

E-filed: March 27, 2009

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8
9 **UNITED STATES BANKRUPTCY COURT**
10 **FOR THE DISTRICT OF NEVADA**

11 In re:)
12 3900, LLC,)
13 Debtor.)
Case No.: 08-22163-BAM
Chapter 11
Date: April 14, 2009
Time: 9:30 a.m.

14 **AMENDED DISCLOSURE STATEMENT TO ACCOMPANY**
15 **AMENDED PLAN OF REORGANIZATION PROPOSED BY THE DEBTOR**

16 **I. INTRODUCTION**

17 The Debtor, 3900, LLC (hereinafter referred to as "3900" or the "Debtor"), submits this
18 Amended Disclosure Statement pursuant to § 1125 of the Bankruptcy Code (11 U.S.C. §101 et
19 seq.) to all known creditors, equity holders, and parties-in-interest of the Debtor to disclose
20 information to enable them to make an informed decision in exercising their rights to accept or
21 reject the Debtor's Amended Plan of Reorganization (the "Amended Plan") filed with the
22 United States Bankruptcy Court for the District of Nevada (the "Court") and attached hereto as
23 Exhibit "1".

24 The information contained herein is subject to approval by the United States Bankruptcy
25 Court for the District of Nevada. The information and analysis set forth herein is current as of
26 the date of the Amended Disclosure Statement unless otherwise specified. The following is a
27 disclosure of all known information deemed to be material, important, and necessary for
28 parties-in-interest to arrive at a reasonably informed decision in exercising their right to vote on
the Amended Plan.

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1 The Debtor is proposing the Amended Plan in order to efficiently reorganize the Debtor
2 and maximize the payments to creditors of the Debtor's estate.

3 The Debtor provides this Amended Disclosure Statement to all known holders of claims
4 against and interests in the Debtor. The purpose of this Amended Disclosure Statement is to
5 provide adequate information, as far as is reasonably practicable, to the holders of claims and
6 interests so that they can make an informed judgment about the Amended Plan.

7 Before deciding whether to accept or reject the Amended Plan, you should carefully
8 read the contents of the Amended Disclosure Statement and the Amended Plan. The
9 information contained in the Amended Disclosure Statement has not been audited; therefore,
10 the Debtor does not warrant or represent that the information contained in the Amended
11 Disclosure Statement is completely accurate.

12 You should not rely upon any representations or other inducements made to secure your
13 acceptance or rejection of the Amended Plan, other than as contained in this Amended
14 Disclosure Statement or in another disclosure statement approved by the Court. You should
15 report any such additional representations or inducements to the Court or to counsel for the
16 Debtor, who will deliver such information to the Court.

17 The Amended Plan may have tax consequences to the Debtor and creditors. For this
18 reason, parties in interest may wish to consult with their tax advisors regarding the provisions
19 of the Amended Plan and the particular tax consequences of the Amended Plan.

20 The definitions contained in Article I of the Amended Plan are used throughout this
21 document and are incorporated herein by reference.

22 **II. HISTORY OF THE DEBTOR**

23 **A. Bankruptcy Proceedings and Current Status**

24 On October 17, 2008, 3900, LLC ("3900") filed for Chapter 11 protection in the United
25 States Bankruptcy Court, District of Nevada. 3900 is presently represented in this proceeding
26 by:

27 Matthew L. Johnson, Esq.
28 Melissa A. Vermillion, Esq.
Russell Gubler, Esq.

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3900 is a Nevada limited liability company which was formed on December 19, 2005.

Its lone manager is:

Modern Management, Inc.
3900 S. Hualapai Way, Ste. 100
Las Vegas, NV 89147

Its resident agent is:

Christine Thornton
3900 Hualapai Way, Ste. 100
Las Vegas, NV 89147

3900's business insurance policy is comprehensive and include commercial general liability. The company is insured by Lloyds of London, Policy No.: 3900 LLC GL. The Insurance Agency is Lapre Scali & Company Ins. a Lapre Scali & Co. Affiliate, 8201 N. Hayden Rd., Scottsdale, AZ 85258.

