**37. Placentia 422, LP (Emerald Isle)**

***Debtors' Ownership Interest.*** Placentia 422, LP, a California limited partnership ("Placentia 422"), was formed in 2003. Gianulias owns 69% of the interests of Placentia 422 via Emerald Isle (Placentia), LP (which owns 99.5% of Placentia 422, and is owned 69.3467% by Gianulias), Cameo owns an additional 0.5% of the interests of the partnership via Placentia 422, LLC (which owns 0.5% of Placentia 422, LP and is owned 100% by Cameo) plus an additional 0.5% of the partnership interests via Emerald Isle (Placentia), LLP (which owns 0.5025% of Emerald Isle (Placentia), LP, and is owned 100% by Cameo) for a total 1% interest held by Cameo, and the remaining 30% is owned by three parties that are not affiliates of the Debtors.

***Project.*** The subject property consists of 422 apartment units located in Placentia, Orange County, California. The property is comprised of seven apartment buildings and one recreation building, with rentable square footage of approximately 332,326 square feet.

As of September 2009, the 422 residential apartments were 98.34% occupied. There is approximately $59,372,185 of debt encumbering the project. Based on September 2009 reports, estimated annual cash flow, net of debt service of approximately $4,102,385, is approximately $273,215.

**38. Coast Business Center**

***Debtors' Ownership Interest.*** Coast Business Center, LP, a California limited partnership ("Coast Business"), was formed in 1984. Gianulias owns 20.733% of the interests of Coast Business and the remaining 79.267% is owned by thirty parties that are not affiliates of the Debtors.

***Project.*** The subject commercial building covers an area of .79 acres and is improved with a two-story development over two levels of subterranean parking. The building is comprised of 35,378 square feet and is located on Pacific Coast Highway in Newport Beach, Orange County, California.

As of September 2009, the 15 commercial office spaces were 100% occupied. There is approximately $6,500,000 of debt encumbering the project. Based on September 2009 reports,

estimated annual cash flow, net of debt service of approximately $374,391, is approximately $549,069.

**39. GVSC, LP (Grass Valley Shopping Center)**

***Debtors' Ownership Interest.*** GVSC, LP, a California limited partnership ("GVSC"), was formed in 2005. Cameo directly owns 98.99% of the interests of GVSC and an additional 1% via Grass Valley Shopping Center LLC (which is owned 100% by Cameo), and the Gianulias Trust owns an additional 0.01% of the interests of the partnership.

***Project.*** The subject commercial building covers an area of 13.88 acres and is improved with five two-story buildings and 880 parking spaces. The buildings are comprised of 151,270 rentable square feet and are located in Grass Valley, Nevada County, California.

As of September 2009, the 22 commercial office spaces were 86.36% occupied. There is approximately $14,000,000 of debt encumbering the project. Based on September 2009 reports, estimated annual cash flow, net of debt service of $740,558, is approximately $551,029.

**40. Dana Centre**

***Debtors' Ownership Interest.*** The Dana Centre project is owned under two separate but equally controlled entities: Dana Center, a California general partnership formed in 1990, and Dana Centre, LP, a California limited partnership formed in 2007. The limited partnership was formed solely for purposes of holding mezzanine debt that was placed on the project in 2007. The Gianulias Trust owns 50% of the interests of the general partnership, and 49.5% of the limited partnership, with an additional 1% of the limited partnership held by Dana Centre, LLC (which is owned 50% by Cameo Homes), effectively giving the Debtors 50% control of the project. The remaining 50% is owned by one party that is not an affiliate of the Debtors.

***Project.*** The subject commercial/retail site consists of two ground leased sites and one build-to-suit site. For the ground leased sites, the leasehold improvements are owned by the ground lessee, and, therefore, are not a part of the subject property. The buildings are located in Redding, Shasta County, California.

As of September 2009, the commercial/retail sites were 100% occupied. There is approximately $2,711,599 of debt encumbering the project. Based on September 2009 reports,

estimated annual cash flow, net of debt service of approximately $200,289, is approximately $113,864.

**41. Greenhaven Plaza**

***Debtors' Ownership Interest.*** Greenhaven Plaza, a California general partnership ("Greenhaven Plaza"), was formed in 1979. Gianulias owns 25% of the interests of Greenhaven Plaza and the remaining 75% is owned by five parties that are not affiliates of the Debtors.

***Project.*** The subject commercial building covers an area of 2.81 acres and is improved with two two-story buildings. The buildings are comprised of 32,944 rentable square feet and are located in Sacramento, Sacramento County, California.

As of September 2009, the 29 commercial office spaces were 84.85% occupied. There is approximately $2,200,000 of debt encumbering the project. Based on September 2009 reports, estimated annual cash flow, net of debt service of approximately $135,239, is approximately $61,221.

**42. Lucas-Gianulias**

***Debtors' Ownership Interest.*** Lucas-Gianulias, a California general partnership ("Lucas-Gianulias"), was formed in 1978. The Gianulias Trust owns 50% of the interests in Lucas-Gianulias and the remaining 50% is owned by two parties that are not affiliates of the Debtors.

***Project.*** The subject office condominium buildings constitute four office suites of a contiguous two-story six-unit office condominium property. The 1101 suite is 2610 rentable square feet; the 1105 suite is 4513 rentable square feet; the 1107 suite is 2610 rentable square feet and the 1111 suite is 4312 rentable square feet. All are located in Newport Beach, California.

As of September 2009, all office suites were 100% occupied. There is approximately $1,081,435 of debt on the four office suites ($620,000 on 1101 & 1107, and $461,435 on 1105 & 1111). Based on September 2009 reports, and 2009 forecasts estimated annual cash flow, net of debt service of approximately $112,451 is approximately $256,218 for the four offices suites combined.

### 43. Crown Building

***Debtors' Ownership Interest.*** Crown Building, LLC, a California limited liability company ("Crown"), was formed in 2006. Cameo owns 20% of the interests of Crown and the remaining 80% is owned by four parties that are not affiliates of the Debtors.

***Project.*** The subject commercial/office building covers an area of 1.40 acres and is improved with one two-story building. The building is comprised of 23,259 square feet and is located in Newport Beach, Orange County, California.

As of September 2009, the 16 commercial office spaces were 87.50% occupied. There is approximately $1,200,000 of debt encumbering the project. Based on September 2009 reports, estimated annual cash flow, net of debt service of approximately $73,155, is approximately $195,595.

## PORTFOLIO ENTITIES THAT THE DEBTORS INTEND TO HOLD FOR INVESTMENT

The following group of Companies consists of Entities that the Debtors intend to continue to own and hold for investment purposes following Confirmation. These Entities are Portfolio Entities, and revenue generated from the projects owned by these Companies and received by or on behalf of the Reorganized Debtors will be contributed to Gross Available Cash Flow, from which the Reorganized Debtors will make payments to the Creditors' Trust on the Cash Flow Note.

### 44. East Coast Properties—Woodwind Gardens

***Debtors' Ownership Interest.*** East Coast Properties—Woodwind Gardens, a New York general partnership ("ECP Woodwind"), was formed in 1979. Gianulias owns 25% of the interests of ECP Woodwind and the remaining 75% is owned by five parties that are not affiliates of the Debtors.

***Project.*** The subject property consists of 252 apartment units with a building square footage of approximately 246,494 square feet. There are forty-two two-story apartment buildings, a one-story rental office/maintenance building, and a maintenance garage. The site area is 12.31 acres and is located in North Syracuse, Onondaga County, New York.

As of September 2009, the 252 residential apartments were 98.97% occupied. There is approximately $5,715,012 of debt encumbering the project. Based on September 2009 reports, estimated annual cash flow, net of debt service (principal and interest) of approximately $417,951, is $357,728.

**45. East Coast Properties—Country Estates**

***Debtors' Ownership Interest.*** East Coast Properties—Country Estates, a New York general partnership ("ECP Country Estates"), was formed in 1979. Gianulias owns 25% of the interests of ECP Country Estates and the remaining 75% is owned by five parties that are not affiliates of the Debtors.

