution		23,630,950		
Less: Administrative Expenses				
Trustee Fees		(693,705)[3]		
Professional Fees		(250,000)[3]		
Closing Costs		(462,452)[3]		
Proceeds Available for Secured Claims		22,224,793		
	Estimated Claims	Est. Ch. 7 Distribution	Est. Liquidation Recovery	Est. Chapter 11 Recovery
Less: Secured Claim Recoveries				
Allstate - Accrued Interest	880,000	(880,000)	100.0%	100.0%
Allstate - Notes Payable	20,500,000	(20,500,000)	100.0%	100.0%
Allstate - Total Claims	21,380,000	(21,380,000)	100.0%	100.0%
Other Pre-Petition Loans Secured By Real Estate	355,833	(355,833)	100.0%	100.0%
Secured Equipment Claims	1,800	(1,800)	100.0%	100.0%
Less: Priority Claim Recoveries				
Priority Claims	-	-	NA	100.0%
Proceeds Available for Unsecured Claims		842,993		
Less: Unsecured Claim Recoveries				
General Unsecured Claims[4]	1,501,128	(842,993)	56.2%	100%
Remaining Funds		-		
<p>[1] Represents property tax escrow amount currently held by Allstate's servicer</p> <p>[2] Net asset cash flow during liquidation period. Assumes no capital expenditures and includes property taxes due in 12/11</p> <p>[3] Trustee fees are calculated as 3% of total proceeds from the sale of the Building and the Land. Closing costs are estimated to be 2% of the proceeds from the sale of the Building and the Land. Professional fees are estimated fees during the four (4) month projected chapter 7 case and liquidation.</p> <p>[4] Includes approximately \$1.4 in Managing Member Claims. Under the terms of the Plan, payment of the Managing Member Claims will be deferred for up to seven years.</p>				

1 Below is a demonstration, in tabular format, showing that all Creditors and Interest
2 holders will receive at least as much under the Plan as such Creditor or Interest holder would
3 receive under a chapter 7 liquidation.

<u>CLAIMS & CLASSES</u>	<u>PAYOUT UNDER PLAN</u>	<u>PAYOUT IN CHAPTER 7 LIQUIDATION</u>
Administrative Claims	100%	100%
Class 1 – Allstate Secured Claim	100%	100%
Class 2 – Flying Tigers Secured Claim	100%	100%
Class 3 – Secured Equipment Claim	100%	100%
Class 4 – General Unsecured Claims	100%	56.2%
Class 5 – Managing Member Claims	100%	56.2%
Class 6 – Interest Holders	100%	0%

10 **C. Feasibility**

11 Another requirement for confirmation involves the feasibility of the Plan, which means that
12 Confirmation of the Plan is not likely to be followed by the liquidation, or the need for further
13 financial reorganization, of the Debtor or any successor to the Debtor under the Plan, unless such
14 liquidation or reorganization is proposed in the Plan.

15 There are at least two (2) important aspects of a feasibility analysis. The first aspect considers
16 whether the Debtor will have enough Cash on the Effective Date of the Plan to pay all the Claims and
17 expenses that are entitled to be paid on such date. The Debtor maintains that this aspect of feasibility
18 is satisfied as illustrated here:

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Cash Debtor will have on hand by Effective Date:	\$1,531,732
To Pay: Reserve Fund for Tenant Improvement/Leasing Commissions/ Leasing Costs/Interest/Taxes	-\$1,000,000
Interest/Taxes	
To Pay: Estimated Administrative Claims	-185,228 ²
To Pay: Cure Amounts For Assumed Contracts	-22,174
To Pay: 1/2 of General Unsecured Claims (including interest)	-32,477
To Pay: U.S. Trustee Fees	-4,875
Balance after paying these amounts	\$286,978

The sources of cash Debtor will have on hand by the Effective Date, as shown above are:

Cash on hand:	\$346,504
Capital Contribution to fund Reserve for Tenant Improvement/Leasing Commissions/Leasing Costs/Interest/Taxes:	\$1,000,000
Estimated DIP Loan:	\$185,228
Total Cash on hand on Effective Date:	\$1,531,732

The second aspect considers whether there will be sufficient funds to make all the required Plan payments after the Effective Date. The payments due under the Plan following the Effective Date will be made by the Reorganized Debtor from the Assets received from the Debtor's Estate and from the Reorganized Debtor's operations and available Cash in accordance with the terms outlined in Article III above and as further detailed in Exhibit 5 hereto.

For the seven (7) years projected after the Effective Date, the Debtor estimates that it will be required to make approximately \$2.5 million in Plan related payments, including payments under the Modified Allstate Loan Documents, payments to the Office of the United States Trustee, General

² Represents estimated amount of Professional Fees after application of retainers.

1 Unsecured Creditors, the DIP Lender, the Secured Equipment Claim, the Flying Tigers Secured Claim
2 and the Managing Member Claims, including all proposed interest. The Office of the United States
3 Trustee will be paid, in full, on the Effective Date and Allowed General Unsecured Claims will be
4 paid no later than sixty (60) days after the Effective Date. With the exception of the Allstate Secured
5 Claim and Managing Member Claims, the Debtor anticipates that all remaining Claims will be
6 satisfied in full prior to the end of year seven (7) following the Effective Date , unless otherwise
7 agreed to by the parties. In order to supplement cash flow and allow for the repayment of the DIP
8 Lender Claims and the Flying Tigers Secured Claim, to the extent there is insufficient Available
9 Monthly Cash to pay the Managing Member Claims, the Managing Member has agreed to defer
10 repayment of the Managing Member Claims for up to seven (7) years. To the extent the Allstate
11 Secured Claim and Managing Member Claims have not been fully paid by the end of year seven (7)
12 following the Effective Date, such Claims will be satisfied through a refinancing or sale of the
13 Building and/or Land at the end of that seven (7) year period. Moreover, to the extent there is
14 insufficient Available Monthly Cash, after monthly payments to the DIP Lender Secured Claim and
15 the Flying Tigers Secured Claim, the Managing Member has also agreed to defer payment of the post-
16 Effective Date Monthly Asset Management Fees for a period of two years following the Effective
17 Date and reduce the Monthly Asset Management Fees between year six (6) and year seven (7). See
18 Exhibit 5 for more details.

