

1 Ira D. Kharasch (CA Bar No. 109084)
2 Ellen M. Bender (CA Bar No. 116987)
3 Victoria A. Newmark (CA Bar No. 183581)
4 Pachulski Stang Ziehl & Jones LLP
5 10100 Santa Monica Boulevard, 11th Floor
6 Los Angeles, California 90067-4100
7 Telephone: 310/277-6910
8 Facsimile: 310/201-0760
9 Email: *ikharasch@pszjlaw.com*
10 *ebender@pszjlaw.com*
11 *vnewmark@pszjlaw.com*

Sallie B. Armstrong (NV Bar No. 1243)
Downey Brand LLP
427 West Plumb Lane
Reno, Nevada 89509
Telephone: 775/329-5900
Facsimile: 775/786-5443
Email: *sarmstrong@downeybrand.com*

Attorneys for Debtor and Debtor in Possession

Attorneys for Debtor and Debtor in Possession

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEVADA**

In re:

SPECIALTY TRUST, INC., et al.¹

- Affects this Debtor
- Affects all Debtors
- Affects Specialty Acquisition Corp.
- Affects SAC II
- Affects SAC D-1, LLC

Chapter 11

**Jointly Administered under
Case No. 10-51432-GWZ**

Case Nos.
10-51432
10-51437
10-51440
10-51441

**NOTICE OF THIRD AMENDED
BUDGET**

**Hearing Date: June 22, 2010
Hearing Time: 11:00 a.m.**

TO THE HONORABLE BANKRUPTCY COURT AND INTERESTED PARTIES:

On May 3, 2010, the debtors and debtors in possession (the "Debtors") in the captioned chapter 11 cases filed the *Declaration of Nello Gonfiantini, III In Support of Debtors' Motion for Interim and Final Orders (A) Authorizing Debtors to Utilize Cash Collateral Pursuant to 11 U.S.C. § 363 and (B) Scheduling A Final Hearing Pursuant to Bankruptcy Rule 4001* (the "Gonfiantini Declaration") and Exhibits A & B thereto, including a proposed DIP operating budget setting forth

¹ The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, if applicable, are: Specialty Trust, Inc. (2463); Specialty Acquisition Corp. (3680); SAC II (2463); and SAC D-1, LLC (1858).

PACHULSKI STANG ZIEHL & JONES LLP
ATTORNEYS AT LAW
LOS ANGELES, CALIFORNIA

1 the proposed utilization of cash collateral by the Debtors for the period April 26, 2010 through
2 August 27, 2010.

3 On May 6, 2010, the Debtors submitted the *Notice of Errata Regarding Declaration of Nello*
4 *Gonfiantini, III In Support of Debtors' Motion for Interim and Final Orders (A) Authorizing Debtors*
5 *to Utilize Cash Collateral Pursuant to 11 U.S.C. § 363 and (B) Scheduling A Final Hearing*
6 *Pursuant to Bankruptcy Rule 4001*, together with an amended DIP operating budget for the period
7 April 26, 2010 through October 1, 2010 (the "First Amended Budget").

8 On May 28, 2010, the Debtors submitted the *Notice of Second Amended Budget*, together
9 with an amended DIP operating budget for the period April 26, 2010 through October 1, 2010 (the
10 "Second Amended Budget").

11 Attached hereto is a further amended budget for the period April 26, 2010 through October
12 1, 2010 (the "Third Amended Budget"). The Third Amended Budget contains the following
13 amendments:

14 1. Addition of estimated professional fees and expenses of the Equityholders'
15 Committee. The Third Amended Budget adds the estimated fees and expenses of legal counsel and
16 financial advisors to the Equityholders' Committee.

17 2. Addition of line item for certain professional fees and expenses of U.S. Bank. The
18 Third Amended Budget adds a line item for professional fees and expenses of U.S. Bank incurred in
19 connection with the audit by Focus Management Group of the Debtors' calculation of the
20 management fee and valuation of U.S. Bank's collateral.

21 3. Clarification that rents generated by real property owned by non-debtor 5th &
22 Lincoln, LLC will not be up-streamed to the Debtors going forward. The Third Amended Budget
23 eliminates from the line item "Interest Revenue" the rents generated by certain real property owned
24 by the Debtors' non-debtor subsidiary, 5th & Lincoln, LLC ("5th & Lincoln") and deletes \$2,130
25 from the line item "Other REO & Foreclosure Expense." Previously, such rents were being up-
26 streamed by 5th & Lincoln to the Debtors and then utilized by the Debtors to pay maintenance and
27 support on the real property. Going forward, the rents will no longer be up-streamed by 5th &

28 ///

PACHULSKI STANG ZIEHL & JONES LLP
ATTORNEYS AT LAW
LOS ANGELES, CALIFORNIA

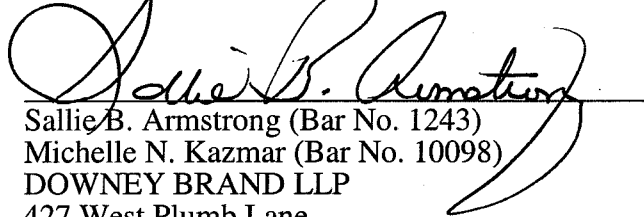
1 Lincoln to the Debtors, but rather will be retained by 5th & Lincoln for use to pay its own
2 maintenance expenses.