3900 also holds an insurance policy on 3320 S. Price and 3330 S. Price for Building Coverage and Equipment Breakdown. The company is insured by Admiral Insurance Company, Policy No.: PR000007406-01. The Insurance Agency is Lapre Scali & Company Ins. a Lapre Scali & Co. Affiliate, 8201 N. Hayden Rd., Scottsdale, AZ 85258. Vestin Originations, Inc., its successors and/or assigns ATIMA are named as additional insureds Mortgagee.

B. Pre-Bankruptcy Operating History

1. Nature of Business. 3900 is in the business of land acquisition and commercial development.

2. Acquisition of Properties.

Modern Management Inc. is owned and operated by Jeff Chain ("Chain"). 3900, LLC was formed by Modern Management, Inc. in anticipation of the purchase of property and

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1 development of a high rise office building meant to service a newly built hospital a short
2 distance from the 3900 properties.

3 The Debtor acquired Michaels' Plaza in April of 2006, from Andresen Plaza,
4 LLC, a Washington Limited Liability Company. The Debtor acquired two separate vacant
5 parcels adjacent to Michaels' Plaza from William Cooper in March 2006. At the time of
6 purchase, Michaels' Plaza was built and partially occupied. The shopping center was originally
7 built in 1986 as Andresen Plaza. Following the purchase, the Debtor assumed the existing loan
8 on Michaels' Plaza. The existing loan encumbers only the Michaels' Plaza property. Upon
9 information and belief, Bank of America, N.A., as Trustee for the Registered Holders of
10 Morgan Stanley Capital I Inc. Commercial Pass-Through Certificates, Series MSCI 2004-HQ3
11 ("Bank of America"), is the holder of the first deed of trust on Michaels' Plaza. At some point
12 thereafter the Debtor acquired the third pad of land from a separate third-party, Rick Collins
13 and Gloria A. Collins and Robert S. Johnson and Linda R. Johnson, surrounding Michaels'
14 Plaza. Thus, the four parcels owned by the Debtor consist of Michaels' Plaza, located at 3320
15 S. Price Road in Tempe, Arizona, and three improved vacant pads located to the North West
16 (APN 133-36-002L), North East (APN 133-36-002M) and South East (APN 133-36-002N) of
17 Michaels' Plaza, respectively.

18 3. Vestin Deed of Trust

19 In 2007, in an attempt to assist an affiliate company, and because the Debtor believed
20 there was sufficient equity in its properties, the Debtor entered into an agreement with Vestin
21 Originations ("Vestin") in which Vestin would provide a loan to the Debtor, in the amount of
22 \$4,715,000.00. The Debtor and Vestin signed a new Promissory Note and Deed of Trust
23 (hereinafter "Vestin Note" and "Vestin Deed of Trust") in favor of Vestin. In consideration,
24 Vestin funded approximately \$3,475,683.09. This money was received by the Debtor. The
25 Debtor placed approximately \$256,396.58 in an interest reserve account to pay the interest on
26 its Vestin loan. The remaining balance was used by the Debtor to assist the affiliate company,
27 Redwood Place, LLC.

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1 a. Loan to Redwood Place, LLC

2 Redwood Place, LLC, ("Redwood Place") is an entity which is also managed by
3 Modern Management, Inc. Redwood Place purchased a 186 unit apartment complex in
4 Phoenix, Arizona, with the original intent to convert the apartments into condominiums.
5 Redwood Place obtained its initial financing for the project through Vestin Mortgage, Inc.
6 ("Vestin"). However, prior to making any condominium sales, but following initial stages of
7 the project, Redwood Place determined that due to the declining market, it was in its best
8 interests to simply remodel the units and operate the property as an apartment complex. As
9 remodeling proceeded, the construction was delayed due to various construction related issues
10 and due to Vestin's refusal to fund. As a result of the delays caused by these issues, Redwood
11 Place was unable to complete the project prior to the loan due date. As a result, it negotiated a
12 three-month extension on the loan, making the loan due on January 14, 2008, and charged
13 Redwood Place a loan extension fee of \$360,000.00, which it paid.