***Project.*** The subject property consists of 70 apartment units with a building square footage of approximately 69,804 square feet. There are three two-story apartment buildings and the site area, which is located in Oneida, Oneida County, New York, is 3.89 acres.

As of September 2009, the 70 residential apartments were 100% occupied. There is approximately $1,517,869 of debt encumbering the project. Based on September 2009 reports, estimated annual cash flow, net of debt service (principal and interest) of approximately $114,413, is approximately $100,399.

**46. East Coast Properties—Country Gardens**

***Debtors' Ownership Interest.*** East Coast Properties—Country Gardens, a New York general partnership ("ECP Country Gardens"), was formed in 1979. Gianulias owns 25% of the interests of ECP Country Gardens and the remaining 75% is owned by five parties that are not affiliates of the Debtors.

***Project.*** The subject property consists of 85 apartment units with a building square footage of approximately 81,713 square feet. There are five two-story apartment buildings, a one-story duplex building, and a one-story rental office/maintenance building. The site area is 5.79 acres and is located in Central Square, Oswego County, New York.

As of September 2009, the 85 residential apartments were 98.83% occupied. There is approximately $1,859,199 of debt encumbering the project. Based on September 2009 reports,

estimated annual cash flow, net of debt service (principal and interest) of approximately $140,142, is approximately $92,637.

**47. East Coast Properties—Grenadier Village**

***Debtors' Ownership Interest.*** East Coast Properties—Grenadier Village, a New York general partnership ("ECP Grenadier Village"), was formed in 1979. Gianulias owns 25% of the interests of ECP Grenadier Village and the remaining 75% is owned by five parties that are not affiliates of the Debtors.

***Project.*** The subject property consists of a 534 unit complex located on a total site area of 35.61 acres which is located in Liverpool, Onondaga County, New York. It is comprised of three sections: Queens Court which has 290 units contained within 30 buildings that total approximately 334,080 square feet. Majestic Circle which has 120 units contained within 20 two-story buildings that total approximately 111,360 square feet. King's View which has 124 units contained within 27 two-story buildings that total approximately 112,566 square feet.

As of September 2009, the 534 residential apartments were 96.48% occupied. There is approximately $15,031,321 of debt encumbering the project. Based on September 2009 reports, estimated annual cash flow, net of debt service (principal and interest) of approximately $1,057,852, is approximately $753,199.

**48. Lahaina Cannery Mall, LLC**

***Debtors' Ownership Interest.*** Lahaina Cannery Mall, LLC, a Hawaii limited liability company ("Lahaina Cannery"), was formed in 2003. The Gianulias Trust owns 18% of the interests of Lahaina Cannery and the remaining 82% is owned by sixteen parties that are not affiliates of the Debtors.

***Project.*** The subject property is comprised of 6 buildings and 730 parking spaces. The buildings have a total of 205,808 rentable square feet and are located in Lahaina, Maui, Hawaii.

As of the end of 2008, the spaces were 92.4% leased. There is approximately $42,192,782 of debt encumbering the project. Based on 2008 reports, estimated annual cash flow, net of debt service of approximately $2,462,412, is approximately ($458,200). Management of the project is attempting to lease up the property to minimize or eliminate negative cash flow. It is unlikely that

the project will generate significant positive cash distributions to the Debtors in the foreseeable future.

**49. Sunrise Village Retail Center, LP**

***Debtors' Ownership Interest.*** Sunrise Village Retail Center, LP, a California limited partnership ("Sunrise Village"), was formed in 2002. Cameo owns 9% of the interests of Sunrise Village, the Gianulias Trust owns an additional 4.33% of the interests of the partnership, and the remaining 86.67% is owned by fourteen parties that are not affiliates of the Debtors.

***Project.*** The subject property covers an area of approximately 11.458 acres and 10 buildings with 329 parking spaces. The buildings are comprised of approximately 124,894 rentable square feet and are located in Citrus Heights, Sacramento, California.

As of September 2009, the commercial/retail space was 78.1% leased. There is approximately $10,904,667 of debt encumbering the project. Based on September 2009 reports, estimated annual cash flow, net of debt service (principal and interest) of approximately $865.914, is $796,247. Management is actively setting aside capital reserves in anticipation of the tenant improvements costs that will necessarily be incurred in order to lease up the existing 22% vacant space.

**NON-PORTFOLIO ENTITIES THAT THE DEBTORS INTEND TO CONTINUE TO HOLD FOR INVESTMENT**

The following group of Companies consists of Entities that the Debtors intend to continue to hold for investment purposes following Confirmation, but which are not Portfolio Entities or Intermediate Entities. These Companies were excluded from the Portfolio Entities and Intermediate Entities due to the determination that the Reorganized Debtors are unlikely to receive any cash distributions from these Companies in the foreseeable future. As a result, no funds from the Debtors' estates will be used to fund or support the operating cash shortfalls or capital requirements for these Companies and the revenue generated from the projects owned by these Companies will not be contributed to Available Cash Flow, absent a transaction pursuant to which the ownership interests or proceeds derived from the Portfolio Entities or the Intermediate Entities

are transferred or exchanged for ownership interests, assets or proceeds in the following group of Companies.

**50. Napa Golf Associates, LLC**

***Debtors' Ownership Interest.*** Napa Golf Associates, LLC, a California limited liability company ("Napa Golf"), was formed in 2005. The Gianulias Trust owns 25% of the interests of Napa Golf and the remaining 75% is owned by two parties that are not affiliates of the Debtors.

***Project.*** Napa Golf is a 27 hole golf course, located in Napa, Napa County, California. There is approximately $14,650,000 of debt encumbering the project. Based on the 2009 budget, estimated annual cash flow, net of debt service of approximately $731,223, is approximately $(351,826). The Debtors are implementing steps to reduce cost and increase revenue in an attempt to enable the project to break even. The Debtor may either joint venture with an equity partner to infuse capital to support debt service or look to find a buyer for the property. It is unlikely that the project will generate positive cash returns in the foreseeable future.

**51. Murrieta 144 Apartments, LP (Vista Pointe)**

***Debtors' Ownership Interest.*** Murrieta 144 Apartments, LP, a California limited partnership ("Murrieta 144"), was formed in 2004. The Gianulias Trust owns 50% of the interests of Murrieta 144, Cameo owns an additional 1% of the interests of the partnership via Murrieta 144 Apartments, LLC (which is owned 100% by Cameo), and the remaining 49% is owned by one party that is not an affiliate of the Debtors.

***Project.*** Murrieta 144, also known as Vista Pointe, is a 144 unit apartment community located in the City of Murrieta, Riverside County, California.

As of September 2009, the 144 units were 89.58% occupied. There is approximately $25,850,000 of debt encumbering the project. Based on September 2009 reports, estimated annual cash flow, net of debt service of approximately $1,195,620, is approximately $(1,582,027).

In addition, the managing partner of Murrieta 144, RMCI, has committed $3 million of capital contribution to this project, with a 10% preferred return, which amount is to be paid back from operating cash flow prior to any distributions to the Debtors. Based on the foregoing, the Debtors anticipate that it is unlikely that they will receive any cash distributions from Murrieta

144's operations over the next ten years. It is the Debtors intent to continue to hold their ownership interest in Murrieta 144 until the project achieves a positive cash distribution position, at which point the Debtors will re-evaluate their investment options.

**52. Murrieta 492, LP (Silverado)**

***Debtors' Ownership Interest.*** Murrieta 492, LP, a California limited partnership ("Murrieta 492"), was formed in 2004. The Gianulias Trust owns 37.74% of the interests of Murrieta 492, Cameo own an additional 0.51% of the interests of the partnership via Murrieta 492 Apartment Village, LLC (which is owned 100% by Cameo), and the remaining 61.75% is owned by five parties that are not affiliates of the Debtors.

***Project.*** Murrieta 492, also known as Silverado, is a 492 unit gated apartment community located in the City of Murrieta, Riverside County, California.

As of September 2009, the 492 units were 86.79% occupied. There is approximately $80,000,000 of debt encumbering the project. Based on September 2009 reports, estimated annual cash flow, net of debt service of approximately $3,700,177, is approximately $(5,371,802).