19
20 YOU ARE ADVISED TO CONSULT WITH YOUR ACCOUNTANT OR FINANCIAL
21 ADVISOR IF YOU HAVE ANY QUESTIONS PERTAINING TO THESE FINANCIAL
22 STATEMENTS.

23 **V.**

24 **EFFECT OF CONFIRMATION OF PLAN**

25 **A. Discharge, Satisfaction and Release of Reorganized Debtor**

26 The Plan provides that, except as expressly provided in the Plan, upon the Effective Date ,
27 the Estate shall be discharged of liability for payment of debts incurred before Confirmation of the
28 Plan to the extent specified in Bankruptcy Code section 1141. The Plan does not discharge the

1 Debtor, the Estate, or any other Entity for any liabilities that are expressly imposed under the Plan.

2 Except as expressly set forth in this Plan, no recourse ever shall be had, directly or indirectly,
3 against the Reorganized Debtor, or any of the directors, officers, employees, professionals, agents,
4 equity holders, shareholders, members, principals, affiliates, trustees, beneficiaries, representatives,
5 attorneys, advisors, successors, or assigns of the Reorganized Debtor, whether by legal, equitable, or
6 other proceedings, by virtue of any law, statute, regulation, or otherwise, on account of or arising
7 from any Claim against or indebtedness of the Debtor or the Estate, it being expressly understood
8 and agreed that all liabilities of the Debtor and the Estate shall be enforceable only against and be
9 satisfied only out of the distributions to be made pursuant to the Plan.

10 **B. Releases by the Debtor and Estate**

11 On the Confirmation Date, subject to the occurrence of the Effective Date, the Debtor and the
12 Estate shall be deemed to release unconditionally all Claims, debts, demands, actions, causes of
13 action, suits, accounts, covenants, contracts, agreements, promises, damages and liabilities
14 whatsoever, known or unknown, associated with the Debtor, the Estate, or the Chapter 11 Case and
15 existing on the Effective Date, or which thereafter could arise based on any act, fact, transaction,
16 cause, matter, or thing that occurred prior to the Effective Date (collectively, the “Released
17 Claims”), against the Debtor’s members, officers and employees and against Flying Tigers, the
18 Professionals, and against each and every one of their present and former directors, principals,
19 affiliates, officers, employees, Professionals, agents, equity holders, shareholders, members, trustees,
20 beneficiaries, representatives, attorneys, advisors, successors and assigns.

21 **C. Releases by Holders of Claims**

22 Except as otherwise expressly provided in the Plan, on the Confirmation Date, subject to
23 the occurrence of the Effective Date, for good and valuable consideration, the adequacy of which
24 is hereby confirmed, (i) each holder of a Claim that votes in favor of the Plan (or is deemed to
25 accept the Plan) and (ii) to the fullest extent permissible under applicable law, as such law may be
26 extended or integrated after the Effective Date, each holder of a Claim or Equity Interest that does
27 not vote to accept the Plan or is deemed to reject the Plan, as applicable, shall be deemed
28

1 unconditionally to forever release, waive and discharge all of the Released Claims against the
2 Debtor and against each and every one of its present and former directors, officers, principals,
3 employees, professionals, agents, equity holders, affiliates, members, trustees, beneficiaries,
4 representatives, attorneys, advisors, successors and assigns.

5 **D. Scope of Releases**

6 The releases set forth herein are in addition to, and not in lieu of, any other release separately
7 given, conditionally or unconditionally, by the Debtor, the Estate or the Reorganized Debtor to any
8 other Person or Entity by the Debtor, Debtor in Possession and the Estate.

9 **E. Injunction/Satisfaction and Termination**

10 **1. Claims Injunction**

11 From and after the Effective Date, except as otherwise expressly provided in the Plan or the
12 Confirmation Order, all Entities shall be precluded from asserting against the Estate, the Reorganized
13 Debtor, or their respective successors or property, any Claims, debts, rights, causes of action, liabilities,
14 or Interests based upon any act, omission, transaction, or other activity of any kind or nature satisfied,
15 released, or discharged under the Plan to the fullest extent available under the Bankruptcy Code and
16 applicable law.

17 **2. Satisfaction and Termination**

18 Except as otherwise expressly provided in the Plan or the Confirmation Order, as of the
19 Effective Date, all Entities that have held, currently hold, or may hold a Claim that is to be paid
20 pursuant to the terms of the Plan permanently are enjoined from taking any of the following actions
21 against the Debtor, the Estate, or the Reorganized Debtor (to the extent considered a representative of
22 the Estate), or their successors or property, on account of any such Claims: (a) commencing or
23 continuing, in any manner or in any place, any action or other proceeding; (b) enforcing, attaching,
24 collecting, or recovering in any manner any judgment, award, decree, or order; (c) creating, perfecting,
25 or enforcing any lien or encumbrance; (d) asserting a setoff, right of subrogation, or recoupment of any
26 kind against any debt, liability, or obligation due to the Debtor; and (e) commencing or continuing any
27 action, in any manner or in any place, that does not comply with or is inconsistent with the provisions
28 of the Plan.