14 During the ensuing three-month period, Vestin refused to release any further funds to
15 allow construction to proceed. Although Redwood Place had paid Vestin the \$360,000.00 loan
16 extension fee, and although Vestin would not release any proceeds to allow construction to
17 proceed, Redwood Place continued to pay interest on the loan, and even paid interest on the
18 monies that were not yet funded. Negotiations continued, and in January 2008, Vestin
19 approved a revised budget.

20 Thereafter, in an attempt to salvage the project and obtain financing to complete the
21 project, Redwood Place attempted to enter into a loan modification agreement with Vestin.
22 During these negotiations, it was determined that in consideration of a Deed of Trust and
23 Promissory Note on 3900's property, Vestin would provide a loan to 3900, LLC, in the amount
24 of \$4,715,000.00. The Vestin Note and Vestin Deed of Trust granted Vestin a secured interest
25 in 3900's vacant parcels and in Michaels' Plaza.

26 Vestin ultimately funded approximately \$3,475,683.09 of the loan amount to 3900,
27 LLC. 3900 placed approximately \$256,396.58 in an interest reserve account to pay the interest
28 on its Vestin loan. The remaining balance was used by 3900 to assist Redwood Place. A

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1 portion of these funds went to pay down the Redwood Place loan with Vestin, a portion went to
2 pay Vestin additional loan fees, and approximately \$1,750,000.00 was set aside to finish the
3 remodel of Redwood Place apartment units.

4 Thereafter, Vestin agreed to extend the loan to April 14, 2008 in exchange for another
5 loan extension fee that was paid by Redwood Place. Ultimately, the Redwood Place loans from
6 Vestin came due. Redwood Place was unable to pay the amounts, and as a result filed for
7 Chapter 11 bankruptcy relief in the United States Bankruptcy Court, District of Nevada, Case
8 No.: 08-19725-MKN. Ultimately, Redwood Place entered into a settlement agreement with
9 Vestin in which Redwood Place agreed to turn over the property. The settlement agreement
10 was approved by the United States Bankruptcy Court. Thereafter, the property was foreclosed
11 upon in March 2009.

12 4. Original Plan

13 As stated above, the Debtor's original plan for the four parcels of property was to
14 demolish Michaels' Plaza and construct a new high rise office building to serve the medical
15 professionals from the newly constructed hospital just down the street. Thus, when the Debtor
16 was told, prior to purchasing Michaels' Plaza and the adjacent parcels, that the standing anchor
17 tenant, Michaels' Arts and Crafts, was planning to vacate the building, it did not search for a
18 replacement tenant.

19 Unfortunately, soon after purchase of the properties, due to declining economic
20 conditions, the Debtor was forced to vacate its plans to construct the office building. Instead, it
21 has determined that it will sell the vacant land and lease up the Michaels' Plaza in an effort to
22 repay its creditors.

23 At this time, Michaels' Plaza is approximately 20% to 30% leased. The Debtor plans to
24 lease up the remaining vacant Michaels' Plaza property as outlined herein and in the Amended
25 Reorganization Plan in an effort to repay its creditors in full. The Debtor has obtained approval
26 of this Court to employ Grubb & Ellis/ BRE Commercial, LLC to assist them in leasing up
27 Michaels' Plaza.
28

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1 If the Debtor has not repaid the secured creditors within one year, the confirmation
2 injunction under 11 U.S.C. §1141 shall be lifted and the property shall be turned over to the
3 secured creditors in order of priority.

4 5. Receiver Obtained

5 Prior to filing the instant bankruptcy, and since the anchor tenant, Michaels Arts and
6 Crafts, left Michaels' Plaza, the rents generated at Michaels' Plaza were not sufficient to cover
7 payment to Bank of America or Vestin, and to meet the other day to day operating expenses.
8 As a result, Bank of America moved for the appointment of a receiver in the Superior Court of
9 the State of Arizona, Maricopa County. On or about May 19, 2008, the Arizona court
10 approved the appointment of Mr. Terence W. Cuellar of Cuellar Realty Services, Inc. as the
11 receiver to operate the Michaels' Plaza property.