In addition, the managing partner of Murrieta 492, RMCI, has committed $12 million of capital contribution to this project, with a 10% preferred return, which amount is to be paid back from operating cash flow prior to any distributions to the Debtors. Based on the foregoing, the Debtors anticipate that it is unlikely that they will receive any cash distributions from Murrieta 492's operations over the next ten years. It is the Debtors intent to continue to hold their ownership interest in Murrieta 492 until the project achieves a positive cash distribution position, at which point the Debtors will re-evaluate their investment options.

**53. CGH, LLC (Kona Plantation)**

***Debtors' Ownership Interest.*** CGH, LLC, a California limited liability company ("CGH"), was formed in 2005. The Gianulias Trust owns 60% of the interests of CGH and the remaining 40% is owned by two parties that are not affiliates of the Debtors.

***Project.*** The subject property is a 200-acre coffee plantation located on the Big Island of Hawaii. It is the largest coffee farm in the United States and has panoramic views of the Pacific

Ocean. The plan is to develop home sites ranging from one to seven acres, preserving as many coffee trees as possible to allow the coffee production to continue.

There is approximately $15,000,000 of debt encumbering the project. Based on 2008 reports, estimated annual cash flow, net of debt service of approximately $1,056,089, is approximately ($520,148) from the coffee production. The Debtors are evaluating alternatives to increase coffee revenue, develop some form of joint venture to infuse capital and reduce debt or sell the property to eliminate negative cash flow. It is unlikely that the project will generate any positive cash distributions to the Debtors in the foreseeable future.

**54. LAGI, LLC**

***Debtors' Ownership Interest.*** LAGI, LLC, a California limited liability company ("LAGI") was formed in 2001. The Gianulias Trust owns 25% of the interests in LAGI, and the remaining 75% is owned by two parties that are not affiliates of the Debtors.

***Project.*** LAGI owns the Andretti Winery, including 40 acres of production vineyards, plus an additional 40 acres of undeveloped land, all located in Napa, California.

There is approximately $3.6 million of debt on the winery and vineyards. 2009 financial forecasts anticipate that the winery and vineyard operations will break even, net of debt service of approximately $254,565. It is unlikely that the project will generate any positive cash distributions to the Debtors in the foreseeable future.

## C. The Events Leading To The Commencement Of The Chapter 11 Cases

The Debtors are in the business of real estate development. While the Debtors' businesses span multiple states, a significant portion of their homebuilding operations are located in the state of California. The level of erosion in the California homebuilding market during the third quarter of 2007 was unexpected and cataclysmic, and it touched all homebuilding markets in California, including the markets in which the Debtors operate. The result of the market erosion in values and slow down of absorption broadly affected the Debtors' financial position and put a significant number of the Debtors' loans out of covenant compliance. With few exceptions, the Debtors were unable to make interest payments to creditors.

In response to these market conditions, the Debtors attempted to implement new reduced pricing and concession strategies, and enhanced marketing programs for all of the Debtors' projects with existing housing inventory. For select single-family projects in the entitlement phase, the Debtors continued to process entitlements and improvements. The Debtors put the remaining lot development projects on "hold." With respect to multi-family projects under construction or in the initial leasing stage, the Debtors continued construction or initial leasing in an attempt to achieve the increased value which would exist upon final completion and stabilization of rental income. The Debtors believed that the positive cash flow which would exist upon completion and stabilization of these projects would provide an essential source of funds to partially cover the Debtors' operating costs while the Debtors managed through the difficult housing market. With respect to existing stabilized multi-family and commercial projects, the Debtors believed that continued management of these projects would provide cash flow sufficient to help support the Debtors' operating expenses.

Notwithstanding the above-described efforts, the Debtors were unsuccessful in managing through the challenging real estate market conditions. As a result, the Debtors lacked the liquidity necessary to satisfy their debt service and therefore defaulted on several of their outstanding loans. The Companies also defaulted on several outstanding loans in which the Debtors guaranteed, thereby triggering, collectively, several hundred million dollars in potential guaranty liability.

In response to these defaults, the Debtors entered into discussions with their lenders regarding their outstanding debt. From November 2007 through the second quarter of 2008, the Debtors were fully engaged in these negotiations. During this time, the Debtors retained the firm of Phoenix-Issa to prepare an asset valuation report for their lenders (the "Asset Report"). A copy of the Asset Report was distributed to each lender in January 2008. Around this time, the Debtors also engaged Irell & Manella LLP to work with Phoenix-Issa and the Debtors' executives during the negotiation process. Several meetings were held with the lenders to discuss the possibility of a negotiated settlement using the Asset Report as a framework for any potential payout. Thereafter, hoping to avoid the need to file for bankruptcy relief, the Debtors proposed an out-of-court

workout whereby the Debtors and their lenders would restructure the Debtors' existing indebtedness.

After several months of negotiations, the parties determined that they would be unable to reach a consensual agreement regarding the restructuring of the Debtors' indebtedness to the lenders. As a result, a number of the Debtors' lenders commenced state court lawsuits against the Debtors in various superior courts in southern California in early 2008, further contributing to the Debtors' financial difficulties.

**D. The Commencement of the Cases**

Following the Debtors' failed efforts to reach an agreement with respect to a potential out-of-court restructuring of their indebtedness, on June 6, 2008, three creditors of Gianulias commenced an involuntary case against him under chapter 7 of the Bankruptcy Code, thereby commencing case number 8:08-bk-13150-RK. Concurrently, the same three creditors commenced an involuntary chapter 7 case against Cameo, thereby commencing case number 8:08-bk-13151-RK.

**E. Significant Events Since the Commencement of the Cases**

**1. Bankruptcy Proceedings**

The following is a description of the significant events which have occurred during the bankruptcy cases:

a. Conversion to Chapter 11 Proceedings

As discussed above, the Debtors' bankruptcy cases were originally commenced by several of their lenders as involuntary chapter 7 proceedings on June 6, 2008. On July 1, 2008, the Debtors consented to the entry of orders for relief against them and requested the conversion of their cases to voluntary cases under chapter 11 of the Bankruptcy Code. On July 2, 2008, the Court entered orders for relief against the Debtors and converted their involuntary chapter 7 cases to voluntary cases under chapter 11 of the Bankruptcy Code.

No request has been made for the appointment of a trustee or examiner, and the Debtors have continued to manage their affairs as debtors and debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

b. Appointment of Committee

On July 22, 2008, the United States Trustee, pursuant to its authority under section 1102 of the Bankruptcy Code, appointed the Official Joint Committee of Unsecured Creditors (the "Committee"). There are currently five members of the Committee: (i) Wachovia Bank, N.A.; (ii) Housing Capital Company; (iii) PCR Services Corporation; (iv) California National Bank; and (v) David Evans & Associates, Inc.

c. Retention of Professionals

1) The Debtors

The Debtors have retained a number of professionals in their bankruptcy cases. These professionals include the following:

- Irell & Manella LLP as Gianulias' general insolvency counsel;
- The Lobel Firm, LLP as special counsel for the Debtors;
- Winthrop Couchot P.C. as Cameo's general insolvency counsel;
- FTI Consulting, Inc. as the Debtors' financial advisor;
- Haskell & White LLP as the Debtors' tax consultants;
- BMC Group, Inc. as the Debtors' bankruptcy consultants; and
- Croudace, Dietrich & Parker LLP as the Debtors' special counsel.

2) The Committee

The Committee has also retained a number of professionals in these bankruptcy cases. These professionals include the following:

- SulmeyerKupetz, P.C. as the Committee's general bankruptcy counsel;
- GlassRatner Advisory and Capital Group as the Committee's financial advisor;
- Stutman, Treister & Glatt P.C. as the Committee's special tax counsel; and
- Deloitte Financial Advisory Services, LLP as the Committee's valuation consultant and expert.

d. Sale of Estate Property

1) Murrieta 144 Apartments and Murrieta 492 Sale

As a result of changes in the real estate market and a general decline in the economy, in approximately November 2007, the Debtors and certain other parties-in-interest began actively seeking a purchaser or an investor to make a contribution to two of the Companies: Murrieta 144 Apartments, LP and Murrieta 492, LP (the "Murrieta Partnerships"). At the time, the Murrieta Partnerships were operating at a deficit. Without an infusion of cash, the Murrieta Partnerships would have been unable to complete construction on the properties owned by the Murrieta Partnerships or to pay outstanding construction costs and, in turn, would have been unable to pay their outstanding secured debt, which the Debtors guaranteed.