3 4. Revised projections for asset sales. The sale of certain REOs that are currently being
4 marketed, referred to in the budget as Moreau, 2522, and Hitt, continue to be included in the Third
5 Amended Budget. However, it is anticipated that the 2522 property may not be completed until
6 October 2010.

7 5. Payroll adjustment. Payroll has been adjusted down from \$2,000 to \$1,000 based on
8 reduced compensation of the Debtors' sole direct employee.

9 Dated: June 22, 2010

DOWNEY BRAND LLP



Sallie B. Armstrong (Bar No. 1243)
Michelle N. Kazmar (Bar No. 10098)
DOWNEY BRAND LLP
427 West Plumb Lane
Reno, Nevada 89509
Telephone: 775/329-5900
Facsimile: 775/786-5443
E-mail: sarmstrong@downeybrand.com
mkazmar@downeybrand.com

PACHULSKI STANG ZIEHL & JONES LLP

Ira D. Kharasch (CA Bar No. 109084)
Scotta E. McFarland (CA Bar No. 165391)
Victoria A. Newmark (CA Bar No. 183581)
10100 Santa Monica Blvd., 11th Floor
Los Angeles, California 90067-4100
Telephone: 310/277-6910
Facsimile: 310/201-0760
E-mail: ikharasch@pszjlaw.com
smcfarland@pszjlaw.com
vnewmark@pszjlaw.com

Counsel for the Debtors and Debtors in Possession

PACHULSKI STANG ZIEHL & JONES LLP
ATTORNEYS AT LAW
LOS ANGELES, CALIFORNIA

Exhibit A

Exhibit A

Specialty Trust, Inc DIP Operating Budget	Week Beginning	26-Apr	3-May	10-May	17-May	24-May	31-May	7-Jun	14-Jun
SPECIALTY TRUST, INC.									
Beginning Cash Balance		\$ 1,582,384	\$ 1,702,918	\$ 1,746,345	\$ 1,744,345	\$ 1,737,845	\$ 1,737,845	\$ 1,701,170	\$ 1,738,597
Interest Revenue		4,183	43,427				4,134	43,427	
Principal Repayments on Mortgage Loans Held for Investment									
Sale of Real Estate Owned									
Other Cash Receipts		116,351 (1)							
Total Cash Receipts		\$ 120,534	\$ 43,427	\$ -	\$ -	\$ -	\$ 4,134	\$ 43,427	\$ -
Cash Disbursements									
Payroll, Servicing Dept.				2,000			2,000		1,000
Management Fees paid to Specialty Financial Management and Servicing Fees - Other									203,475
Traditional Legal (9)								6,000	18,108
Accounting and Tax Services: Moss Adams 2009 audit & tax					6,500				
Real Estate & Related Professionals-New West Development									
Other REO & Foreclosure Expense									
Investment in Real Estate Owned and Loan fundings							38,809 (5)		
Financing Provided for Sale of REO									
Directors Fees									
Interest Expense									
Bankruptcy Related Expenses									
Professional Fees (6)									55,000
Investment Banker									
Equity Committee									
US Bank Audit Expense									
US Trustee Fees									
Total Disbursements		\$ -	\$ -	\$ 2,000	\$ 6,500	\$ -	\$ 40,809	\$ 6,000	\$ 277,583
Ending Cash Balance		\$ 1,702,918	\$ 1,746,345	\$ 1,744,345	\$ 1,737,845	\$ 1,737,845	\$ 1,701,170	\$ 1,738,597	\$ 1,461,014
Notes:									
(1) \$99k from proceeds of foreclosure of supplemental 2522 collateral									
(2) Sale of Moreau property									
(3) Sale of Hitt property									
(4) Sale of 2522 property (suspended)									
(5) Hitt property foreclosure expense									
(6) Sedona foreclosure expense \$15K; other REO maintenance expense \$10K									
(7) Waterfront Sun West Bank payment									
(8) Advance for fixed overhead/keep expenses of Nadador project, which may not have to be made if unit sale occurs									
(9) Professionals' draw-downs on existing retainers are not reflected; it is anticipated that retainers will be fully applied by June									
(10) Equity Committee estimates they will expend \$50k per month in legal expense and \$50k per month in financial analysis									