12 Thereafter, the Debtor attempted to negotiate with Bank of America and with Vestin to
13 repay its indebtedness to both entities. It was unable to come to a resolution with Bank of
14 America, and Bank of America scheduled a foreclosure of Michaels' Plaza for October 17,
15 2008. The Debtor filed its Chapter 11 petition on the morning of the foreclosure sale to stay the
16 foreclosure and to give the Debtor the opportunity to reorganize its debt. The Debtor also
17 moved the Court, and was granted, an Order requiring the receiver to turn over the property of
18 the estate to the debtor-in-possession. The debtor-in-possession has been operating the
19 Michaels' Plaza property since December 3, 2008.
20

21 Vestin also filed a notice of default and election to sell, and scheduled a foreclosure of
22 the Debtor's property for January 6, 2009. However, Vestin failed to move the instant Court to
23 Lift the Automatic Stay, and the foreclosure proceeding did not occur.

24 6. Secured Parties

- 25 a. Bank of America, Trustee for Morgan Stanley Capital I Inc., Commercial
26 Mortgage Pass-Through Certificates Series 2004-HQ3.

27 Following the original purchase of Michaels' Plaza and the two vacant
28

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1 properties, the Debtor assumed the existing loan with Bank of America on Michaels' Plaza. At
2 the time of the original purchase, Bank of America's interest encumbered only the Michaels'
3 Plaza property, and the three adjacent vacant pads were unencumbered. On or about April 14,
4 2006, the Debtor signed an Assumption and Modification Agreement assuming the promissory
5 note and deed of trust between Andresen Plaza, LLC and the trustee for Morgan Stanley Capital
6 I Inc., Commercial Mortgage Pass-Through Certificates Series 2004-HQ3.

7 b. Vestin Originations

8 In 2007, the Debtor provided a deed of trust to Vestin Originations, LLC,
9 ("Vestin"), which secured a note for \$4,715,000.00. This loan was given by the Debtor as part
10 of an agreement to modify an existing loan for another company, Redwood Place, LLC. The
11 loan to Vestin by the Debtor provided for interest at 12.5%, and matured on or about June 10,
12 2008. As part of the agreement, Vestin was provided with a second position security interest on
13 Michaels' Plaza and a first position security interest in the other three properties.

14 c. Business Operations and Assets

15 3900, LLC continues to operate the project in an asset preservation mode. As of the
16 date of this Amended Disclosure Statement, 3900, LLC has moved the Bankruptcy Court, and
17 been granted an Order allowing it to employ Grubb & Ellis/ BRE Commercial, LLC to help
18 lease up Michaels' Plaza. The Debtor anticipates that the rents from a fully leased Michaels'
19 Plaza and the sale of the three vacant parcels will allow it to pay Vestin in full, make adequate
20 payments to Bank of America, and eventually pay its secured creditors in full.

21 7. Cash Collateral Order

22 On or about December 23, 2008, the Bankruptcy Court signed an Order allowing the
23 Debtor to use cash collateral generated by Michaels' Plaza to pay the day to day operating
24 expenses of the company through May, 2009. In the event the Debtor continues to require the
25 use of cash collateral past the allowed date of May, 2009, the Debtor plans to again move the
26 Bankruptcy Court for another Order to use cash collateral to pay the day to day operating
27 expenses of the company.
28

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D. Pending Litigation

There are no pending lawsuits of which Debtor is a party in State Court. The Debtor was involved in an action in the Superior Court of the State of Arizona, Maricopa County. In that action, on or about May 19, 2008, the Arizona court approved the appointment of Mr. Terence W. Cuellar of Cuellar Realty Services, Inc. as the receiver to operate the Michaels' Plaza property. Since the filing of the instant bankruptcy, the Bankruptcy Court has ordered the turnover of the property from the receiver to the Debtor-in-Possession. Thus, the assets of the bankruptcy estate are held and operated by the debtor-in-possession, and the receiver no longer is affiliated in any way with the Debtor or its properties.

3900, LLC has not determined whether to file adversary proceedings against any other party, but reserves the right to file other adversary proceedings or claims objections as it deems them to be appropriate.

III. SUMMARY AND MEANS OF IMPLEMENTING THE PROPOSED PLAN

The Amended Plan contemplates the sale or lease up of Michaels' Plaza and the adjoining vacant parcels. The Debtor anticipates that, with the help of the real estate broker, Grubb & Ellis, it will be able to find and retain tenants or sell the properties within one year of the Effective Date of the Amended Plan. In the interim, the Debtor anticipates making adequate protection payments to Bank of America as outlined below.