After preliminary discussions with several potential investors, the Murrieta Partnerships determined that an offer from APW Avenue Group, Ltd. ("APW") was the most favorable. As a result, the parties entered into an agreement (the "Contribution Agreement") whereby the APW agreed to make a $15,000,000 contribution to the Murrieta Partnerships, which contribution would allow the Murrieta Partnerships to complete development of their ongoing real estate projects and to continue to pay their bills in the ordinary course of business. In exchange for the contribution, Gianulias agreed to transfer a 49% interest in each of the Murrieta Partnerships to the APW. In addition, Cameo agreed to authorize the general partners of each of the Murrieta Partnerships to transfer their 1% general partner interests to the APW, at which time the APW would become the general partner of the Murrieta Partnerships. In connection with the Contribution Agreement, the secured lender agreed to extinguish the Debtors' guarantees of the Murrieta Partnerships' loans.

On July 17, 2008, the Debtors filed a motion seeking Court approval of the Contribution Agreement. On July 29, 2008, the Court entered an order authorizing the Debtors to consummate the transaction.

2) Big Canyon Sale

On or about September 21, 1970, Gianulias purchased a regular membership interest (the "Regular Membership") in Big Canyon Country Club, a California non-profit corporation ("Big Canyon") for the total sum of $7,500. Upon purchasing the Regular Membership, Gianulias

became entitled to all of the rights and privileges of a regular member in and to Big Canyon and its facilities. These privileges included the right to use Big Canyon's facilities, including the clubhouse, the golf course, and tennis courts, and to sponsor guests to use those facilities.

Gianulias entered into discussions with his son, David Gianulias, in early 2008 regarding the purchase of the Regular Membership. At the time, Gianulias believed that the sale of the Regular Membership to David Gianulias would be beneficial for several reasons. First, Big Canyon requires that all potential members submit to a pre-screening process in order to be eligible to purchase a regular membership, which reduces the pool of potential purchasers. David Gianulias was a junior member and therefore was likely to be approved as a regular member. Second, Big Canyon was in the process of constructing a new clubhouse, which ran into significant delays and cost overruns of between $6.5 and $8.5 million. This, in turn, reduced both the number of individuals interested in purchasing a regular membership and the price such individuals were willing to pay.

In July 2008, Gianulias and David Gianulias completed the paperwork necessary to consummate the transfer. Pursuant to the agreement, David Gianulias agreed to pay to Gianulias' estate the net realizable value of the Regular Membership, as determined by Gianulias' financial advisor, which was determined to be $226,500. In addition, in connection with the sale, Gianulias would retain a regular associate membership (the "Associate Membership") in Big Canyon with many of the same privileges associated with the Regular Membership.

On November 5, 2008, Gianulias filed a motion seeking Court approval of the sale of the Regular Membership to David Gianulias. On December 8, 2008, the Court entered an order authorizing the sale at a price of $226,500.

e. Insider Compensation

On August 26, 2008, the Court conducted a hearing addressing the notices of insider compensation to be paid by Cameo to Gianulias and David Gianulias for services they provided to Cameo. After considering the notices and objections raised by parties in interest, the Court set Gianulias' compensation from Cameo at $0 per month. After further briefing, the Court set David

Gianulias' compensation at $24,000 per month from July 2, 2008 through March 31, 2009 for his full-time services as president of Cameo.

f. Adversary Complaints

In early October 2008, three of Gianulias' creditors, Famille Holdings, L.P. ("Famille"), California National Bank ("Cal National"), and Wachovia Bank, N.A. ("Wachovia" and, collectively with Cal National and Famille, the "Plaintiffs") commenced adversary proceedings (the "Non-Dischargeability Actions") against Gianulias to determine the non-dischargeability of several claims against Gianulias' estate. Other than the different plaintiffs, real estate development projects and loans, the legal theories alleged in the respective Non-Dischargeability Actions are virtually identical. Gianulias filed answers to the Plaintiffs' complaints and discovery was commenced in each of the Non-Dischargeability Actions.

In an effort to resolve the Non-Dischargeability Actions, Gianulias entered into discussions with the Plaintiffs, which have resulted in settlement with Wachovia and US Bank (the real party in interest with respect to the Non-Dischargeability Actions commenced by Cal National). Gianulias and Famille are continuing to negotiate in an effort to reach a resolution of this action prior to Confirmation of the Debtors' Plan.

The following is a summary of the Non-Dischargeability Actions:

1. Famille

On or about November 4, 2008, Famille filed a proof of claim against each of the Debtors in the amount of $9,109,547.10 (Claim Nos. 18 and 12) (collectively, the "Famille Claims"), based upon guarantees of (1) a $2,000,000 loan to Murrieta 60; (2) a $3,000,000 loan to French Valley; (3) a $1,500,000 loan to 100 San Jacinto, LLC; and (4) a $1,500,000 loan to 82 San Jacinto, LLC, as well as interest and attorneys' fees.

In its complaint, Famille is seeking a determination by the Court that its claim based on the guaranty of the $2,000,000 loan to Murrieta 60 is non-dischargeable (the "Famille Non-Dischargeability Action"). Famille alleges that Gianulias made fraudulent disclosures and representations to induce Famille to make the foregoing loan to Murrieta 60. The outstanding balance of the loan is no less than $2,000,000.

Following discussion between Gianulias and Famille, in February 2010, the Debtors entered into a settlement with Famille which resolved all issues between the parties. The settlement provides that Famille will receive an Allowed General Unsecured Claim against each of the Debtors in the amount of $12,500,000 in full and final settlement and satisfaction of the Famille Non-Dischargeability Action and the Famille Claims; provided, however, that Famille shall maintain its existing deeds of trust on the properties held by French Valley and Murrieta Land 60 and shall reconvey either of the deeds of trust to the Debtors upon payment by the Debtors of $1,000,000 per deed of trust made on or before December 31, 2011.

If the projects owned by French Valley and Murrieta 60 are not sold on or before December 31, 2011, Famille may foreclose and the greater of the amount of its credit bid or a successful third party bid shall be credited against Famille's Allowed General Unsecured Claims. In addition, although French Valley and Murrieta 60 are not required to cure unpaid back taxes and/or maintain real property taxes, should either French Valley or Murrieta 60 fail to cure outstanding back taxes and/or maintain the current real property taxes, Famille may elect to foreclose prior to December 31, 2011. If Famille does not foreclose on either property by March 31, 2010, French Valley and Murrieta 60 shall timely file and purse appeals of the assessed valuations of the properties.

Although Gianulias disputes Famille's assertions in the Famille Non-Dischargeability Action, litigating the Famille Non-Dischargeability Action would be expensive and time consuming, and the Debtors believe that the settlement of the Famille Claims and the Famille Non-Dischargeability Action for a claim of $12.5 million against each of the Debtors is reasonable. The Debtors therefore submit that the settlement is in the best interests of all parties-in-interest.

The Debtors have not yet filed a motion to approve the settlement with Famille.

2. Wachovia

On or about November 11, 2008, Wachovia filed two proofs of claim against each of the Debtors, the first in the amount of $3,128,368.20 (Claim Nos. 28 and 21, respectively), and the second in the amount of $3,135,577.40 (Claim Nos. 29 and 22, respectively), based upon money

loaned to Gianulias, Cameo, and the James Chris Gianulias 1988 Trust (collectively, the "Wachovia Claims"). First, Wachovia made a loan of $3,000,000 to Gianulias, Cameo, and the James Chris Gianulias 1988 Trust, which was partially secured by real property located in Redmond, Oregon owned by Redmond 9. Wachovia also issued a $3,000,000 line of credit to Gianulias, Cameo, and the James Chris Gianulias 1988 Trust on an unsecured basis. The outstanding balance of these two loans is no less than $6,000,000. In addition to the primary amount of the loan to Gianulias, Cameo, and the James Chris Gianulias 1988 Trust, Wachovia seeks to recover attorneys' fees, interest at the default rate, and late fees.

