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UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA, SANTA ROSA DIVISION

In re: Pacific Capital Funding Group Inc., Debtor.	Case No. 26-30538 Chapter 11
In re: Pacific Capital Funding Group Inc. Pacific Private Money Group LLC Private Money Management Group LLC Pacific Mortgage Capital, LLC Pacific Note Fund Management Group LLC Pacific Private Money, Inc. Pacific Private Money Partners LLC Arrival Home Loans LLC Pacific Private Money Fund 1 LLC Pacific Southwest Note Fund LLC Pacific Freedom Fund LLC Pacific Opportunity Fund LLC Arrival Fund I, LLC	Jointly Administrated with: Case No. 26-30538 (WJL) Case No. 26-30535 (WJL) Case No. 26-30544 (WJL) Case No. 26-30539 (WJL) Case No. 26-30540 (WJL) Case No. 26-30533 (WJL) Case No. 26-30536 (WJL) Case No. 26-30543 (WJL) Case No. 26-30534 (WJL) Case No. 26-30541 (WJL) Case No. 26-30532 (WJL) Case No. 26-30537 (WJL) Case No. 26-30542 (WJL)
Affects: ☐ Pacific Capital Funding Group Inc. ☐ Pacific Private Money Group LLC ☐ Private Money Management Group LLC ☐ Pacific Mortgage Capital, LLC ☐ Pacific Note Fund Management Group LLC ☐ Pacific Private Money, Inc.	**DEBTORS' STATUS CONFERENCE STATEMENT** Date: July 17, 2026 Time: 10:00 a.m. Location: Courtroom 220 Judge: Hon. William J. Lafferty

Case: 26-30538 Doc# 53 Filed: 07/15/26 Entered: 07/15/ 26305382607150000000000001

☐ Pacific Private Money Partners LLC ☐ Arrival Home Loans LLC ☐ Pacific Private Money Fund 1 LLC ☐ Pacific Southwest Note Fund LLC ☐ Pacific Freedom Fund LLC ☐ Pacific Opportunity Fund LLC ☐ Arrival Fund I, LLC ☒ All Debtors	

Pacific Capital Funding Group, Inc., Pacific Private Money, Inc., Private Money Management Group LLC, Pacific Mortgage Capital LLC, Pacific Southwest Note Fund LLC, Pacific Private Money Partners LLC, Pacific Private Money Group LLC, Pacific Private Money Fund LLC, Pacific Opportunity Fund LLC, Pacific Note Fund Management Group LLC, Pacific Freedom Fund LLC, Arrival Home Loans, LLC, and Arrival Fund I, LLC, the debtors and debtors-in-possession (collectively the "**Debtors**") submit their Status Conference Statement in response to the Court's Order and Notice of Chapter 11 Status Conference (dkt. no. 48) as follows:

1. **The Factors (Business, Financial, Operational And Any Other Problems) Leading To This Bankruptcy Filing, The Debtors' Objectives In These Chapter 11 Cases, And The Means Proposed To Achieve Those Objectives.**

The background of the Debtors and the events that lead to their chapter 11 filings are set forth in the Declaration Of William R. Brinkman In Support Of Chapter 11 Petitions And First Day Motions (dkt. no. 9) (the "Brinkman Declaration"). In summary, the Debtors were engaged in the business of originating and servicing "hard money" mortgage loans. The Debtors raised capital from private investors and lent those funds to developers and other parties with those loans secured by liens against real estate.

The Debtors operated through an "opco/fundco" structure, with Pacific Private Money, Inc. ("**PPMI**") serving as the licensed operating entity that originated and serviced mortgage loans. The Debtors raised capital through a series of open-ended investment funds, with approximately 400

individual investors holding roughly 450 accounts, and total invested capital of approximately $140 million. PPMI originated mortgage loans using capital from the fundcos, private individual "Trustee Investors," and debt facilities.

A significant portion of the fundcos' loan portfolios became non-performing due to defaults by several major borrowers, including approximately $10 million in loans to a borrower who died leaving undeveloped land or partially completed construction as collateral, over $20 million in non-performing loans and accrued interest from another borrower, and approximately $12 million from a third borrower. The portfolio of available loans to foreclose on dwindled over time, and a number of remaining loans became under-secured or unsecured because the underlying property was lost to senior lienholders. Compounding these issues, a sharp rise in market interest rates caused the secondary market for the Debtors' mortgage loans to contract, eliminating a key source of liquidity.

By 2023, redemptions were delayed as requests across the Funds exceeded available cash, and in 2025, the Debtors' cash position became extremely stressed, leading to staff reductions, salary cuts, and elimination of discretionary expenses. In late 2025, the Debtors ceased making distributions and redemptions, and the Debtors engaged Chief Restructuring Officer Bill Brinkman to evaluate strategic alternatives, which ultimately led to the filing of Chapter 11 cases.