A. Adequate Protection Payments

The Debtor shall pay to the First Deed of Trust Holder on Michaels' Plaza, Bank of America, adequate protection payments for one year in the amount of \$22,979.14 per month. The payments shall be funded through the Debtor's equity shareholders. In consideration of the adequate protection payments, the Debtor's shareholders shall retain their interest in the Debtor or shall be awarded new membership interests in the Debtor based on their capital contributions.

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B. Marketing/Lease- Up of Debtor’s property

The Debtor shall market Michaels’ Plaza for one year in an attempt to lease up and/or sell Michaels’ Plaza and the three adjacent, vacant parcels. The Debtor has obtained Letters of Intent and Offers to Purchase the vacant parcels, and anticipates marketing the property in an attempt to generate further interest in the sale or lease of the properties. The Letters of Intent and Offers to Purchase already obtained are attached hereto as Exhibit “2”. The Debtor shall repay secured creditors with the proceeds of any lease and/or sale according to paragraph III.C, herein. If the Debtor has not repaid the secured creditors within one year, the confirmation injunction under 11 U.S.C. §1141 shall be lifted and the property shall be turned over to the secured creditors in order of priority.

C. Priority Determinations

There is no dispute that Bank of America is the First Deed of Trust holder on Michaels’ Plaza. However, there is an issue as to which secured creditor, Bank of America or Vestin, holds the first priority interest on the three (3) vacant parcels surrounding Michaels’ Plaza.

Within 60 days of the Effective Date of the Reorganization Plan, the Debtor shall move the Bankruptcy Court for a determination as to the priority on the vacant parcels. Any interested party may file additional briefing regarding these priority issues. In the event that the vacant parcels are leased or sold prior to the Court’s priority determination, any proceeds shall be deposited in an interest bearing account or deposited with the Court until such time as a determination is made as to priority between Bank of America and Vestin. Once a determination has been made regarding priority, the first priority interest holder of the property from which the proceeds arose shall be paid in full prior to any payment to the second priority interest holder as required by the absolute priority rule under 11 U.S.C. §1129.

IV. GENERAL INFORMATION ON REORGANIZATION PROCEEDINGS

Chapter 11 of the Bankruptcy Code is a remedial statute designed to effect the rehabilitation and reorganization of financially distressed individuals and entities. The statutory aims of a reorganization proceeding include the following:

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- 1 (1) preservation of the Debtor's property as a going concern and preservation of any
- 2 going concern value of the Debtor's business and operations;
- 3 (2) avoidance of a forced and destructive liquidation of the Debtor's assets;
- 4 (3) the protection of the interest of Creditors, both secured and unsecured; and,
- 5 (4) the restructuring of the debts of the Debtors and, the finances of the Debtor, such
- 6 as would enable it to retain those assets necessary to rehabilitate its finances and
- 7 (at the same time) produce the greatest recovery for its Creditors.
- 8

9 The formulation and confirmation of a plan of reorganization is the principal function of
10 a Chapter 11 case. Such a plan normally includes provisions for: (1) altering and modifying
11 rights of creditors; (2) dealing with the property of the Debtors; (3) paying costs and expenses
12 of administering the Chapter 11 case; and, (4) execution of the plan. The plan may affect the
13 interests of all parties and Creditors, reject executory contracts, and provide for prosecution or
14 settlement of claims belonging to the Debtor. In order to be confirmed by the Court, the
15 Bankruptcy Code requires that there be a finding that the Amended Plan received the votes of
16 certain requisite classes and that the Amended Plan be "fair, equitable, and feasible," as to any
17 dissenting classes of creditors.

18 In order for a plan to be "feasible" the Bankruptcy Code requires, as a condition to
19 confirmation, that the Bankruptcy Court find that liquidation of 3900 or the need for future
20 reorganization is not likely to follow after confirmation, except to the extent the plan
21 contemplates liquidation. For the purpose of determining whether the Amended Plan meets this
22 requirement, 3900 has analyzed its ability to meet its obligations under the Amended Plan.
23 3900 reasonably believes that Reorganized 3900 will be able to make all payments required to
24 be made pursuant to the Amended Plan.