Wachovia also filed a complaint alleging that two loans made directly to Gianulias are non-dischargeable (the "Wachovia Non-Dischargeability Action"). In its complaint, Wachovia is seeking a determination by the Court that its claims are non-dischargeable. Wachovia alleges that Gianulias made fraudulent disclosures and representations to induce Wachovia to make the foregoing loans.

Following discussion between Gianulias and Wachovia, on October 23, 2009, the Debtors entered into a settlement with Wachovia which resolved all issues between the parties. The settlement provides that Wachovia will receive an Allowed General Unsecured Claim against each of the Debtors in the amount of $8,500,000 in full and final settlement and satisfaction of the Wachovia Non-Dischargeability Action and the Wachovia Claims. Although Gianulias disputes Wachovia's assertions in the Wachovia Non-Dischargeability Action, litigating the Wachovia Non-Dischargeability Action would be expensive and time consuming, and the Debtors believe that the settlement of the Wachovia Claims and the Wachovia Non-Dischargeability Action for a claim of $8.5 million is reasonable. The Debtors therefore submit that the settlement is in the best interests of all parties-in-interest.

On January 7, 2010, the Debtors filed a motion to approve the settlement with Wachovia, and on February 3, 2010 the Court entered an order granting the motion and approving the settlement.

3. Cal National

On or about November 5, 2008, Cal National filed two proof of claim against Gianulias, each in the amount of $21,553,014.25 (claim numbers 21 and 22, respectively, of which claim number 21 appears to be a partial duplicate of claim number 22) and on or about November 6, 2008, Cal National filed a proof of against Cameo in the amount of $21,553,014.25 (claim number 14) (collectively, the "Cal National Claims"). The Claims are based on a number of loans made by Cal National which one or both of the Debtors guaranteed, including but not limited to loans made to Murrieta 180 Apartments, LP, BEG Homes, LLC, BEG Homes, LLC, 213 Banning, LLC, Silver Oaks 183, LLC, 100 San Jacinto, LLC, and MS, LLC.

Cal National also filed two complaints against Gianulias in connection with three loans which were guaranteed by Gianulias (the "Cal National Non-Dischargeability Actions"). In its complaints, Cal National is seeking a determination by the Court that its claims are non-dischargeable. Cal National alleges that Gianulias made fraudulent disclosures and representations to induce Cal National to make the foregoing loans.

The first complaint deals with two loans: (i) a $9,570,000 loan made to Silver Oaks 183, LLC, which was partially secured by real property located in San Jacinto, California; and (ii) an additional $1,200,000 unsecured loan made to Silver Oaks 183, LLC. Silver Oaks 183, LLC is owned 53.33% by G Companies Homebuilding, which is 100% owned by Cameo, and 46.67% by Hester Development. Gianulias guaranteed both of these loans. Cal National foreclosed on the subject property on April 9, 2008. At the time of the foreclosure, Silver Oaks 183, LLC owed $5,114,826 and $1,200,000 with respect to the foregoing loans, and Cal National made a credit bid on the property of $2,444,000. Thus, the outstanding amount owing on the foregoing loans following the foreclosure is approximately $3,870,826.

Cal National's second complaint concerns a loan of $8,730,000 to 100 San Jacinto, LLC, which was partially secured by real property located in San Jacinto, California. 100 San Jacinto, LLC is owned 100% by G Companies Homebuilding, which is 100% owned by Cameo. Gianulias guaranteed this loan. Cal National foreclosed on the subject property on April 24, 2008. At the time of the foreclosure, 100 San Jacinto, LLC owed $4,220,273 with respect to the foregoing loan,

and Cal National made a credit bid on the property of $1,728,000. Thus, the outstanding amount owing on the foregoing loans following the foreclosure is approximately $2,492,273.

Following discussion between Gianulias and Cal National, in October 2009, the Debtors agreed to the terms of a settlement with Cal National which resolved all issues between the parties. The settlement provides that Cal National will receive an Allowed General Unsecured Claim against each of the Debtors in the amount of $23,500,000 in full and final settlement and satisfaction of the Cal National Non-Dischargeability Actions and the Cal National Claims. Although Gianulias disputes Cal National's assertions in the Cal National Non-Dischargeability Actions, litigating the Cal National Non-Dischargeability Actions would be expensive and time consuming, and the Debtors believe that the settlement of the Cal National Claims and the Cal National Non-Dischargeability Actions for a claim of $23.5 million is reasonable. The Debtors therefore submit that the settlement is in the best interests of all parties-in-interest.

Before the documentation finalizing the settlement could be executed, however, Cal National was taken over by US Bank as successor-in-interest to the Federal Deposit Insurance Corporation, Receiver for California National Bank. US Bank is now the real party in interest and will be substantiated in for Cal National. US Bank subsequently executed the settlement outlined above, pursuant to which US Bank will be entitled to a single general unsecured claim in the allowed amount of $23,500,000 against each of the Debtors, in exchange for the full and final settlement and satisfaction of the Cal National Non-Dischargeability Actions and the Cal National Claims.

On December 29, 2009, the Debtors filed a motion to approve the settlement with US Bank, and on January 25, 2010 the Court entered an order granting the motion and approving the settlement.

g. Extension of Exclusivity for Filing and Soliciting Votes on Plan

On October 30, 2008, the Debtors filed a motion requesting that the Court extend their exclusivity periods for filing a plan of reorganization from October 30, 2008 to January 28, 2009 and their exclusivity periods for soliciting acceptances to their plan from December 29, 2008 to March 30, 2008. On December 16, 2008, the Court entered an order granting the Debtors' motion,

which extended the Debtors' exclusive right to file a plan of reorganization through January 28, 2009, and the exclusive right to solicit acceptances to their plan through March 30, 2009. These deadlines were later extended through several Court-approved stipulations between the Debtors, the Committee, and the U.S. Trustee.

On May 29, 2009, the Debtors filed a motion requesting that the Court further extend the Debtors' exclusive period to solicit acceptances to the plan. On October 16, 2009, the Court entered an order granting the Debtors' motion.

Currently, as a result of various stipulations between the Debtors and the Committee, the Debtors have the exclusive right to solicit acceptances to their plan through August 2, 2010.

h. Extension of Deadline to Assume, Assign or Reject Leases

On October 30, 2008, the Debtors filed a motion requesting that the Court extend by ninety (90) days (through January 28, 2009) their deadline to assume, assign, or reject their unexpired leases of non-residential real property. On December 8, 2008, the Court entered an order granting the Debtors' motion. As a result, the Debtors had through January 28, 2009 to assume, assign, or reject their unexpired leases of non-residential real property. Prior to the expiration of the deadline, the Debtors filed a motion seeking to assume two leases (of properties used for storage and warehouse functions). The Court entered an order on February 25, 2009 approving the assumption of the leases.

i. Committee's Motion to Limit Use of Estate Property

On November 4, 2008, the Committee filed a motion requesting that the Court (i) prohibit Gianulias from using estate property to fund what the Committee believed to be unreasonable personal expenses; (ii) require Gianulias to establish a reasonable monthly budget; and (iii) require Gianulias to sequester the remaining estate funds at the end of each month in a segregated interest bearing account pending further Court orders. The thrust of the Committee's argument was that Gianulias was expending substantial estate assets to fund personal expenses that the Committee believed to be unreasonably high without seeking the Court's prior approval of a budget, and, as a result, the Court should therefore place Gianulias on a heavily-restricted budget. Gianulias opposed the Committee's motion on the ground that he did in fact obtain Court approval of a

budget that was presented to the Committee, the U.S. Trustee and the Court at the outset of the chapter 11 cases—in connection with his motion for joint administration of the Debtors' cases—and that a comparison of his monthly operating reports for July through October with the budget demonstrated that Gianulias' expenses were on a cumulative basis less than originally projected. In addition, Gianulias argued that the Committee's legal argument was flawed and that many of its factual allegations were inaccurate.

