

1 **27. Apartments at La Quinta Village, LP (Silverhawk)**

2 **Debtors' Ownership Interest.** Apartments at La Quinta Village, LP, a California limited
3 partnership ("La Quinta Village"), was formed in 2002. The Gianulias Trust owns 55.25% of the
4 interests of La Quinta Village, Cameo owns an additional 1% of the interests of the partnership via
5 Apartments at La Quinta Village, LLC (which is owned 100% by Cameo), and the remaining
6 43.75% is owned by four parties that are not affiliates of the Debtors.

7 **Project.** The subject property, also known as Silverhawk Apartments, consisted of 200
8 apartment units with a gross living area of 181,838 square feet with on-site parking consisting of
9 545 total spaces, or 2.73 spaces per apartment unit, including 200 garages, and was located in La
10 Quinta, Riverside County, California. The property was subject to an Affordable Housing
11 Agreement, which limits occupancy in 37.5% of the subject units (75 apartments) to households
12 earning no more than 120% of area median income.

13 On July 28, 2009, the project was foreclosed on by Deutsche Bank. As a result, the
14 Debtors have no go-forward plan with respect to the project, and intend to dissolve La Quinta
15 Village as soon as possible.

16 **28. Apartments at La Quinta Village II, LP**

17 **Debtors' Ownership Interest.** Apartments at La Quinta Village II, LP, a California limited
18 partnership ("La Quinta Village II"), was formed in 2005. The Gianulias Trust owns 55.25% of
19 the interests of La Quinta Village II, Cameo indirectly owns an additional 1% of the interests of
20 the partnership via Apartments at La Quinta Village II, LLC (which is owned 100% by Cameo),
21 and the remaining 43.75% is owned by four parties that are not affiliates of the Debtors.

22 **Project.** La Quinta Village II, also known as Silverhawk Centre, was a neighborhood retail
23 center located east of Eisenhower Drive and north of Calle Tampico, in La Quinta, Riverside
24 County, California. The property consisted of two two-story, commercial retail-office/residential
25 buildings. The retail portion had 8 ground-floor units, with a gross/rentable floor area of
26 approximately 9,469 square feet. The apartment portion had 12 apartment units located on the
27 second floor, with a gross/rentable area of 12,836 square feet.

1 On August 19, 2009, the project was foreclosed on by Universal Bank. As a result, the
2 Debtors have no go-forward plan with respect to the project, and the Debtors intend to dissolve La
3 Quinta Village II as soon as possible.

4 **29. Silver Oaks Beaumont 72, LLC**

5 **Debtors' Ownership Interest.** Silver Oaks Beaumont 72, LLC, a California limited
6 liability company ("Beaumont 72"), was formed in 2003. Cameo owns 40% of the interests in
7 Beaumont 72 and the remaining 60% is owned by two other parties that are not affiliates of the
8 Debtors.

9 **Project.** As completed, Beaumont 72 consisted of a 15.79 acre site that was developed
10 with 72 single-family detached homes ranging in size from 1,705 to 2,463 square feet, located in
11 the city of Beaumont, Riverside County, California. All units in the project have been sold, and
12 the last unit escrow closed in 2005. Given that all its inventory has been sold, the Debtors intend
13 to dissolve Beaumont 72 as soon as possible.

14 The City of Beaumont is still holding performance bonds on the project, which were
15 scheduled to be released one year after completion of the bonded work. To Debtors' knowledge,
16 no additional work is required on this project, but the City has not yet provided notification of
17 release of the performance bonds, nor has the City provided any information indicating that any
18 additional work is required to be completed for release of the bonds. The Debtors are continuing
19 to work with the City of Beaumont to obtain notification of the release of the bonds, and will
20 provide such information to Arch Insurance Co.