The Debtors' objectives in this chapter 11 case are (i) to provide a structure and a transparent process for the monetization of the Debtors' assets and the distribution of the proceeds obtained to creditors and investors, and (ii) to provide an avenue for the forensic examination of how the Debtors' business was conducted pre-petition. The Debtors' assets include a portfolio of approximately 45 mortgage loans, many of which are non-performing, real estate acquired through the foreclosure of mortgage loans, cash, and potential claims against third parties. The structure the Debtors envision, subject to input from the creditors' committee, is a liquidating trust, and the Debtors contemplate proceeding promptly to propose a chapter 11 plan that will form such a trust. To insure transparency and to provide an independent voice as to controversial issues, the Debtors have moved to retain an independent director. (Dkt no. 30). In addition, the Debtors expect to coordinate with the creditors' committee to conduct a forensic examination of the Debtors. Finally, as the Debtors have limited liquidity, the Debtors have obtained, subject to court approval,

$3 million of debtor in possession financing which will be used to fund the costs of administration of this chapter 11 case and the preservation and protection of the Debtors' assets. (Dkt. No. 46).

2. **A Proposed Schedule For Filing A Plan And Disclosure Statement, And For Confirmation Of The Proposed Plan.**

As noted, the Debtors contemplate proceeding promptly to a chapter 11 plan and hope to achieve confirmation by the end of the calendar year. However, because the creditors' committee was only formed on July 8 and has not had an opportunity to provide any input, setting a firm schedule is likely premature.

3. **An Outline Of The Proposed Plan.**

The Debtors contemplate, subject to input from the creditors' committee, a liquidating plan in which the assets of the Debtors will be transferred to a liquidation trust for monetization and the distribution of proceeds to creditors and investors. The Debtors also contemplate that some assets may be sold, subject to the review by the Court, prior to the confirmation of a liquidating plan.

4. **The Type, Status And Adequacy Of Insurance Coverage Of The Debtors' Assets.**

The Debtors have in force director's and officer's insurance coverage.

The Debtors have eleven REO properties. The Debtors have obtained, or are in the process of obtaining, liability coverage on all of these properties but do not have property coverage on all eleven. The Debtor's insurance broker is attempting to place property insurance on four of the properties. Of the other seven REO properties, two are vacant land and do not require property insurance.

The Debtors have deemed five of the REO properties to be uninsurable at a reasonable cost. Each has a story: One property is a vacant home that is structurally unsound and unrentable due to rot and termite infestation, another is a vacant home located in Philadelphia, PA that has been boarded up by the City, a third is a building that is under construction as to which the lender is in the process of foreclosure and there appears to be little if any equity in the property for the Debtors, the fourth is an unoccupied home in Texas that has minimal value, and the fifth is land held for development on which there is a garage/shed structure that does not appear worth

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insuring.

5. **Whether The Debtor Has Met The Requirements For Retaining Professionals In The Case, And The Estate's Need For Retaining Any Additional Professionals (e.g., Attorneys, Accountants, Brokers, Etc.).**

The Court has approved the Debtors' employment of Jeffer Mangels & Mitchell, LLP as general bankruptcy counsel to the Debtors. (Dkt. no. 35). At a hearing on July 10, 2026, the Court granted the Debtors' motion (dkt. no. 20) to retain Jigsaw Advisors, LLC as the Debtors' chief restructuring officer and motion (dkt. no. 18) to retain Kurtzman Carson Consultants, LLC dba Verita as the Debtors' claims and noticing agent. Pending before the Court are the Debtors' motion (dkt. no. 24) to retain Stevens Becker, P.C. as special counsel in connection with the pending investigations into the Debtors and motion (dkt. no. 30) to retain Michael Goldberg as the Debtors' independent director. The latter two motions are set for hearing on July 17.

In addition, the Debtors' intend to file an application to retain a tax accountant. The Debtors may also seek to retain real estate brokers to market the Debtors' real estate assets. Last, the Debtors expect that a forensic audit of the Debtors will need to be conducted, which will necessitate the retention of a forensic accountant. To keep costs down, the Debtors anticipate discussing with the creditors' committee the joint retention of a single forensic accountant.

6. **The Debtors' Post−Petition Operations, Revenue And Financial Results.**

The Debtors ceased operations in early February 2026. There has been minimal revenue since that time and only a few post-petition operating costs, such as ongoing loan servicing fees and subscriptions for services such as Quickbooks, have been paid post-petition.