1 **F. Modification of Plan**

2 The Debtor may modify the Plan at any time before Confirmation. The Bankruptcy Court,
3 however, may require a new disclosure statement and/or revoting on the Plan if the Debtor modifies
4 the Plan before Confirmation, unless such modification is non-material or relates only to an extension
5 of the Effective Date. The Debtor may also modify the Plan at any time after Confirmation provided
6 (1) the Plan has not been substantially consummated and (2) the Bankruptcy Court authorizes the
7 proposed modifications after notice and a hearing.

8 **G. Vesting of Property in the Reorganized Debtor**

9 On the Effective Date, except as otherwise expressly provided in the Plan, all property, claims,
10 rights, and causes of action of the Debtor and its Estate shall be vested in the Reorganized Debtor free
11 and clear of all liens, claims, encumbrances and other interests. The Reorganized Debtor shall have all
12 of the rights, claims, powers, objections and actions of the Debtor and its Estate under sections 363,
13 365, and sections 501 to 558, inclusive, of the Bankruptcy Code. The Estate shall retain no interest in
14 the property, claims, rights and causes of action vested in the Reorganized Debtor.
15

16 **H. Quarterly Fees**

17 Quarterly fees accruing under 28 U.S.C. § 1930(a)(6) through the date of confirmation shall
18 be paid to the Office of the United States Trustee on or before the Effective Date of the Plan.
19 Quarterly fees accruing under 28 U.S.C. § 1930(a)(6) after confirmation shall be paid to the Office
20 of the United States Trustee in accordance with 28 U.S.C. § 1930(a)(6) until entry of a final decree,
21 or entry of an order of dismissal or conversion to chapter 7.

22 **I. Post-Confirmation Status Report**

23 Within 120 days of the entry of the Confirmation Order, unless the Chapter 11 Case has been
24 closed by Final Order of the Court, the Reorganized Debtor will File a status report with the
25 Bankruptcy Court explaining what progress has been made toward consummation of the confirmed
26 Plan. The status report shall be served on the Office of the United States Trustee and those parties
27 who have requested special notice. Further status reports shall be Filed by the Reorganized Debtor
28

1 every 120 days thereafter, until such time as the Chapter 11 Case is closed by Final Order of the Court,
2 and served on the same entities, unless otherwise ordered by the Bankruptcy Court.

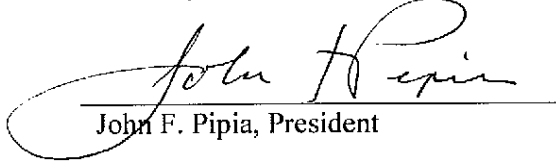
3 **J. Final Decree**

4 Once the Estate has been fully administered, as referred to in Bankruptcy Rule 3022, and the
5 Plan has been substantially consummated, the Reorganized Debtor shall File a motion with the
6 Bankruptcy Court to obtain a final decree to close the Debtor's Chapter 11 Case.

7
8 Dated: October 28, 2011

Plan Proponents

9 Debtor and Debtor in Possession:
10 Gateway Metro Center, LLC

11 
12 John F. Pipia, President

13 Submitted by:

14 PEITZMAN, WEG & KEMPINSKY LLP

15 By: _____

16 Howard J. Weg
17 Lorie A. Ball
18 Counsel for Debtor and Debtor in Possession

DECLARATION OF RONALD F. GREENSPAN

I, Ronald F. Greenspan, hereby declare as follows:

1. I am a Senior Managing Director of FTI Consulting, Inc. ("FTI"), a well-known real estate advisory firm. I am the West Region Leader of FTI's Corporate Finance and Restructuring Group and the Leader of FTI's Real Estate and Structured Finance Restructuring Practice. I hold a J.D. from Harvard Law School and a B.A. in economics from the University of California, Los Angeles. I have over 31 years of experience in consulting and advising clients in corporate turnarounds, financial restructurings, and trusteeships. In particular, I have significant experience advising stakeholders, debtors, creditors and equity interests with respect to the valuation of assets involving commercial real estate.

2. FTI is the financial advisor to the Debtor. Over the course of the past four (4) months, FTI has assisted the Debtor in, among other things, attempts to negotiate with Allstate Life Insurance Company, and attempts to refinance or restructure the Debtor's debt obligations or, failing those alternatives, formulate a plan of reorganization for the Debtor to maximize value for all creditors and the Estate.

3. I have been involved in the Debtor's planning process with respect to its petition for relief under Chapter 11 of title 11 of the Bankruptcy Code including the formulation of the Debtor's proposed plan of reorganization (the "Plan"). I have personal knowledge of the facts set forth herein and, if called and sworn as a witness, I could and would competently testify thereto.

4. I have reviewed the Amended Disclosure Statement Describing Debtor's Chapter 11 Plan, and the information disclosed with respect to any valuation of the Debtor's assets and operations and the projected recoveries under the Plan are true and correct in all material respects to the best of my knowledge, information and belief.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 28 day of October, 2011 at San Francisco, California.


Ronald F. Greenspan

1
2 **DECLARATION OF JOHN F. PIPIA**

3 I, John F. Pipia, hereby declare:

4 1. I am over 18 years of age and I am the President and Authorized Representative of
5 the above-captioned debtor (the "Debtor"). I have personal knowledge of the facts set forth herein
6 and, if called and sworn as a witness, I could and would competently testify thereto. Terms not
7 otherwise defined herein are used as defined in the Debtor's Chapter 11 Plan (the "Plan").