21 **THE PORTFOLIO ENTITIES THAT THE DEBTORS INTEND TO**

22 **CONTINUE TO OPERATE AND MANAGE**

23 The following group of Companies consists of entities that the Debtors intend to continue
24 to operate and manage following Confirmation. These Entities are Portfolio Entities, and revenue
25 generated from the projects owned by these Companies **and received by or on behalf of the**
26 **Reorganized Debtors** will be contributed to **Gross** Available Cash Flow, from which the
27 Reorganized Debtors will make payments to the Creditors' Trust on the Cash Flow Note.
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1 **30. Fountain Valley Senior Housing, LP (Palm Island)**

2 **Debtors' Ownership Interest.** Fountain Valley Senior Housing, LP, a California limited
3 partnership ("Fountain Valley"), was formed in 2003. The Gianulias Trust owns 55% of the
4 interests of Fountain Valley, Cameo directly owns 9% of the interests of the partnership plus an
5 additional 1% via Fountain Valley Senior Housing II, LLC (which is owned 100% by Cameo),
6 and the remaining 35% is owned by five parties that are not affiliates of the Debtors.

7 **Project.** The subject property is a 456 unit garden-style senior (55+) apartment property
8 built in 2001 and situated on a 12.540 acre site in Fountain Valley, Orange County, California.
9 The seven three-story buildings have a total building area of approximately 319,579 square feet.

10 As of September 2009, the 456 residential apartments were 99.56% occupied. There is
11 approximately \$56,937,000 of debt encumbering the project. Based on September 2009 reports,
12 estimated annual cash flow, net of debt service of approximately \$3,337,855, is approximately
13 \$2,125,322.

14 **31. LG Parkewood Village, LP**

15 **Debtors' Ownership Interest.** LG Parkewood Village, LP, a California limited partnership
16 ("Parkewood"), was formed in 2001. Cameo directly owns 16.33% of the interests of Parkewood
17 plus an additional 0.33% via Parkewood Village, LLC (which is owned 33.33% by Cameo), the
18 Gianulias Trust owns an additional 16.67% of the interests of the partnership, and the remaining
19 66.67% is owned by seven parties that are not affiliates of the Debtors.

20 **Project.** The subject property consists of 200 apartment units located in Anaheim, Orange
21 County, California. The property is comprised of sixteen buildings and one recreation building,
22 with rentable square footage of approximately 174,920 square feet.

23 As of September 2009, the 200 residential apartments were 95.00% occupied. There is
24 approximately \$11,369,000 of debt encumbering the project. Based on September 2009 reports,
25 estimated annual cash flow, net of debt service of approximately \$710,912, is approximately
26 \$1,061,169.

1 **32. Park Glen, LP (Brooklake Village)**

2 **Debtors' Ownership Interest.** Park Glen, LP, a California limited partnership ("Park
3 Glen"), was formed in 2001. Cameo directly owns 49.50% of the interests of Park Glen plus an
4 additional 0.50% via Park Glen, LLC (which is owned 50% by Cameo) and the remaining 50% is
5 owned by two parties that are not affiliates of the Debtors.

6 **Project.** The subject property consists of 234 apartment units located in La Habra, Orange
7 County, California. The property is comprised of seventeen buildings, with rentable square
8 footage of approximately 195,634 square feet.

9 As of September 2009, the 234 residential apartments were 95.30% occupied. There is
10 approximately \$23,378,000 of debt encumbering the project. Based on September 2009 reports,
11 estimated annual cash flow, net of debt service of approximately \$1,348,898, is approximately
12 \$1,083,908.

13 **33. Park Mesa, LP**

14 **Debtors' Ownership Interest.** Park Mesa, LP, a California limited partnership ("Park
15 Mesa"), was formed in 2001. Cameo directly owns 18.375% of the interests of Park Mesa plus an
16 additional 0.375% via Park Mesa, LLC (of which Cameo owns 37.5%), the Gianulias Trust owns
17 an additional 18.75% of the interests of the partnership, and the remaining 62.50% is owned by
18 seven parties that are not affiliates of the Debtors.

19 **Project.** The subject property consists of 276 apartment units located in Costa Mesa,
20 Orange County, California. The property is comprised of fourteen apartment buildings and one
21 recreation building, with rentable square footage of approximately 188,304 square feet.

22 As of September 2009, the 276 residential apartments were 97.46% occupied. There is
23 approximately \$23,790,101 of debt encumbering the project. Based on September 2009 reports,
24 estimated annual cash flow, net of debt service of approximately \$1,409,132, is approximately
25 \$1,394,002.