On November 24, 2008, Gianulias and the Committee discussed several issues related to the Committee's motion. At the conclusion of the meeting, Gianulias agreed to provide the Committee with additional information regarding the operations, costs, expenses and budget items of G Companies Management and Mesa Management by December 15, 2008. As a result, the Committee and Gianulias entered into a stipulation whereby they agreed to continue the hearing date on the motion from December 3, 2008 to February 3, 2009 (or the first available date on the Court's calendar thereafter), and to expand the matters to be considered at the continued hearing to include the reasonableness of the expenditures and fees and costs incurred by G Companies Management and Mesa Management. Further, the Committee and Gianulias agreed that the Committee would have until January 7, 2009 to file and serve a supplement to its motion pertaining to the matters related to G Companies Management and Mesa Management. On December 15, 2008, the Court entered an order granting the proposed stipulation. The hearing on the motion was subsequently consensually continued to allow Gianulias and the Committee to further discuss the reasonableness of various fees and expenditures.

On July 1, 2009, the Court denied the Committee's motion on the grounds that Gianulias' expenses were reasonable.

j. Substantive Consolidation of Debtors' Estates

As part of their respective plan development efforts, the Debtors and their professional advisors analyzed the integrated web of relationships and shared interests of the Debtors, and, in connection with their analysis, weighed the costs and benefits associated with any attempt to separate, value and allocate the intertwined attributes. Believing that it was in the best interests of the Debtors' creditors to consolidate their estates, on November 7, 2008, the Debtors filed a

motion seeking the substantive consolidation of Cameo's chapter 11 estate into Gianulias' chapter 11 estate, effective as of June 6, 2008.

In an attempt to eliminate any creditor objections related to alleged harm in connection with substantive consolidation, the Debtors' substantive consolidation motion proposed to pay all creditors of both estates a dividend equal to or greater than what they would receive absent the proposed consolidation. Further, the substantive consolidation motion did not propose to alter the taxation standing of either Debtor, nor did it propose to impact or erase any intercompany claims.

Following the filing of the motion and several responses to the same, the Debtors, the Committee and other objecting parties entered into discussions in an attempt to resolve their disputes and reach an agreement with respect to substantive consolidation. In response to successful negotiations between the parties, on December 11, 2008, the Court entered an order substantively consolidating Cameo's chapter 11 estate into Gianulias' chapter 11 estate. In addition, the stipulation and order provided that the creditors of both estates would receive a dividend equal to or greater than what they would receive absent the consolidation, the federal and state income tax status of the Debtors and their estates would be unaffected by the consolidation, and inter-company claims existing between Gianulias and Cameo would continue to exist and would not be eliminated as a result of the consolidation.

k. Filing of the Original Plan

On March 31, 2009, the Debtors filed the *Debtors' Plan of Reorganization (Dated March 31, 2009)* (the "Original Plan"). Although the Debtors and the Committee were able to reach a resolution of certain disputed plan issues prior to March 31, 2009, several critical issues remained disputed.

l. The Motion to Terminate Exclusivity

On April 3, 2009, the Committee filed a motion to terminate exclusivity in order to file a competing plan to be heard on the same track as the Original Plan. Among other things, the Committee alleged that the Original Plan was not confirmable because the Original Plan violated the "absolute priority rule." The absolute priority rule provides that in order to confirm a plan over the objection of an impaired class of unsecured claims, the holders of unsecured claims

within that class must receive (i) property of value equal to the allowed amount of such claims, or (ii) the holder of any claim or interest junior to that class could not receive or retain any property on account of such junior claim or interest. The Committee argued that the absolute priority rule was violated because the Plan provides that Gianulias will continue to own Cameo after the Plan is confirmed. The Debtors opposed the Committee's motion to terminate exclusivity arguing that the absolute priority rule does not apply in the case of an individual, such as Gianulias. In addition, the Debtors argued that, if exclusivity was terminated, all parties would divert time and resources away from negotiating a consensual resolution with respect to a plan of reorganization to pursuing and defending competing plans and resulting in significant delay and substantial costs that could otherwise be avoided.

On April 14, 2009 the Court denied the Committee's motion to terminate exclusivity.

m. The Confirmation Issues Cross-Motions

Recognizing that a number of issues pertaining to the confirmation requirements of the Bankruptcy Code might impact the treatment of Creditors under the Original Plan, the Debtors and the Committee agreed to ask the Court to consider certain issues in advance of the hearing on approval of the Disclosure Statement and the hearing on confirmation of the Plan. As a result, on May 12, 2009, the Debtors and the Committee entered into a stipulation (the "Issues Stipulation") to address three key issues in the Cases:

- what effect did substantive consolidation have upon the rights of unsecured creditors of Gianulias and Cameo;
- what effect did the absolute priority rule have upon the rights of unsecured creditors of Cameo; and
- did the Original Plan satisfy the requirements of the Bankruptcy Code relating to individual Chapter 11 debtors.

(collectively, the "Confirmation Issues"). The Issues Stipulation also set forth a briefing schedule to file the cross-motions and an expedited appeal process. On May 14, 2009, the Court entered an order approving the Issues Stipulation and setting a hearing on the cross-motions on June 25, 2009.

On May 28, 2009, both the Debtors and the Committee filed motions addressing the Confirmation Issues (the "Confirmation Cross-Motions"). The Court considered both Confirmation Cross-Motions at a hearing on June 25, 2009. After hearing arguments from counsel for the Debtors and the Committee, the Court requested supplemental briefing on the issue of substantive consolidation and set a further hearing on August 13, 2009.

n. The Mediation

While the Confirmation Cross-Motions were pending, the Debtors and the Committee continued to negotiate in an effort to resolve certain issues, including the Confirmation Issues, and move forward with a consensual plan of reorganization. In an effort to finally resolve these issues, in July 2009, the Debtors and the Committee commenced a mediation. Over the next two months, the Debtors and the Committee continued to meet with the mediator and worked diligently to reach a resolution on the disputed issues. These efforts resulted in the Debtors and the Committee entering into the Term Sheet, which formed the basis for further negotiations to agree to a series of documents which implement the Plan terms agreed to by the Debtors and the Committee, as described in greater detail in section III.F of this Disclosure Statement.

The terms agreed to by the Debtors and the Committee are incorporated into the Plan and, as a result, the Committee supports confirmation of the Plan.

o. Sale of Condominium in Aspen, Colorado

On October 27, 2009, Fasching Haus East Condominium Association ("Fasching Haus") filed a motion for relief from stay to foreclose on a condominium owned by Gianulias and located at 747 S Galena Street, #340, Aspen, Colorado 81611 (the "Fasching Haus Property"). Following negotiations among the parties, Gianulias and Fasching Haus entered into a stipulation resolving the motion for relief from stay and clarifying the treatment of the secured claim of Fasching Haus under the Plan.

Subsequently, on January 22, 2010, Gianulias filed a motion to employ BJ*Adams and Company as broker in order to sell the Fasching Haus Property. Gianulias seeks to sell the Fasching Haus Property for an amount sufficient to pay all of the secured creditors in full or

substantially in full, including Fasching Haus. On February 26, 2010, the Court entered an order authorizing Gianulias to employ the broker.

**2. The Debtors' Current and Historical Financial Data**

The identity and liquidation values of the Debtors' assets are listed in the Liquidation Analysis which is attached to this Disclosure Statement as Exhibit "3." Copies of statements of financial condition of the Debtors for the years 2005, 2006, and 2007 are attached as Exhibit "6." In addition, the Debtors' most recent Monthly Operating Reports filed with the United States Trustee are attached as part of Exhibit "6." All other Operating Reports filed by the Debtors during these Cases can be obtained by contacting the United States Trustee.

