



Dear Investor,

We are writing to inform you that I, in consultation with the companies' counsel and input we have received from creditors, have determined it is in the best interests of PFI and PISF to seek bankruptcy relief. Today in the United States Bankruptcy Court, Northern District of California, San Francisco Division, PFI filed a voluntary petition under Chapter 11 of the Bankruptcy Code, and PISF has consented to the involuntary Chapter 11 bankruptcy petition filed by several PISF creditors last week. Both entities are now debtors in their respective bankruptcy cases.

As you know, we have been determining for several weeks the best process with which to manage the recovery of investor funds. We appreciate your patience as we conducted this analysis, as we know this is a difficult time for you as an investor in PFI and PISF.

The paragraphs that follow provide a preview of what to expect in the bankruptcy cases and discuss next steps. Additionally, we will be hosting an online webinar for investors in the days ahead and we invite you to submit questions in advance and attend live online. You will receive an invite by email with a registration link.

As part of these bankruptcy filings you can expect: (1) a single judicial venue that facilitates enhanced creditor participation and representation in the process; (2) availability of legal tools to help maximize value for creditors in distress situations; (3) a high degree of transparency in the process; and (4) improved recoveries for creditors (the term "creditor" generally refers to a person or entity holding a claim, whether secured or unsecured, against a debtor and so includes note holder, deed of trust holders, vendors, etc.).

**Creditor representation and participation:**

We anticipate the creditors will be represented by one or more committees (whether official or ad hoc), and the attorney fees for the committee(s) will be paid by PFI and PISF. This means creditors, while still welcome to retain their own counsel, should have a committee and counsel in place that they can rely on through the bankruptcy process. Further, we believe the committee(s) will allow for collaboration with PFI and PISF in reaching optimal recoveries.

**Legal tools:**

The law regarding bankruptcy proceedings is robust and well-developed, and includes various protections, checks and balances. We anticipate this will provide creditors with a high level of certainty regarding the operation of the cases and the ultimate outcome. Bankruptcy judges are well-prepared to deal with large, complex cases such as this one. In addition, the statutory framework of the Bankruptcy Code provides flexibility in the disposition of property, whether via sale or otherwise.

**Transparency:**

Transparency is the hallmark of bankruptcy. PFI and PISF will publicly file a schedule of their assets and liabilities, a list of their creditors, and the amount of known claims. They will appear at a meeting of creditors and respond to creditor questions under oath, and each month the debtor will file an operating report to update creditors regarding its financial performance. PFI and PISF will establish a free and easy to navigate website with all bankruptcy filings, key dates

and other useful information. The website will be updated in real time as the bankruptcy case progresses.

**Improved Asset Value:**

Bankruptcy proceedings will provide investors with a significant and powerful voice in both the development of the plans to extract value, as well as the execution of such plans. This will avoid discounting or immediate-sale approaches, which are more common outside of bankruptcy.

**Next Steps:**

We will continue managing and operating the business to ensure there is no disruption in leasing or tenant support, and further our forensic investigation while supporting the SEC and other government organizations in their inquiries.

Once a committee or committees of creditors are formed, we will begin a consultation and discussion with creditors on the selection of a new independent director (Charlene Albanese has offered her resignation, which she believes is in the best interest of creditors). We look forward to the conversation with the creditors on the selection of a new independent director.

We have asked the court to place the bankruptcy administration of PFI and PISF together for procedural purposes only, creating one generally administered bankruptcy case. The companies will legally remain separate with each having its own debts and assets, but would now be managed through bankruptcy in a single, coherent proceeding.

Finally, one of the most immediate next steps in the bankruptcy proceeding for creditors is the appointment of the creditor committee(s). We are hopeful that the U.S. Trustee's Office will act quickly and form the appropriate committee(s) of the various constituencies of the case. We anticipate the 60 to 90 days following the appointment of the committees to be spent in consultation and negotiation regarding a global strategy and approach to the proceedings that (a) takes into account all creditor interests, (b) eliminates or minimizes the need for litigation, and (c) provides for meaningful, speedy and fair recoveries to creditors.

We hope this update is helpful, and we look forward to your attendance at the webinar. We will continue to deliver pertinent updates by email and posted at <https://www.investorspfi.com/> until the new website is live. Please take the time to register through the website for our email list to stay informed.

Sincerely,



Michael Hogan  
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