26 **34. Piccadilly Square, LP**

27 **Debtors' Ownership Interest.** Piccadilly Square, LP, a California limited partnership
28 ("Piccadilly Square"), was formed in 2001. Cameo directly owns 24.239% of the interests of

1 Piccadilly Square plus 0.50% via Piccadilly Square, LLC (which is owned 50% by Cameo), the
2 Gianulias Trust owns an additional 25.261% of the interests of the partnership, and the remaining
3 50% is owned by three parties that are not affiliates of the Debtors.

4 **Project.** The subject property consists of 120 apartment units located in Fullerton, Orange
5 County, California. The property is comprised of three apartment buildings and one recreation
6 building, with rentable square footage of approximately 67,812 square feet.

7 As of September 2009, the 120 residential apartments were 97.50% occupied. There is
8 approximately \$6,137,000 of debt encumbering the project. Based on September 2009 reports,
9 estimated annual cash flow, net of debt service of approximately \$344,098, is approximately
10 \$500,152.

11 **35. River Knolls, LP (Benton Park)**

12 **Debtors' Ownership Interest.** River Knolls, LP, a California limited partnership ("River
13 Knolls"), was formed in 2002. Cameo directly owns 14% of the interests of River Knolls and 1%
14 via River Knolls, LLC (which is 100% owned by Cameo), and the Gianulias Trust owns the
15 remaining 85% of the interests of the partnership.

16 **Project.** The subject property consists of 112 apartment units located in Redding, Shasta
17 County, California. The property is comprised of 18 apartment buildings and one recreation
18 building, with rentable square footage of approximately 108,320 square feet. River Knolls is in
19 the process of completing a self-funded capital improvement project which has significantly
20 impacted the cash flow for 2009, but which the Debtors anticipate will generate improved revenue
21 beginning in 2010.

22 As of September 2009, the 112 residential apartments were 99.11% occupied. There is
23 \$8,326,000 of debt encumbering the project. Based on September 2009 reports, estimated annual
24 cash flow, net of debt service of approximately \$528,796, is approximately (\$46,097).

25 **36. Villa Buena, LP**

26 **Debtors' Ownership Interest.** Villa Buena, LP, a California limited partnership ("Villa
27 Buena"), was formed in 2001. Cameo directly owns 24.239% of the interests of Villa Buena with
28 an additional 0.5% via Villa Buena, LLC (which is owned 50% by Cameo), the Gianulias Trust

1 owns an additional 25.261% of the interests of the partnership, and the remaining 50% is owned
2 by five parties that are not affiliates of the Debtors.

3 **Project.** The subject property consists of 152 apartment units located in Buena Park,
4 Shasta County, California. The property is comprised of eight apartment buildings and one
5 recreation building, with rentable square footage of approximately 116,728 square feet.

6 As of September 2009, the 152 residential apartments were 98.03% occupied. There is
7 approximately \$14,984,000 of debt encumbering the project. Based on September 2009 reports,
8 estimated annual cash flow, net of debt service of approximately \$860,846, is approximately
9 \$461,173.

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

11 **Debtors' Ownership Interest.** Placentia 422, LP, a California limited partnership
12 ("Placentia 422"), was formed in 2003. Gianulias owns 69% of the interests of Placentia 422 via
13 Emerald Isle (Placentia), LP (which owns 99.5% of Placentia 422, and is owned 69.3467% by
14 Gianulias), Cameo owns an additional 0.5% of the interests of the partnership via Placentia 422,
15 LLC (which owns 0.5% of Placentia 422, LP and is owned 100% by Cameo) plus an additional
16 0.5% of the partnership interests via Emerald Isle (Placentia), LLP (which owns 0.5025% of
17 Emerald Isle (Placentia), LP, and is owned 100% by Cameo) for a total 1% interest held by
18 Cameo, and the remaining 30% is owned by three parties that are not affiliates of the Debtors.

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

22 As of September 2009, the 422 residential apartments were 98.34% occupied. There is
23 approximately \$59,372,185 of debt encumbering the project. Based on September 2009 reports,
24 estimated annual cash flow, net of debt service of approximately \$4,102,385, is approximately
25 ~~\$1,300,849~~ 273,215.