The Debtors' current sources of cash include income from operations and the proceeds from the liquidation of assets.

**3. Claims.**

a. Bar Date

The Bankruptcy Court set November 11, 2008,[4] as the deadline for Filing proofs of Claims against the Debtors.

b. Proofs of Claim Filed

As of October 19, 2009, there were 62 proofs of claim filed against James C. Gianulias asserting aggregate claims in the amount of approximately $178 million, and 39 proofs of claim filed against Cameo Homes asserting aggregate claims in the amount of approximately $121 million, for total aggregate claims of approximately $299 million. Secured Claims accounted for approximately $31 million of this amount; Priority Claims accounted for approximately $285,000 of this amount; and General Unsecured Claims accounted for approximately $268 million of this amount. The Debtors estimate that Allowed General Unsecured Claims will total approximately $242 million after the claims objection process has been completed.

[4] The bar date for claims of governmental units was December 29, 2008.

c. Claims Filed Against the Debtors

The Debtors have reviewed their books and records and the Proofs of Claims Filed in these Cases and preliminarily estimates that, as of the Petition Date, the following Claims existed against the Debtors' estate (grouped by type of Claim):[5]

| Type of Claim | Amount of Claim[6] |
|---|---|
| Secured Claims of Pacific Mercantile | $3,007,750 |
| Secured Claim of Wells Fargo on Account of the Colorado Note | $256,714 |
| Secured Claims of Wells Fargo on Account of the Hawaii Note | $4,007,735 |
| Secured Claims of National Bank | $506,600 |
| Secured Claims of Robbins | $4,200,000 |
| Secured Claims of Gus Gianulias | $2,550,000 |
| Secured Claims of Countrywide | $472,500 |
| Secured Claims of Chase | $625,623 |
| Other Secured Claims | $0 (there are no known claims in this Class) |
| Priority Claims | $0 |
| Gap Claims | $34,426 |
| Priority Tax Claims | $30,254 |
| General Unsecured Claims | $229,024,389 |
| Inter-Debtor Claims | $18,613,881 |
| Subordinated Claims | $0 |

**Notwithstanding anything set forth herein, the Debtors before the Effective Date and the Reorganized Debtors and/or the Creditors' Trust Trustee after the Effective Date, reserve any and all rights to object to or defend against any Claims asserted against the Debtors.**

---

[5] The Debtors have not completed their analysis of proofs of claim. Accordingly, notwithstanding the preliminary estimate for Claims set forth herein, the Debtors reserve any and all of their rights to dispute and/or object to the Claims filed in the Case.

[6] These amounts represented the aggregate *asserted* claim amounts, and do not take into account whether particular Claims are allowable (e.g., whether there is sufficient collateral value to support allowance of a secured claim), nor do these figures take into account whether the Debtors may have valid objections to the Claims. The amount of the Claims as of the Effective Date may be lower based on post-petition payments on secured claims.

d. Claim Objections

As provided by the Plan, the Debtors or the Creditors' Trust Trustee (with respect to General Unsecured Claims) may file objections to Claims within the 60-day period following the Effective Date. Subject to the Plan, the Debtors and the Creditors' Trust Trustee reserve any and all rights with respect to seeking the allowance or disallowance of any and all Claims, including Claims not referenced in the Disclosure Statement. In voting on the Plan, Creditors may not rely on the absence of an objection to their proofs of claim or estimates as to the amount of any Claims or Classes of Claims as any indication that the Debtors or the Creditors' Trust Trustee ultimately will not object to the amount, priority, security, or allowability of their Claims. Moreover, the Debtors and the Creditors' Trust Trustee reserve, and intend to prosecute, all appropriate objections to Claims and counterclaims they may have with respect to Claims asserted against the Debtors, and, except as specifically set forth in the Plan, further reserve, and intend to prosecute, claims of the Debtors and the estate (including rights to affirmative recovery, rights to subordinate claims, and rights to avoid transfers).

**4. Avoidance Actions**

Payments made by the Debtors within 90 days and one-year of the Petition Date may be recoverable under Bankruptcy Code section 547 as preferential transfers. Relevant portions of the Debtors' Statement of Financial Affairs disclosing certain transfers made within 90 days and one-year of the Petition Date are attached hereto as Exhibit "5." The Debtors have conducted a preliminary evaluation of potential claims to recover transfers made within 90 days or one-year of the Petition Date, as well as potential fraudulent transfer claims. Other than actions which have been commenced prior to the Confirmation Hearing, the Debtors do not believe that any such potential claims exist. However, subject to the Plan, the Creditors' Trust Trustee reserves any and all Recovery Rights, including but not limited to all Recovery Rights that could be brought under section 547 as preferential transfers.

## III. SUMMARY OF THE PLAN

The following is a narrative description of certain provisions of the Plan. The Plan is attached hereto as Exhibit "1." The following summary of the Plan is qualified in its entirety by

the actual terms of the Plan. In the event of any conflict, the terms of the Plan will control over any summary set forth in this Disclosure Statement.

**A. Introduction**

The Debtors believe that confirmation of the Plan provides the best opportunity for maximum recoveries for their creditors. The Debtors believe, and will demonstrate to the Court, that their creditors will receive at least as much, and likely more, in value under the Plan than they would receive in a liquidation under chapter 7 of the Bankruptcy Code. The Plan incorporates the terms agreed to by the Debtors and the Committee following extensive negotiations among the parties and, as a result, the Plan is supported by the Committee.

References in this Disclosure Statement to the amount of Claims are based on the information reflected in the Debtors' Schedules of Assets and Liabilities or in filed proofs of claim and are not intended to be admissions regarding the Allowed amount of the Claims or waivers of the Debtors' rights to assert any otherwise available defense, recoupment, setoff, or counterclaim against any claim. The Debtors have not completed their audit of the filed proofs of claim and expect to object to the allowance of some or all of the proofs of claim, if appropriate, to the extent that they assert Claims exceeding any amount set forth as undisputed in the Debtors' Schedules of Assets and Liabilities.

**Summary of Anticipated Distributions to Creditors and Interest Holders**

| Summary of Payments to Creditors | | | | | |
|---|---|---|---|---|---|
| **Class** | **Description of Class** | **Impaired** | **Amount to be Paid** | **Estimated Amount of Allowed Claims** | **Estimated Distribution Under Plan[7]** |
| **Priority Claims** | | | | | |
| N/A | Administrative Claims (11 U.S.C. § 503(b), | No | Unpaid portion of Allowed Administrative | $144,060 | $144,060 |

[7] Except where noted, distribution amounts shown in this column may not include interest payments which may be made for certain claims (depending on the treatment described in the Plan for each type of claim).

| | | | | | |
|---|---|---|---|---|---|
| | 507(a)(2)) except the Administrative Claims of Professionals | | Claims (except the Administrative Claims of Professionals) will be paid in full in cash on Effective Date | | |
| N/A | Administrative Claims of Professionals | No | Allowed Administrative Claims of Professionals shall be paid, Pro Rata, from the cash generated by the Portfolio Entities and Intermediate Entities and proceeds in connection with Ownership Interests therein and thereto | $3,700,000 | $3,700,000 |
| N/A | Gap Claims | Yes | Paid in full in cash on Effective Date | $34,426 | $34,426 |
| N/A | Priority Tax Claims | Yes | Either (1) paid in full in cash on the Effective Date or (2) paid in full in equal monthly installments over a period not to exceed five years from the Petition Date with interest at underpayment rate specified in 26 U.S.C. § 6621 or as otherwise required by 11 U.S.C. § 511(a) | $30,254 | $30,254 |
| **Secured Claims** | | | | | |
| Class 1A | Pacific Mercantile | Yes | New note terms as described in the Plan | $3,007,750 | $3,007,750 |
| Class 1B-1 | Wells Fargo on Account of the Colorado Note | Yes | New note terms as described in the Plan | $315,605 | $315,605 |