7. **The Status Of Any Litigation Pending In Or Outside Of This Court.**

The Debtors and certain of their current and former officers and directors are defendants in several civil actions filed by investors and counterparties, including: *Brodsky v. Pacific Private Management, Inc., et al.*, Superior Court of California, County of Marin, Case No. CV0009292; *Descalso v. Edward Brown, et al.*, Superior Court of California, County of Marin, Case No. CV0009270; *Santa Cruz Imports v. Mark Hanf, et al.*, Superior Court of California, County of Marin, Case No. CV0008931; *WE Alliance v. Mark Hanf, et al.*, United States District Court for

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the Northern District of California, Case No. 3:26-cv-03029 JCS; *Kevin Albert, et. al. v. Mark Hanf, et. al.*, Superior Court of California, County of Marin, Case No. CV0010075; *Ronald Lachman, as Trustee of the Ronald Lachman Living Trust v. Own Marin Real Estate, et. al.*, Superior Court of California, County of Marin, Case No. TC26-154; and *Mark Brown v. Edward Brown, et al.*, Judicial Arbitration and Mediation Services Arbitration, JAMS Ref. No. 5440002224. All of these actions are stayed as to the Debtors.

The California Department of Financial Protection and Innovation initiated an investigation of PPMI and its affiliates in late 2025. On March 16, 2026, the DFPI suspended PPMI's California Financial Lending license. On May 4, 2026, the DFPI issued a Desist and Refrain Order pursuant to Section 25532 of the Corporate Securities Law of 1968, ordering PPMI, Mr. Hanf, and Mr. Phan to desist and refrain from offering or selling or buying or offering to buy any security in the State of California by means of any written or oral communication which includes an untrue statement of a material fact or omits to state a fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

There are ongoing investigations by the U.S. Securities and Exchange Commission, the U.S. Department of Justice and Federal Bureau of Investigation, the Internal Revenue Service, and the California Department of Financial Protection and Innovation into PPM's practices. Subject to applicable confidentiality obligations, the Debtors intend to keep the Court and parties in interest informed of material developments in these matters.

8. **The Debtors' Attendance At A Meeting Of Creditors Pursuant To 11 U.S.C. § 341(A), And Compliance With Requests For Information From The U.S. Trustee (Including But Not Limited To Requests Made In The Initial Debtor Interviews).**

The meeting of creditors is scheduled for July 20, 2026. The Debtors have not filed their schedules; the current deadline for the Debtors to do so is July 31. The Debtors understand that the United States Trustee intends to continue the meeting until after the Debtors file their schedules.

Similarly, the initial debtor interview has been continued to August 12, 2026. The Debtors

are in the process of gathering the materials request by the United States Trustee.

9. **The Status Of Monthly Operating Reports, Debtor−In−Possession (DIP) Accounts And Required Post−Petition Payments To Taxing Authorities.**

The Debtors maintained their operating accounts at Wells Fargo Bank. The Debtors have transitioned all of these accounts to debtor in possession accounts at Axos Bank. The Debtors also had certain escrow accounts at Poppy Bank. The Debtors are in the process of transitioning those accounts to new debtor in possession accounts at Axos Bank and expect this process to be complete by the time of the status conference.

The Debtors are current on their post-petition tax payments.

No monthly operating reports are yet due.

10. **Whether The Debtor Has Met The Requirements For Using Cash Collateral And Obtaining Credit.**

As noted above, the Debtors have filed a motion to approve $3 million of debtor in possession financing which will be used to funds the costs of administration and the preservation and protection of the Debtors' assets. (Dkt. No. 46). The initial hearing on this motion is set for July 17, 2026. The Debtors are not aware of any issues involving cash collateral.

11. **Orders Entered In The Case Granting Relief From The Automatic Stay, Extending Or Refusing To Extend The Automatic Stay Or Determining There Is No Automatic Stay In Effect As To Any Or All Creditors.**

Not applicable.

12. **Motions To Assume Or Reject Any Executory Contracts Or Unexpired Leases That Have Been Or Are Expected To Be Filed.**

The Debtors expect to file a motion to assume their contract with Juniper Square. The Juniper Square service is the tool that stores all investor data (including contributions, balances, distributions, contact information, and history of all communications and transactions). The Debtors are evaluating whether to bring other motions to assume or reject executory contracts.

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13. **Unique Issues Concerning Secured Debt, Employees, Cash Collateral, Executory Contracts, Existing Management And/ Or Equity Owners.**

The Debtors are not aware of any such issues at this time.

14. **Unusual Developments Or Events That Have Occurred Or Are Expected To Occur In The Case, And Any Other Matters That Might Materially Affect The Administration Of This Case.**

The Debtors' books and records reflect substantial intercompany balances among the Debtors and the non-Debtor affiliates owned by Mr. Hanf. A forensic examination has not yet been conducted to verify the information contained in the Debtors' books and records or to determine the extent of the intercompany transactions. The Debtors anticipate that the treatment of the intercompany balances and the related issue of the substantive consolidation of some or all of the Debtors will be important components of the overall resolution of the case.

DATED: July 15, 2026

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