26 **38. Coast Business Center**

27 **Debtors' Ownership Interest.** Coast Business Center, LP, a California limited partnership
28 ("Coast Business"), was formed in 1984. Gianulias owns 20.733% of the interests of Coast

1 Business and the remaining 79.267% is owned by thirty parties that are not affiliates of the
2 Debtors.

3 **Project.** The subject commercial building covers an area of .79 acres and is improved with
4 a two-story development over two levels of subterranean parking. The building is comprised of
5 35,378 square feet and is located on Pacific Coast Highway in Newport Beach, Orange County,
6 California.

7 As of September 2009, the 15 commercial office spaces were 100% occupied. There is
8 approximately \$6,500,000 of debt encumbering the project. Based on September 2009 reports,
9 estimated annual cash flow, net of debt service of approximately \$374,391, is approximately
10 \$549,069.

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

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

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

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

22 **40. Dana Centre**

23 **Debtors' Ownership Interest.** The Dana Centre project is owned under two separate but
24 equally controlled entities: Dana Center, a California general partnership formed in 1990, and
25 Dana Centre, LP, a California limited partnership formed in 2007. The limited partnership was
26 formed solely for purposes of holding mezzanine debt that was placed on the project in 2007. The
27 Gianulias Trust owns 50% of the interests of the general partnership, and 49.5% of the limited
28 partnership, with an additional 1% of the limited partnership held by Dana Centre, LLC (which is

1 owned 50% by Cameo Homes), effectively giving the Debtors 50% control of the project. The
2 remaining 50% is owned by one party that is not an affiliate of the Debtors.

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

7 As of September 2009, the commercial/retail sites were 100% occupied. There is
8 approximately \$2,711,599 of debt encumbering the project. Based on September 2009 reports,
9 estimated annual cash flow, net of debt service of approximately \$200,289, is approximately
10 \$113,864.

11 **41. Greenhaven Plaza**

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

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

18 As of September 2009, the 29 commercial office spaces were 84.85% occupied. There is
19 approximately \$2,200,000 of debt encumbering the project. Based on September 2009 reports,
20 estimated annual cash flow, net of debt service of approximately \$135,239, is approximately
21 \$61,221.

22 **42. Lucas-Gianulias**

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

26 **Project.** The subject office condominium buildings constitute four office suites of a
27 contiguous two-story six-unit office condominium property. The 1101 suite is 2610 rentable
28

1 square feet; the 1105 suite is 4513 rentable square feet; the 1107 suite is 2610 rentable square feet
2 and the 1111 suite is 4312 rentable square feet. All are located in Newport Beach, California.

3 As of September 2009, all office suites were 100% occupied. There is approximately
4 \$1,081,435 of debt on the four office suites (\$620,000 on 1101 & 1107, and \$461,435 on 1105 &
5 1111). Based on September 2009 reports, and 2009 forecasts estimated annual cash flow, net of
6 debt service of approximately \$112,451 is approximately \$256,218 for the four offices suites
7 combined.

8 **43. Crown Building**

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

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

15 As of September 2009, the 16 commercial office spaces were 87.50% occupied. There is
16 approximately \$1,200,000 of debt encumbering the project. Based on September 2009 reports,
17 estimated annual cash flow, net of debt service of approximately \$73,155, is approximately
18 \$195,595.

19 **PORTFOLIO ENTITIES THAT THE DEBTORS INTEND** 20 **TO HOLD FOR INVESTMENT**

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

1 **44. East Coast Properties—Woodwind Gardens**

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

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

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

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

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

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

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

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

27 **Debtors' Ownership Interest.** East Coast Properties—Country Gardens, a New York
28 general partnership (“ECP Country Gardens”), was formed in 1979. Gianulias owns 25% of the

1 interests of ECP Country Gardens and the remaining 75% is owned by five parties that are not
2 affiliates of the Debtors.

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

7 As of September 2009, the 85 residential apartments were 98.83% occupied. There is
8 approximately \$1,859,199 of debt encumbering the project. Based on September 2009 reports,
9 estimated annual cash flow, net of debt service (principal and interest) of approximately \$140,142,
10 is approximately \$92,637.

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

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

16 **Project.** The subject property consists of a 534 unit complex located on a total site area of
17 35.61 acres which is located in Liverpool, Onondaga County, New York. It is comprised of three
18 sections: Queens Court which has 290 units contained within 30 buildings that total approximately
19 334,080 square feet. Majestic Circle which has 120 units contained within 20 two-story buildings
20 that total approximately 111,360 square feet. King's View which has 124 units contained within
21 27 two-story buildings that total approximately 112,566 square feet.