Specialty Trust, Inc DIP Operating Budget	21-Jun	28-Jun	5-Jul	12-Jul	19-Jul	26-Jul	2-Aug	9-Aug
SPECIALTY TRUST, INC.								
Beginning Cash Balance	\$ 1,461,014	\$ 1,446,014	\$ 1,315,648	\$ 1,194,695	\$ 892,112	\$ 872,237	\$ 746,237	\$ 643,168
Interest Revenue		4,134	43,797				47,931	
Principal Repayments on Mortgage Loans Held for Investment								
Sale of Real Estate Owned								
Other Cash Receipts								
Total Cash Receipts	\$ -	\$ 4,134	\$ 43,797	\$ -	\$ -	\$ -	\$ 47,931	\$ -
Cash Disbursements								
Payroll, Servicing Dept.		1,000		1,000		1,000		1,000
Management Fees paid to Specialty Financial				203,475				203,475
Management and Servicing Fees - Other			6,000	18,108	15,000		6,000	18,108
Traditional Legal (9)	15,000							
Accounting and Tax Services: Moss Adams 2009 audit & tax				25,000				20,000
Real Estate & Related Professionals-New West Development								
Other REO & Foreclosure Expense		25,000 (6)				25,000 (6)		
Investment in Real Estate Owned and Loan fundings								
Financing Provided for Sale of REO			50,000					
Directors Fees								
Interest Expense								
Bankruptcy Related Expenses							145,000	
Professional Fees (9)			108,750					
Investment Banker				55,000				55,000
Equity Committee		100,000 (10)				100,000 (10)		
US Bank Audit Expense		8,500						
US Trustee Fees					4,875			
Total Disbursements	\$ 15,000	\$ 134,500	\$ 164,750	\$ 302,583	\$ 19,875	\$ 126,000	\$ 151,000	\$ 297,583
Ending Cash Balance	\$ 1,446,014	\$ 1,315,648	\$ 1,194,695	\$ 892,112	\$ 872,237	\$ 746,237	\$ 643,168	\$ 345,585
Notes:								
(1) \$59k from proceeds of foreclosure of supplemental 2522 collateral								
(2) Sale of Mareau property								
(3) Sale of Hill property								
(4) Sale of 2522 property (suspended)								
(5) Hill property foreclosure expense								
(6) Sedona foreclosure expense \$15k; other REO maintenance expense \$10k								
(7) Waterfront Sun West Bank payment								
(8) Advance for fixed overhead/keep expenses of Neadador project, which may not have to be made if unit sale occurs								
(9) Professionals' draw-downs on existing retainers are not reflected; it is anticipated that retainers will be fully applied by June								
(10) Equity Committee estimates they will expend \$50k per month in legal expense and \$50k per month in financial analysis								

Specialty Trust, Inc DIP Operating Budget	Week Beginning	16-Aug	23-Aug	30-Aug	6-Sep	13-Sep	20-Sep	27-Sep
SPECIALTY TRUST, INC.								
Beginning Cash Balance		\$ 345,585	\$ 2,040,585	\$ 1,994,142	\$ 1,872,276	\$ 1,795,073	\$ 1,517,490	\$ 1,273,490
Interest Revenue				4,134	43,797			4,134
Principal Repayments on Mortgage Loans Held for Investment								
Sale of Real Estate Owned		1,900,000 (3)			150,000 (2)			
Other Cash Receipts		(190,000) (3)						
Total Cash Receipts		\$ 1,710,000	\$ -	\$ 4,134	\$ 193,797	\$ -	\$ -	\$ 4,134
Cash Disbursements								
Payroll, Servicing Dept.				1,000		1,000		1,000
Management Fees paid to Specialty Financial						203,475		
Management and Servicing Fees - Other					6,000	18,108	15,000	
Traditional Legal (9)		15,000						
Accounting and Tax Services: Moss Adams 2009 audit & tax								
Real Estate & Related Professionals-New West Development								
Other REO & Foreclosure Expense			46,443 (7)	25,000 (6)				25,000 (6)
Investment in Real Estate Owned and Loan fundings							229,000 (8)	46,443 (7)
Financing Provided for Sale of REO					120,000			
Directors Fees								
Interest Expense								
Bankruptcy Related Expenses								
Professional Fees (6)					145,000			
Investment Banker						55,000		
Equity Committee				100,000 (10)				100,000 (10)
US Bank Audit Expense								
US Trustee Fees								
Total Disbursements		\$ 15,000	\$ 46,443	\$ 126,000	\$ 271,000	\$ 277,583	\$ 244,000	\$ 172,443
Ending Cash Balance		\$ 2,040,585	\$ 1,994,142	\$ 1,872,276	\$ 1,795,073	\$ 1,517,490	\$ 1,273,490	\$ 1,105,181
Notes:								
(1) \$99k from proceeds of foreclosure of supplemental 2522 collateral								
(2) Sale of Moreau property								
(3) Sale of Hitt property								
(4) Sale of 2522 property (suspended)								
(5) Hitt property foreclosure expense								
(6) Sedona foreclosure expense \$15K; other REO maintenance expense \$10K								
(7) Waterfront Sun West Bank payment								
(8) Advance for fixed overhead/keep expenses of Nadador project, which may not have to be made if unit sale occurs								
(9) Professionals' drawdowns on existing retainers are not reflected, it is anticipated that retainers will be fully applied by June								
(10) Equity Committee estimates they will expend \$50k per month in legal expense and \$50k per month in financial analysis								