| | | | | | |
|---|---|---|---|---|---|
| Class 1B-2 | Wells Fargo on Account of the Hawaii Note | Yes | New note terms as described in the Plan | $3,700,000 | $3,700,000 |
| Class 1C | National Bank | No | Either: (1) contractual rights unaltered; or (2) surrender of collateral | $453,475 | $453,475 |
| Class 1D | Robbins | Yes | Allowed Claim paid in monthly installments in accordance with amortization schedule specified in Plan, with interest at the rate of 7.5% per annum | $4,830,000 | $4,830,000 |
| Class 1E | Gus Gianulias | No | Either: (1) contractual rights unaltered; or (2) surrender of collateral | $772,098 | $772,098 |
| Class 1F | Countrywide | Yes | New note terms as described in the Plan | $510,152 | $510,152 |
| Class 1G | Chase | No | Surrender of collateral to extent not surrendered previously | $404,005 | $404,005 |
| Class 1H | Other Secured Creditors | No | Either: (1) contractual rights unaltered; (2) note cured and reinstated; or (3) surrender of collateral | N/A | N/A |
| **Unsecured Claims and Interests** | | | | | |
| Class 2 | Priority Claims | No | Paid in cash on Effective Date | $0 | $0 |

| | | | | | |
|---|---|---|---|---|---|
| Class 3 | General Unsecured Claims | Yes | Paid by the Creditors' Trust from the proceeds of two notes: (i) a note in the principal amount of $42 million, bearing interest at 3.75% and maturing December 31, 2024; and (ii) a note in the principal amount of $5 million, without interest, maturing on December 31, 2025 | Estimated range of Allowed Claims: approx. $249 million to $255 million | $64.7 million |
| Class 4 | Inter-Debtor Claims | Yes | Contractual rights unaltered | Approx. $10 million | $0 |
| Class 5 | Subordinated Claims | No | Contractual rights unaltered | N/A (no known creditors in this class) | N/A |
| Class 6 | Interests in the Debtor | No | Contractual rights unaltered | N/A | Value of retained equity interests |

## B. Payment of Administrative Expenses and Treatment of Certain Unclassified Claims

### 1. Summary

Pursuant to section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Claims for Professional Fees and Priority Tax claims against the Debtors are not classified for purposes of voting on, or receiving distributions under, the Plan. Holders of such Claims are not entitled to vote on the Plan. All such Claims are instead treated separately in accordance with Article III of the Plan and in accordance with the requirements set forth in section 1129(a)(9)(A) of the Bankruptcy Code. However, because of the magnitude of the Administrative Claims of Professionals incurred in the Cases, it is anticipated that the payment of the Administrative Claims of Professionals will take approximately eighteen (18) months following the Effective Date to be completed. All Professionals have agree to this deferral of the payment of the Administrative Claims of Professionals. Absent said deferral, the Plan would not be feasible, unless the Effective

Date were deferred until such time as sufficient Cash was accumulated to pay said Administrative Claims in full on the Effective Date.

**2. Administrative Claims**

Subject to section 330(a) and 331 of the Bankruptcy Code and the bar date provisions of paragraph C of Article III of the Plan, on the later of the Effective Date, or as soon thereafter as practical, or the date on which the Administrative Claim is allowed, the Debtors will pay to each Creditor holding an Allowed Administrative Claim, unless that Creditor agrees to different treatment, Cash equal to the unpaid portion of such Allowed Administrative Claim; *provided, however,* that Allowed Administrative Claims representing obligations incurred in the ordinary course of business or otherwise assumed by the Debtors pursuant to the Plan and unpaid as of the Effective Date, shall be assumed on the Effective Date and paid or performed by the Debtors when due in accordance with the terms and conditions of the particular agreements governing such obligations.

**3. Bar Date For Administrative Claims**

All applications for final compensation of Professionals for services rendered and for reimbursement of expenses incurred on or before the Effective Date, and any other request for compensation by any Entity for making a substantial contribution in the Cases, and all other requests for payment of an Administrative Claim incurred before the Effective Date under sections 507(a)(2) or 503(b) of the Bankruptcy Code (except only for Claims under 28 U.S.C. § 1930) shall be filed no later than thirty (30) days after the Effective Date.

Any Administrative Claim required to be filed within the foregoing deadlines that is not filed within such deadlines shall be forever barred and the Debtors shall be discharged of any obligation on such Claim. Any Creditor required to file a request for payment of such Claim and who does not file such request by the applicable bar date shall be forever barred from asserting such Claim against the Estates or the Debtors, or any of their respective properties.

**4. Payment of Allowed Administrative Claims of Professionals**

The Allowed Administrative Claims of Professionals shall not be paid in full on the Effective Date. Instead, Allowed Administrative Claims of Professionals shall be paid, Pro Rata,

from the cash generated by the Portfolio Entities and Intermediate Entities and received by or on behalf of the Reorganized Debtors, subject to the payment of $1.8 million annually to the Reorganized Debtors in the first and second year following the Effective Date and the payments to be made to Robbins on account of her Secured Claim as set forth in the Plan. All Professionals have agreed to this deferral, without which, the Plan would not be feasible, absent a lengthy deferral of the Effective Date while Cash was accumulated.

**5. Payment of Priority Tax Claims**

Each holder of an Allowed Priority Tax Claim against the Debtors shall receive, on the Effective Date, in full satisfaction, release and discharge of such Allowed Priority Tax Claim, at the election of the Debtors, either: (i) Cash payment in the amount of the holder's Allowed Priority Tax Claim; (ii) deferred Cash payments over a period not to exceed five (5) years, from the Petition Date, equal to the Allowed amount of such claim; (iii) in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the Plan; or (iv) such other terms as may be agreed upon by such holder and the Debtors. The rate of interest to be paid on Priority Tax Claims paid out over a period not to exceed five (5) years from the Petition Date shall be equal to the underpayment rate specified in 26 U.S.C. § 6621 (determined without regard to 26 U.S.C. § 6621(c)) as of the Effective Date or such higher rate as required by 11 U.S.C. § 511(a).

Holders of Allowed Priority Tax Claims shall not be entitled to receive any payment on account of post-Petition Date interest on, or penalties with respect to or arising in connection with, such Priority Tax Claims, except as allowed by the Court, and all Claims or demands by holders of Priority Tax Claims for post-Petition Date interest or penalties thereon, except as may be allowed by the Court, shall be disallowed by the Plan and the Confirmation Order, and the holders of Priority Tax Claims shall not assess or attempt to collect interest or penalties from the Estates or their properties.

**6. Payment of Gap Claims**

Each holder of an Allowed Gap Claim shall receive in full satisfaction of such holder's Allowed Claim (a) the amount of such holder's Allowed Claim in one cash payment on the

Effective Date, or as soon thereafter as practical, or (b) such other treatment as may be agreed upon in writing by such holder.

### C. Classification of Claims and Interests

#### 1. Manner of Classification of Claims and Interests

Except for Claims of a kind specified in sections 507(a)(2) or 507(a)(8) of the Bankruptcy Code, all Claims against, and Interests in the Debtors and with respect to all property of the Debtors and the Estates, are defined and hereinafter designated in respective Classes. The Plan is intended to deal with all Claims against and Interests in the Debtors, of whatever character, whether known or unknown, whether or not with recourse, whether or not contingent or unliquidated, and whether or not previously allowed by the Court pursuant to section 502 of the Bankruptcy Code. Only holders of Allowed Claims, however, will receive any distribution under the Plan. For purposes of determining Pro Rata distributions to holders of Allowed Claims under the Plan, Disputed Claims shall be included in the Class in which such Claims would be included if they were Allowed Claims.

#### 2. Classification

Pursuant to section 1122 of the Bankruptcy Code, set forth below is a designation of the classes of Claims and Interests in the Debtors. A Claim or Interest is placed in a particular Class only to the extent such Claim or Interest is an Allowed Claim or Interest in that Class and such Claim or Interest has not been paid, released, or otherwise settled or paid prior to the Effective Date. Any Claims not described in Article IV of the Plan are unclassified, and therefore, are not included in the Classes below. The Allowed Claims and Interests, except for Claims described above and which are not required to be classified pursuant to section 1123(a)(1) of the Bankruptcy Code, are divided into the following Classes.