22 As of September 2009, the 534 residential apartments were 96.48% occupied. There is
23 approximately \$15,031,321 of debt encumbering the project. Based on September 2009 reports,
24 estimated annual cash flow, net of debt service (principal and interest) of approximately
25 \$1,057,852, is approximately \$753,199.

26 **48. Lahaina Cannery Mall, LLC**

27 **Debtors' Ownership Interest.** Lahaina Cannery Mall, LLC, a Hawaii limited liability
28 company ("Lahaina Cannery"), was formed in 2003. The Gianulias Trust owns 18% of the

1 interests of Lahaina Cannery and the remaining 82% is owned by sixteen parties that are not
2 affiliates of the Debtors.

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

5 As of the end of 2008, the spaces were 92.4% leased. There is approximately \$42,192,782
6 of debt encumbering the project. Based on 2008 reports, estimated annual cash flow, net of debt
7 service of approximately \$2,462,412, is approximately (\$458,200). Management of the project is
8 attempting to lease up the property to minimize or eliminate negative cash flow. It is unlikely that
9 the project will generate significant positive cash distributions to the Debtors in the foreseeable
10 future.

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

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

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

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

25 **NON-PORTFOLIO ENTITIES THAT THE DEBTORS INTEND**

26 **TO CONTINUE TO HOLD FOR INVESTMENT**

27 The following group of Companies consists of Entities that the Debtors intend to continue
28 to hold for investment purposes following Confirmation, but which are not Portfolio Entities or

1 Intermediate Entities. These Companies were excluded from the Portfolio Entities and
2 Intermediate Entities due to the determination that the Reorganized Debtors are unlikely to receive
3 any cash distributions from these Companies in the foreseeable future. As a result, no funds from
4 the Debtors' estates will be used to fund or support the operating cash shortfalls or capital
5 requirements for these Companies and the revenue generated from the projects owned by these
6 Companies will not be contributed to Available Cash Flow, absent a transaction pursuant to which
7 the ownership interests or proceeds derived from the Portfolio Entities or the Intermediate Entities
8 are transferred or exchanged for ownership interests, assets or proceeds in the following group of
9 Companies.

10 **50. Napa Golf Associates, LLC**

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

14 **Project.** Napa Golf is a 27 hole golf course, located in Napa, Napa County, California.
15 There is approximately \$14,650,000 of debt encumbering the project. Based on the 2009 budget,
16 estimated annual cash flow, net of debt service of approximately \$731,223, is approximately
17 \$(351,826). The Debtors are implementing steps to reduce cost and increase revenue in an attempt
18 to enable the project to break even. The Debtor may either joint venture with an equity partner to
19 infuse capital to support debt service or look to find a buyer for the property. It is unlikely that the
20 project will generate positive cash returns in the foreseeable future.

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

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

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

1 As of September 2009, the 144 units were 89.58% occupied. There is approximately
2 \$25,850,000 of debt encumbering the project. Based on September 2009 reports, estimated annual
3 cash flow, net of debt service of approximately \$1,195,620, is approximately \$(1,582,027).

4 In addition, the managing partner of Murrieta 144, RMCI, has committed \$3 million of
5 capital contribution to this project, with a 10% preferred return, which amount is to be paid back
6 from operating cash flow prior to any distributions to the Debtors. Based on the foregoing, the
7 Debtors anticipate that it is unlikely that they will receive any cash distributions from Murrieta
8 144's operations over the next ten years. It is the Debtors intent to continue to hold their
9 ownership interest in Murrieta 144 until the project achieves a positive cash distribution position,
10 at which point the Debtors will re-evaluate their investment options.

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

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

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

19 As of September 2009, the 492 units were 86.79% occupied. There is approximately
20 \$80,000,000 of debt encumbering the project. Based on September 2009 reports, estimated annual
21 cash flow, net of debt service of approximately \$3,700,177, is approximately \$(5,371,802).

22 In addition, the managing partner of Murrieta 492, RMCI, has committed \$12 million of
23 capital contribution to this project, with a 10% preferred return, which amount is to be paid back
24 from operating cash flow prior to any distributions to the Debtors. Based on the foregoing, the
25 Debtors anticipate that it is unlikely that they will receive any cash distributions from Murrieta
26 492's operations over the next ten years. It is the Debtors intent to continue to hold their
27 ownership interest in Murrieta 492 until the project achieves a positive cash distribution position,
28 at which point the Debtors will re-evaluate their investment options.