8 2. In my capacity as President, I am responsible for all issues related to, inter alia, the
9 Debtor's business plans and strategies with respect to a workout, restructuring or reorganization of
10 the Debtor's financial obligations, including (i) the investigation and execution of the Debtor's
11 option with respect to a restructuring or refinancing and (ii) any proposed reorganization of the
12 Debtor to satisfy Creditor Claims and provide value to creditors and the Debtor's Estate.

13 3. I have been involved in all aspect of the Debtor's planning process with respect to the
14 petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code")
15 including formulation of the proposed plan of reorganization.

16 4. I have reviewed the Amended Disclosure Statement Describing Debtor's Chapter 11
17 Plan (the "Disclosure Statement"), and the information contained therein is true and correct to the
18 best of my knowledge, information and belief.

19 I declare under penalty of perjury that the foregoing is true and correct.

20 Executed this 28 day of October, 2011 at Pasadena, CA

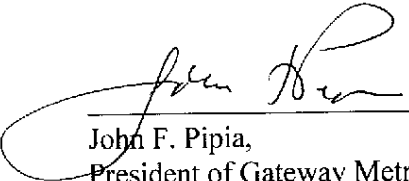
21
22
23 
24 John F. Pipia,
25 President of Gateway Metro Center, LLC
26
27
28

Exhibit 1

EXHIBIT 1

VALUE OF ASSETS

ESTIMATED AS OF SEPTEMBER 6, 2011

Asset	Value
Unrestricted Cash	\$293,000
Restricted Cash	\$27,000 ¹
Furniture and Equipment	\$2,900
Other Assets	\$1,800
Building and related land	\$29,700,000
Land	\$500,000
Total	\$30,524,700

¹ Property Tax Accrual - \$27,135 held in reserve by loan servicer for Allstate.

Exhibit 2

Financial Statements

PACIFIC STARR-PASADENA, LLC

(A California Partnership)

DECEMBER 31, 2008

	<u>December 31, 08</u>
ASSETS	
Current Assets	
Checking/Savings	3,104,292.26
Other Current Assets	
Prepaid Insurance	26,110.23
Prepaid Real Estate Taxes	81,805.20
Tenant Billbacks	7,310.12
Utility Deposits - Gas	3,390.00
Total Other Current Assets	<u>118,615.55</u>
Total Current Assets	3,222,907.81
Fixed Assets	
Building	19,832,754.85
Building Improvements	2,608,717.00
Furniture	39,210.00
Land	6,251,110.60
Accumulated Depreciation	<u>(1,473,286.00)</u>
Total Fixed Assets	27,258,506.45
Other Assets	
Loan Fees	223,205.00
Capitalized Lease Commissions	59,552.30
Accumulated Amortization	<u>(111,811.00)</u>
Total Other Assets	<u>170,946.30</u>
TOTAL ASSETS	<u><u>30,652,360.56</u></u>

December 31, 08**LIABILITIES & EQUITY****Liabilities****Current Liabilities****Other Current Liabilities**

Accrued Expenses 11,261.00

Prepaid Rent 119,609.52

Security Deposits 266,814.02

Total Other Current Liabilities 397,684.54**Total Current Liabilities** 397,684.54**Long Term Liabilities**

All State Life Insurance Co. 20,500,000.00

Total Long Term Liabilities 20,500,000.00**Total Liabilities** 20,897,684.54**Equity**

Capital 10,068,596.23

Net Income (313,920.21)

Total Equity 9,754,676.02**TOTAL LIABILITIES & EQUITY** 30,652,360.56

	<u>Jan - Dec 08</u>
Ordinary Income/Expense	
Income	
Rental Income	\$ 2,832,789.81
Other Rental Income	130,504.66
Operating Expense Recoveries	312,906.31
	<hr/>
Total Income	3,276,200.78
Expense	
Operating Expenses	
Building Administration	225,678.09
Cleaning & Janitorial	145,198.99
Insurance & Licenses	83,126.90
Landscaping	37,049.15
Maintenance and Repairs	210,612.65
Real Estate Taxes	356,930.00
Security	50,827.87
Utilities	392,276.70
	<hr/>
Total Operating Expenses	1,501,700.35
	<hr/>
Net Operating Income	1,774,500.43
Non Operating Expenses	
Administration	30,170.61
Legal Fees	11,329.74
Leasing Commission	22,114.60
Non Recoverable Expenses	99,148.85
Office Expense	992.16
Professional Fees	3,908.48
	<hr/>
Total Non Operating Expenses	167,664.44
	<hr/>
Net Ordinary Income	1,606,835.99
Other Income/Expense	
Other Income	137,060.84
Depreciation & Amortization	(731,467.00)
Interest Expense	(1,326,350.04)
	<hr/>
Total Other Income/Expense	(1,920,756.20)
	<hr/>
Net Income	\$ (313,920.21)

Exhibit 3

Financial Statements

PACIFIC STARR PASADENA LLC
(A California Limited Liability Company)