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

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

5 **Project.** The subject property is a 200-acre coffee plantation located on the Big Island of
6 Hawaii. It is the largest coffee farm in the United States and has panoramic views of the Pacific
7 Ocean. The plan is to develop home sites ranging from one to seven acres, preserving as many
8 coffee trees as possible to allow the coffee production to continue.

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

15 **54. LAGI, LLC**

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

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

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

25 **C. The Events Leading To The Commencement Of The Chapter 11 Cases**

26 The Debtors are in the business of real estate development. While the Debtors' businesses
27 span multiple states, a significant portion of their homebuilding operations are located in the state
28 of California. The level of erosion in the California homebuilding market during the third quarter

1 of 2007 was unexpected and cataclysmic, and it touched all homebuilding markets in California,
2 including the markets in which the Debtors operate. The result of the market erosion in values and
3 slow down of absorption broadly affected the Debtors' financial position and put a significant
4 number of the Debtors' loans out of covenant compliance. With few exceptions, the Debtors were
5 unable to make interest payments to creditors.

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

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

24 In response to these defaults, the Debtors entered into discussions with their lenders
25 regarding their outstanding debt. From November 2007 through the second quarter of 2008, the
26 Debtors were fully engaged in these negotiations. During this time, the Debtors retained the firm
27 of Phoenix-Issa to prepare an asset valuation report for their lenders (the "Asset Report"). A copy
28 of the Asset Report was distributed to each lender in January 2008. Around this time, the Debtors

1 also engaged Irell & Manella LLP to work with Phoenix-Issa and the Debtors' executives during
2 the negotiation process. Several meetings were held with the lenders to discuss the possibility of a
3 negotiated settlement using the Asset Report as a framework for any potential payout. Thereafter,
4 hoping to avoid the need to file for bankruptcy relief, the Debtors proposed an out-of-court
5 workout whereby the Debtors and their lenders would restructure the Debtors' existing
6 indebtedness.

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

12 **D. The Commencement of the Cases**

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

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

20 **1. Bankruptcy Proceedings**

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

23 a. **Conversion to Chapter 11 Proceedings**

24 As discussed above, the Debtors' bankruptcy cases were originally commenced by several
25 of their lenders as involuntary chapter 7 proceedings on June 6, 2008. On July 1, 2008, the
26 Debtors consented to the entry of orders for relief against them and requested the conversion of
27 their cases to voluntary cases under chapter 11 of the Bankruptcy Code. On July 2, 2008, the
28

1 Court entered orders for relief against the Debtors and converted their involuntary chapter 7 cases
2 to voluntary cases under chapter 11 of the Bankruptcy Code.

3 No request has been made for the appointment of a trustee or examiner, and the Debtors
4 have continued to manage their affairs as debtors and debtors-in-possession pursuant to sections
5 1107 and 1108 of the Bankruptcy Code.

6 b. Appointment of Committee

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

12 c. Retention of Professionals

13 1) The Debtors

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

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

23 2) The Committee

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

- 26 • SulmeyerKupetz, P.C. as the Committee's general bankruptcy counsel;
- 27 • GlassRatner Advisory and Capital Group as the Committee's financial advisor;
- 28 • 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.

1 e. Insider Compensation

2 On August 26, 2008, the Court conducted a hearing addressing the notices of insider
3 compensation to be paid by Cameo to Gianulias and David Gianulias for services they provided to
4 Cameo. After considering the notices and objections raised by parties in interest, the Court set
5 Gianulias' compensation from Cameo at \$0 per month. After further briefing, the Court set David
6 Gianulias' compensation at \$24,000 per month from July 2, 2008 through March 31, 2009 for his
7 full-time services as president of Cameo.

8 f. Adversary Complaints

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

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

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

23 1. Famille

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

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

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

14 If the projects owned by French Valley and Murrieta 60 are not sold on or before
15 December 31, 2011, Famille may foreclose and the greater of the amount of its credit bid or a
16 successful third party bid shall be credited against Famille's Allowed General Unsecured Claims.
17 In addition, although French Valley and Murrieta 60 are not required to cure unpaid back taxes
18 and/or maintain real property taxes, should either French Valley or Murrieta 60 fail to cure
19 outstanding back taxes and/or maintain the current real property taxes, Famille may elect to
20 foreclose prior to December 31, 2011. If Famille does not foreclose on either property by March
21 31, 2010, French Valley and Murrieta 60 shall timely file and pursue appeals of the assessed
22 valuations of the properties.

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

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

2 2. Wachovia

3 On or about November 11, 2008, Wachovia filed two proofs of claim against each of the
4 Debtors, the first in the amount of \$3,128,368.20 (Claim Nos. 28 and 21, respectively), and the
5 second in the amount of \$3,135,577.40 (Claim Nos. 29 and 22, respectively), based upon money
6 loaned to Gianulias, Cameo, and the James Chris Gianulias 1988 Trust (collectively, the
7 "Wachovia Claims"). First, Wachovia made a loan of \$3,000,000 to Gianulias, Cameo, and the
8 James Chris Gianulias 1988 Trust, which was partially secured by real property located in
9 Redmond, Oregon owned by Redmond 9. Wachovia also issued a \$3,000,000 line of credit to
10 Gianulias, Cameo, and the James Chris Gianulias 1988 Trust on an unsecured basis. The
11 outstanding balance of these two loans is no less than \$6,000,000. In addition to the primary
12 amount of the loan to Gianulias, Cameo, and the James Chris Gianulias 1988 Trust, Wachovia
13 seeks to recover attorneys' fees, interest at the default rate, and late fees.

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

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

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

4 3. Cal National

5 On or about November 5, 2008, Cal National filed two proof of claim against Gianulias,
6 each in the amount of \$21,553,014.25 (claim numbers 21 and 22, respectively, of which claim
7 number 21 appears to be a partial duplicate of claim number 22) and on or about November 6,
8 2008, Cal National filed a proof of against Cameo in the amount of \$21,553,014.25 (claim number
9 14) (collectively, the "Cal National Claims"). The Claims are based on a number of loans made
10 by Cal National which one or both of the Debtors guaranteed, including but not limited to loans
11 made to Murrieta 180 Apartments, LP, BEG Homes, LLC, BEG Homes, LLC, 213 Banning, LLC,
12 Silver Oaks 183, LLC, 100 San Jacinto, LLC, and MS, LLC.

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

18 The first complaint deals with two loans: (i) a \$9,570,000 loan made to Silver Oaks 183,
19 LLC, which was partially secured by real property located in San Jacinto, California; and (ii) an
20 additional \$1,200,000 unsecured loan made to Silver Oaks 183, LLC. Silver Oaks 183, LLC is
21 owned 53.33% by G Companies Homebuilding, which is 100% owned by Cameo, and 46.67% by
22 Hester Development. Gianulias guaranteed both of these loans. Cal National foreclosed on the
23 subject property on April 9, 2008. At the time of the foreclosure, Silver Oaks 183, LLC owed
24 \$5,114,826 and \$1,200,000 with respect to the foregoing loans, and Cal National made a credit bid
25 on the property of \$2,444,000. Thus, the outstanding amount owing on the foregoing loans
26 following the foreclosure is approximately \$3,870,826.

27 Cal National's second complaint concerns a loan of \$8,730,000 to 100 San Jacinto, LLC,
28 which was partially secured by real property located in San Jacinto, California. 100 San Jacinto,

1 LLC is owned 100% by G Companies Homebuilding, which is 100% owned by Cameo. Gianulias
2 guaranteed this loan. Cal National foreclosed on the subject property on April 24, 2008. At the
3 time of the foreclosure, 100 San Jacinto, LLC owed \$4,220,273 with respect to the foregoing loan,
4 and Cal National made a credit bid on the property of \$1,728,000. Thus, the outstanding amount
5 owing on the foregoing loans following the foreclosure is approximately \$2,492,273.