DECEMBER 31, 2009

Pacific Starr Pasadena LLC

Balance Sheet

As of December 31, 2009

	<u>December 31, 09</u>
ASSETS	
Current Assets	
Checking/Savings	346,249.32
Other Current Assets	
Clearing	(113.21)
Prepaid Insurance	28,003.55
Prepaid Real Estate Taxes	236,577.25
Tenant Billbacks	(537.44)
Total Other Current Assets	<u>263,930.15</u>
Total Current Assets	610,179.47
Fixed Assets	
Building	19,832,754.85
Building Improvements	2,687,276.60
Furniture	39,210.00
Land	6,251,110.60
Accumulated Depreciation	(2,152,679.00)
Total Fixed Assets	<u>26,657,673.05</u>
Other Assets	
Loan Fees	223,205.00
Capitalized Lease Commissions	133,787.12
Accumulated Amortization	(176,204.00)
Total Other Assets	<u>180,788.12</u>
TOTAL ASSETS	<u><u>27,448,640.64</u></u>

	<u>December 31, 09</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Accrued Expenses	161,912.85
Prepaid Rent	122,210.59
Security Deposits	267,101.92
Total Other Current Liabilities	<u>551,225.36</u>
Total Current Liabilities	551,225.36
Long Term Liabilities	
All State Life Insurance Co.	20,500,000.00
Total Long Term Liabilities	<u>20,500,000.00</u>
Total Liabilities	21,051,225.36
Equity	
Capital	6,927,679.64
Net Income	(530,264.36)
Total Equity	<u>6,397,415.28</u>
TOTAL LIABILITIES & EQUITY	<u><u>27,448,640.64</u></u>

	<u>Jan - Dec 09</u>
Ordinary Income/Expense	
Income	
Rental Income	\$ 2,625,623.58
Other Rental Income	169,745.33
Operating Expense Recoveries	<u>219,380.59</u>
Total Income	3,014,749.50
Expense	
Operating Expenses	
Building Administration	211,261.22
Cleaning & Janitorial	133,534.77
Insurance & Licenses	100,319.65
Landscaping	20,014.02
Maintenance and Repairs	214,073.18
Real Estate Taxes	328,207.51
Security	47,188.33
Utilities	<u>372,155.87</u>
Total Operating Expenses	<u>1,426,754.55</u>
Net Operating Income	1,587,994.95
Non Operating Expenses	
Administration	30,749.17
Legal Fees	16,461.59
Leasing Commission	8,330.15
Non Recoverable Expenses	18,819.05
Professional Fees	<u>5,198.43</u>
Total Non Operating Expenses	<u>79,558.39</u>
Net Ordinary Income	1,508,436.56
Other Income/Expense	
Other Income	31,435.12
Depreciation & Amortization	(743,786.00)
Interest Expense	<u>(1,326,350.04)</u>
Total Other Income/Expense	<u>(2,038,700.92)</u>
Net Income	<u>\$ (530,264.36)</u>

Exhibit 4

Financial Statements

GATEWAY METRO CENTER, LLC.

(A California Limited Liability Company)

DECEMBER 31, 2010

Balance Sheet

As of December 31, 2010

	<u>December 31, 2010</u>
ASSETS	
Current Assets	
Checking/Savings	\$ 183,502.26
Other Current Assets	
Prepaid Insurance	23,831.23
Prepaid Real Estate Taxes	87,067.20
Tenant Billbacks	797.27
Total Other Current Assets	<u>111,695.70</u>
Total Current Assets	295,197.96
Fixed Assets	
Building	19,832,754.85
Building Improvements	2,764,289.61
Furniture	39,210.00
Land	6,251,110.60
Accumulated Depreciation	<u>(2,833,700.00)</u>
Total Fixed Assets	26,053,665.06
Other Assets	
Loan Fees	223,205.00
Capitalized Lease Commissions	169,611.26
Accumulated Amortization	<u>(250,973.00)</u>
Total Other Assets	<u>141,843.26</u>
TOTAL ASSETS	<u><u>\$ 26,490,706.28</u></u>

Gateway Metro Center, LLC

Balance Sheet

As of December 31, 2010

	<u>December 31, 2010</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Accrued Expenses	\$ 16,150.77
Prepaid Rent	7,812.02
Security Deposits	245,225.72
Total Other Current Liabilities	<u>269,188.51</u>
Total Current Liabilities	269,188.51
Long Term Liabilities	
All State Life Insurance Co.	20,500,000.00
Total Long Term Liabilities	<u>20,500,000.00</u>
Total Liabilities	20,769,188.51
Equity	
Capital	6,607,415.28
Net Income	(885,897.51)
Total Equity	<u>5,721,517.77</u>
TOTAL LIABILITIES & EQUITY	<u>\$ 26,490,706.28</u>

Profit & Loss

January through December 2010

	<u>Jan - Dec 10</u>
Ordinary Income/Expense	
Income	
Rental Income	\$ 2,430,984.19
Other Rental Income	197,311.29
Operating Expense Recoveries	<u>95,351.27</u>
Total Income	2,723,646.75
Expense	
Operating Expenses	
Building Administration	204,031.14
Cleaning & Janitorial	111,085.08
Insurance & Licenses	91,031.12
Landscaping	11,985.76
Maintenance & Repairs	192,182.74
Real Estate Taxes	320,852.91
Security	47,815.48
Utilities	<u>345,005.32</u>
Total Operating Expenses	<u>1,323,989.55</u>
Net Operating Income	1,399,657.20
Non Operating Expenses	
Administration	136,071.72
Legal Fees	50,550.34
Leasing Commission	11,210.91
Non Recoverable Expenses	6,821.36
Office Expense	84.54
Professional Fees	<u>356.40</u>
Total Non Operating Expenses	<u>205,095.27</u>
Net Ordinary Income	1,194,561.93
Other Income/Expense	
Other Income	1,680.60
Depreciation & Amortization	(755,790.00)
Interest Expense	<u>(1,326,350.04)</u>
Total Other Income/Expense	<u>(2,080,459.44)</u>
Net Income	<u>\$ (885,897.51)</u>