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

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

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

27
28

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

2 On October 30, 2008, the Debtors filed a motion requesting that the Court extend their
3 exclusivity periods for filing a plan of reorganization from October 30, 2008 to January 28, 2009
4 and their exclusivity periods for soliciting acceptances to their plan from December 29, 2008 to
5 March 30, 2008. On December 16, 2008, the Court entered an order granting the Debtors' motion,
6 which extended the Debtors' exclusive right to file a plan of reorganization through January 28,
7 2009, and the exclusive right to solicit acceptances to their plan through March 30, 2009. These
8 deadlines were later extended through several Court-approved stipulations between the Debtors,
9 the Committee, and the U.S. Trustee.

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

13 Currently, as a result of various stipulations between the Debtors and the Committee,
14 the Debtors have the exclusive right to solicit acceptances to their plan through ~~May 1, August 2,~~
15 2010.

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

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

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

26 On November 4, 2008, the Committee filed a motion requesting that the Court (i) prohibit
27 Gianulias from using estate property to fund what the Committee believed to be unreasonable
28 personal expenses; (ii) require Gianulias to establish a reasonable monthly budget; and (iii) require

1 Gianulias to sequester the remaining estate funds at the end of each month in a segregated interest
2 bearing account pending further Court orders. The thrust of the Committee's argument was that
3 Gianulias was expending substantial estate assets to fund personal expenses that the Committee
4 believed to be unreasonably high without seeking the Court's prior approval of a budget, and, as a
5 result, the Court should therefore place Gianulias on a heavily-restricted budget. Gianulias
6 opposed the Committee's motion on the ground that he did in fact obtain Court approval of a
7 budget that was presented to the Committee, the U.S. Trustee and the Court at the outset of the
8 chapter 11 cases—in connection with his motion for joint administration of the Debtors' cases—
9 and that a comparison of his monthly operating reports for July through October with the budget
10 demonstrated that Gianulias' expenses were on a cumulative basis less than originally projected.
11 In addition, Gianulias argued that the Committee's legal argument was flawed and that many of its
12 factual allegations were inaccurate.

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

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

1 j. Substantive Consolidation of Debtors' Estates

2 As part of their respective plan development efforts, the Debtors and their professional
3 advisors analyzed the integrated web of relationships and shared interests of the Debtors, and, in
4 connection with their analysis, weighed the costs and benefits associated with any attempt to
5 separate, value and allocate the intertwined attributes. Believing that it was in the best interests of
6 the Debtors' creditors to consolidate their estates, on November 7, 2008, the Debtors filed a
7 motion seeking the substantive consolidation of Cameo's chapter 11 estate into Gianulias' chapter
8 11 estate, effective as of June 6, 2008.

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

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

24 k. Filing of the Original Plan

25 On March 31, 2009, the Debtors filed the *Debtors' Plan of Reorganization (Dated March*
26 *31, 2009)* (the "Original Plan"). Although the Debtors and the Committee were able to reach a
27 resolution of certain disputed plan issues prior to March 31, 2009, several critical issues remained
28 disputed.

1 1. The Motion to Terminate Exclusivity

2 On April 3, 2009, the Committee filed a motion to terminate exclusivity in order to file a
3 competing plan to be heard on the same track as the Original Plan. Among other things, the
4 Committee alleged that the Original Plan was not confirmable because the Original Plan violated
5 the “absolute priority rule.” The absolute priority rule provides that in order to confirm a plan
6 over the objection of an impaired class of unsecured claims, the holders of unsecured claims
7 within that class must receive (i) property of value equal to the allowed amount of such claims, or
8 (ii) the holder of any claim or interest junior to that class could not receive or retain any property
9 on account of such junior claim or interest. The Committee argued that the absolute priority rule
10 was violated because the Plan provides that Gianulias will continue to own Cameo after the Plan is
11 confirmed. The Debtors opposed the Committee’s motion to terminate exclusivity arguing that
12 the absolute priority rule does not apply in the case of an individual, such as Gianulias. In
13 addition, the Debtors argued that, if exclusivity was terminated, all parties would divert time and
14 resources away from negotiating a consensual resolution with respect to a plan of reorganization to
15 pursuing and defending competing plans and resulting in significant delay and substantial costs
16 that could otherwise be avoided.

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

18 m. The Confirmation Issues Cross-Motions

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

- 25 • what effect did substantive consolidation have upon the rights of unsecured
26 creditors of Gianulias and Cameo;
27 • what effect did the absolute priority rule have upon the rights of unsecured
28 creditors of Cameo; and