Exhibit 5

Gateway Metro Center, Pasadena CA						
Summary of Cash Flows						
	Year Ending					
	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17
	66.6%	89.1%	94.6%	97.5%	97.8%	90.8%
Average Occupancy	26,423	23,075	8,102	(2,170)	4,717	(7,715)
Net Absorption						3,987
Assumed Cash Balance Upon Confirmation	346,500					
<u>Sources/Uses of Cash on the Effective Date</u>						
Administrative Claims Reserve	(185,228)					
DIP Loan for Administrative Claims	185,228					
First 50% Payment to General Unsecured Creditors	(32,477)					
Cost Associated with the Assumption of Contracts	(22,174)					
U. S. Trustee Fees	(4,875)					
Leasing and Debt Service Reserve	(1,000,000)					
Member Contribution	1,000,000					
Beginning Cash Balance	\$286,974	\$450,491	\$704,756	\$788,267	\$1,154,149	\$1,520,228
<u>Operating Revenue</u>						
Rental Income	2,371,113	2,969,415	3,234,936	3,367,385	3,389,793	3,218,798
Parking Income	193,446	256,719	275,379	286,742	291,238	281,260
Other Income	36,690	78,872	107,192	142,344	174,005	167,522
Total Operating Revenue	2,601,249	3,305,006	3,617,507	3,796,471	3,855,036	3,667,580
<u>Operating Expenses</u>						
Utilities	406,147	454,885	468,530	482,587	497,065	511,977
Property Taxes	332,145	338,787	345,564	352,475	359,523	366,715
Administrative	164,079	169,002	174,070	179,294	184,672	190,213
Other Expenses	466,243	503,881	522,026	537,702	551,397	560,670
Total Operating Expenses	1,368,614	1,466,555	1,510,190	1,552,058	1,592,657	1,629,575
NOI	1,232,635	1,838,451	2,107,317	2,244,413	2,262,379	2,038,005
Leasing Costs	591,573	955,339	266,919	107,156	110,408	361,153
Capital Expenditures	31,251	32,189	33,155	34,149	35,173	36,229
Net Cash Flow Before Debt Service	609,811	850,923	1,807,243	2,103,108	2,116,798	1,640,623
Annual Debt Service	912,900	912,900	1,268,024	1,268,024	1,268,024	1,268,024
Debt Service Coverage	1.35	2.01	1.66	1.77	1.78	1.61
Net Asset Cash Flow Before Other Plan Contributions and Distributions	(303,089)	(61,977)	539,219	835,084	848,774	372,599
Release of Reserve Funds for Leasing Costs	591,573	408,427	-	-	-	-
<u>Distributions Per Plan</u>						
Payments To Other Secured Claims	798	798	-	-	-	-
Second 50% Payment To General Unsecured Creditors	32,782	-	-	-	-	-
Repayment of DIP Loan	31,286	31,286	31,286	31,286	31,286	31,286
Repayment of Flying Tigers Secured Loan	60,101	60,101	60,101	60,101	60,101	60,101
Payment of Pre-Petition Asset Management Fees	-	-	-	-	-	-
Payment of Post-Effective Date Asset Management Fees	-	-	364,321	377,815	391,308	281,212
Net Cash Flow	163,517	254,265	83,511	365,882	366,079	-
Ending Cash Balance	\$450,491	\$704,756	\$788,267	\$1,154,149	\$1,520,228	\$1,520,228

Exhibit 6

EXHIBIT 6

Executory Contracts and Unexpired Leases to be Assumed

NAME OF OTHER PARTIES TO LEASE OR CONTRACT	DESCRIPTION OF CONTRACT	CURE AMOUNT
1031 Private Exchange Group, Inc.	Lease dated 6/25/07	\$0.00
1031 Private Exchange Group, Inc. (Josephine Burgueno)	Month to Month Parking Agreement dated 8/1/11	\$0.00
Access to Travel	Lease dated 2/8/11	\$0.00
ADT Security Services, Inc.	Commercial Sales Proposal/Agreement dated 4/29/03	\$0.00
AirBand California, LLC AirBand Communications	Rooftop Access and License Agreement dated 7/1/08	\$0.00
Amtech Elevator Services	Master Maintenance Agreement dated 10/12/10	\$225.00
Athens Services	Non-Hazardous Waste Removal Recycling and Disposal Agreement dated 5/28/08	\$0.00
Bankers Life and Casualty Company	Lease dated 7/22/09	\$0.00
BRJ & Associates, LLC	Lease dated 4/23/08	\$0.00
Canon Business Solutions	Maintenance Agreement dated 1/10/11	\$0.00
Cbeyond Communications, LLC	Service Order Contract dated 12/30/10	\$75.05
Claudia Llanos, CPA	Lease dated 2/8/11	\$0.00
Colliers International Inc.	Exclusive Lease Listing Agreement dated 8/15/09	\$0.00
Commercial Assessment Consultants, Inc.	Letter agreement re Proposal for Services dated 2/12/09	\$0.00

EXHIBIT 6

Executory Contracts and Unexpired Leases to be Assumed

NAME OF OTHER PARTIES TO LEASE OR CONTRACT	DESCRIPTION OF CONTRACT	CURE AMOUNT
Communications Relay, LLC	Lease dated 12/22/09	\$0.00
Customized Therapeutics, LLC	Lease dated 6/15/10	\$0.00
Dewey Pest Control	Proposal dated 10/17/08 Service Agreement dated 10/4/02	\$0.00
Dr. Robert S. Rose D.D.S.	Lease dated 10/8/09	\$0.00
Eagles Financial Consultants	Lease dated 5/31/07	\$0.00
Environment Control	Janitorial service proposal dated 2/24/09	\$8,296.43
Eureka Aerospace, Inc.	Lease dated 4/26/07	\$0.00
Eureka Aerospace, Inc. (Natalya Costanolova)	Month to Month Parking Agreement dated 7/9/10	\$0.00
Forensis Group, Inc.	Lease dated 3/27/07	\$0.00
Forensis Group, Inc. (Paolo de la Victoria)	Month to Month Parking Agreement dated 4/15/10	\$0.00
Forensis Group, Inc. (Cathy Platon)	Month to Month Parking Agreement dated 7/12/10	\$0.00
Forensis Group, Inc. (Cameron Schults)	Month to Month Parking Agreement dated 9/16/10	\$0.00
Forensis Group, Inc. (Todd Blakeman)	Month to Month Parking Agreement dated 10/11/10	\$0.00
Forensis Group, Inc. (Rey Tolentino)	Month to Month Parking Agreement date N/A	\$0.00

EXHIBIT 6

Executory Contracts and Unexpired Leases to be Assumed

NAME OF OTHER PARTIES TO LEASE OR CONTRACT	DESCRIPTION OF CONTRACT	CURE AMOUNT
Forensis Group, Inc. (Mercy Steenwyk)	Month to Month Parking Agreement date N/A	\$0.00
Frederick Miller and Donald L. Wood	Lease dated 8/22/07	\$0.00
Fubon Securites USA, LLC	Lease dated 4/1/09	\$0.00
Fubon Securites USA, LLC (Pan Chen)	Month to Month Parking Agreement dated 1/15/10	\$0.00
Fubon Securites USA, LLC (Annie Chang)	Month to Month Parking Agreement dated 8/16/10	\$0.00
Fubon Securites USA, LLC (Shan Shan Wang)	Month to Month Parking Agreement dated 2/15/11	\$0.00
Gary Margolis Accountancy Corporation	Lease dated 12/3/10	\$0.00
Gary Margolis Accountancy Corporation (Christine Wang)	Month to Month Parking Agreement dated 12/9/08	\$0.00
Gary Margolis Accountancy Corporation (Zhulet Tsarukyan)	Month to Month Parking Agreement dated 12/9/08	\$0.00
Gary Margolis Accountancy Corporation (Aracela Ortiz)	Month to Month Parking Agreement dated 2/2009	\$0.00
Gary Och, Esquire	Lease dated 2/8/11	\$0.00
Globalink Securities Inc.	Lease dated 7/15/11	\$0.00
Grace & Blomberg, Inc.	Lease dated 9/25/09	\$0.00
IDG Asia, Inc.	Lease dated 6/2/11	\$0.00

EXHIBIT 6

Executory Contracts and Unexpired Leases to be Assumed

NAME OF OTHER PARTIES TO LEASE OR CONTRACT	DESCRIPTION OF CONTRACT	CURE AMOUNT
J.A. International, Inc. (Valleyfresh North America LLC)	Lease dated 12/14/07	\$0.00
Jonette Phillips dba State Farm Insurance Agency	Lease dated 2/5/09	\$0.00
Los Angeles SMSA Limited Partnership dba Verizon Wireless	Ground Lease Agreement dated 4/1/94	\$0.00
Madison Realty Equities, LLC	Lease dated 5/3/11 Lease dated 5/17/11	\$0.00
Madison Realty Equities, LLC (Forbes Bordette)	Month to Month Parking Agreement dated 7/1/11	\$0.00
Mark S. Seiler & Frederick Benson	Lease dated 12/1/09	\$0.00
MJ Consultant Group, Inc.	Lease dated 10/1/10	\$0.00
Modern Parking	Service Agreement dated 7/1/07	\$3,316.48
Panda Restaurant Group, Inc. (Panda Inn)	Letter Agreement dated 1/28/04	\$0.00
Polenzani Benefits and Insurance Services, LLC	Lease dated 9/28/09	\$0.00
Preferred Response Security Services, Inc. (AKA SP Plus Security Services)	Security Services Agreement dated 2/12/08	\$7,868.72
Russell Realty Group, Inc./Real Estate Alliance	Lease dated 7/27/10	\$0.00
Setpoint Systems Corporation	Standard Service Agreement dated 6/9/11	\$2,392.00
Silver Dream Productions, Inc.	Lease dated 6/2/11	\$0.00

EXHIBIT 6

Executory Contracts and Unexpired Leases to be Assumed

NAME OF OTHER PARTIES TO LEASE OR CONTRACT	DESCRIPTION OF CONTRACT	CURE AMOUNT
Skeehan & Company	Fixed Price Agreement dated 3/4/02	\$0.00
Skyriver Communications, Inc.	License dated 6/7/06	\$0.00
Starlite, Inc.	Lease dated 6/2/11	\$0.00
Starlite, Inc. (Jung R. Lin)	Month to Month Parking Agreement dated 7/20/11	\$0.00
Statewide Direct Insurance Services, Inc.	Lease dated 10/23/09	\$0.00
Statewide Direct Insurance Services, Inc. (Daniel Pina)	Month to Month Parking Agreement dated 12/1/10	\$0.00
Statewide Direct Insurance Services, Inc. (Gilbert Esparaz)	Month to Month Parking Agreement dated 6/1/11	\$0.00
Stay Green Inc.	Landscape Maintenance Specification and Agreement dated 6/1/09	\$0.00
Stover & Stover	Lease dated 6/11/09	\$0.00
Sun Star International Group, Inc.	Lease dated 3/25/11 Amended and Restated Lease dated 10/19/11	\$0.00
TBEA USA Corporation	Lease dated 3/10/08	\$0.00
The Princeton Review, Inc.	Lease dated 4/15/10	\$0.00
The Ruth Group	Management Agreement dated 5/30/08	\$0.00
Tom Wu and Bichhanh T. Wu	Lease dated 10/29/10	\$0.00

EXHIBIT 6

Executory Contracts and Unexpired Leases to be Assumed

NAME OF OTHER PARTIES TO LEASE OR CONTRACT	DESCRIPTION OF CONTRACT	CURE AMOUNT
United States Government	Lease dated 1/26/11	\$0.00
VNA of Greater Los Angeles, Inc.	Lease dated 2/5/09	\$0.00
Weatherite Corporation	Service Agreement dated 10/16/09	\$0.00
Yee & Belilove, LLP	Lease dated 3/5/09	\$0.00
Yee & Belilove, LLP (Noa Rodriguez)	Month to Month Parking Agreement dated 7/1/10	\$0.00
Younghee Kim (Urban Café)	License Agreement dated 8/19/10	\$0.00

Total Cure Amounts = \$22,173.68

Exhibit 7

EXHIBIT 7

LIST OF SCHEDULED CLAIMS

Class #1 – Allstate Secured Claim:

Creditor Name	Disputed, Contingent, Unliquidated	Amount of Claim
Allstate Life Insurance Company Allstate Plaza South Suite G5C 3075 Sanders Road Northbrook, IL 60062	Unliquidated	\$20,500,000.00

Class #2 – Flying Tigers Secured Claim:

Creditor Name	Disputed, Contingent, Unliquidated	Amount of Claim
Flying Tigers, LLC 3452 East Foothill Boulevard Suite 1170A Pasadena, CA 91107		\$350,000.00

Class #3 – Secured Equipment Claim:

Creditor Name	Disputed, Contingent, Unliquidated	Amount of Claim
M-Theory Financial Group 1820 Industrial Street Suite 270 Los Angeles, CA 90021		\$1,800.00

Class #4 – General Unsecured Claims:

Creditor Name	Disputed, Contingent, Unliquidated	Amount of Claim
Amtech Elevator Dept. LA 21592 Pasadena, CA 91185	Unliquidated	\$225.00
Aqua Tech Management 820 Thompson Ave. #17 Glendale, CA 91201		\$435.00
AT&T Payment Center Sacramento, CA 95887	Unliquidated	\$45.00
CBeyond 320 Interstate North Parkway, SE Atlanta, GA 30339		\$75.05

City of Pasadena (Water) P.O.Box 7120 Pasadena, CA 91109	Unliquidated	\$923.40
City of Pasadena (Power) P.O.Box 7120 Pasadena, CA 91109	Unliquidated	\$46,360.35
Commercial Assessment Consultants, Inc. 23744 Oakfield Road, Suite 204 Hidden Hills, CA 91302	Contingent, Unliquidated	Unknown
Creative Energy Design 241 E Colorado Blvd Ste 203 Pasadena, CA 91101		\$31.54
Downtown Locksmiths 2467 E. 57 th Street Los Angeles, CA 90058		\$65.00
EJR Door Division 8116 Byron Road, Unit A Whittier, CA 90606		\$1,030.46
Environmental Control Puente Hills Inc. – 411 570 W. Lambert Road, #A Brea, CA 92821		\$8,296.43
Fanta-Z Holdings, LLC 3488 Barhite Street Pasadena, CA 91107	Disputed, Contingent, Unliquidated	\$1,379.39
Help-U-Sell Vantage Realty 18217 Gale Ave., Suite A City of Industry, CA 91748	Contingent	\$6,516.21
Modern Parking 1200 Wilshire Blvd., Suite 300 Los Angeles, CA 90017	Unliquidated	\$3,316.48
Sedgwick Claims Management 110 Ridgeway Loop Road, Suite #200 Memphis, TN 38120	Disputed, Contingent, Unliquidated	\$7,441.66
Setpoint Systems 1360 Reynolds Ave., Suite 105 Irvine, CA 92614		\$2,392.00
Site Stuff, Inc. P.O. Box 671033 Dallas, TX 75267		\$198.82
Preferred Response Security Services, Inc. (AKA SP Plus Security Services) 1055 W. 7th Street, #1500 Los Angeles, CA 90017		\$7,868.72

The Gas Company P.O. Box C Monterey Park, CA 91756	Unliquidated	\$211.00
Toddco Sweeping Co., Inc. 1705 Hayes Avenue Long Beach, CA 90813		\$48.75
United Imaging 21201 Oxnard Street Woodland Hills, CA 91367		\$267.50

Class #5 – Managing Member Claims:

Creditor Name	Disputed, Contingent, Unliquidated	Amount of Claim
Pacific Starr Group II, LLC c/o Pacific Starr Group, LLC 3452 E. Foothill Blvd. Ste. 1170A Pasadena, CA 91107		\$1,414,191.45

Class #6 - Interest Holders:

Creditor Name
Pacific Starr Group II, LLC c/o Pacific Starr Group, LLC 3452 E. Foothill Blvd. Suite 1170A Pasadena, CA 91107
HSP-PC One Corp c/o Pacific Starr Group, LLC 3452 E. Foothill Blvd. Suite 1170A Pasadena, CA 91107
Foothill Hastings, LLC c/o Pacific Starr Group, LLC 3452 E. Foothill Blvd. Suite 1170A Pasadena, CA 91107