25 In order for a plan to be "fair and equitable" it must comply with the so-called absolute
26 priority rule. The absolute priority rule requires that beginning with the most senior rank of
27 claims of creditors against the Debtors, each class in descending rank or priority must receive
28 full and complete compensation before inferior or junior classes may participate in the

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1 distribution. The plan must be accepted by the affirmative vote of a majority (in number of
2 creditors holding two-thirds, in amount) of claims filed and allowed by each class, unless
3 adequate provisions are made for the classes of dissenting Creditors. In order to fully
4 understand how a plan is confirmed, each individual Creditor should check with his or her own
5 attorney and receive full advice on the inter-workings of Sections 507(a), 1111, 1112, 1123,
6 1124 and 1129 of the Code.

7 **THE FOREGOING IS A BRIEF SUMMARY OF THE HIGHLIGHTS OF**
8 **A PLAN AND CONFIRMATION OF SUCH, AND THIS FOREGOING**
9 **SUMMARY SHOULD NOT BE RELIED ON FOR VOTING PURPOSES.**
10 **CREDITORS ARE URGED TO CONSULT WITH THEIR OWN**
11 **COUNSEL BEFORE MAKING ANY DECISIONS ON A PLAN FILED**
12 **HEREIN.**

13 In addition to the above, Section 1125 of the Code requires that there be a post-petition
14 disclosure in the form of a disclosure statement which provides "adequate information" to
15 Creditors before anyone may solicit acceptances of a Chapter 11 plan.

16 **THIS DISCLOSURE STATEMENT IS PREPARED IN ACCORDANCE**
17 **WITH SECTION 1125 SO AS TO PROVIDE "ADEQUATE INFORMATION"**
18 **TO THE CREDITORS IN THIS PROCEEDING. CREDITORS ARE URGED**
19 **TO CONSULT WITH THEIR OWN INDIVIDUAL COUNSEL AND TO**
20 **REVIEW ALL OF THE PLEADINGS FILED IN THIS BANKRUPTCY**
21 **PROCEEDING IN ORDER TO FULLY UNDERSTAND THE DISCLOSURES**
22 **MADE HEREIN, ANY PLAN OF REORGANIZATION FILED HEREIN, AND**
23 **ANY OTHER PERTINENT MATTERS IN THIS PROCEEDING. ANY PLAN**
24 **OF REORGANIZATION WILL BE COMPLEX, ESPECIALLY SINCE IT**
25 **REPRESENTS A PROPOSED LEGALLY BINDING AGREEMENT BY THE**
26 **DEBTOR (OR ANY OTHER PROPONENT OF A PLAN), AND ANY**
27 **INTELLIGENT JUDGMENT CONCERNING ANY PROPOSED PLAN**
28 **CANNOT BE MADE WITHOUT FULLY UNDERSTANDING THE**
INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND
THE FULL COMPLEXITIES OF ANY PLAN PROPOSED HEREIN.

29 The Debtor is suited for, and in need of, the broad protection afforded by Chapter 11.
30 The Debtor should be able to effectuate a reconstruction of its financial condition through a
31 plan of reorganization. The Debtor is proposing a plan of reorganization in accordance with a
32 plan submitted herewith and will move to solicit approval and acceptance of it by the creditors,
33 but only after there has been a judicial approval of this disclosure statement, including any
34 amendments hereto.

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V. LIQUIDATION VALUE OF THE ESTATE'S ASSETS

The Debtor believes that the value of the property to be received under the Amended Plan by each holder of an Allowed Claim is equal to or in excess of any value such holder would receive under chapter 7 of the Bankruptcy Code. Below is an estimated comparison between a Chapter 7 liquidation and the proposed chapter 11 plan:

Assets

| | <u>Chapter 7</u> | <u>Chapter 11</u> |
|---|------------------|---|
| Asset Value: | | Asset Value: |
| Michaels' Plaza: \$5,900,000.00 ¹ | | Michaels' Plaza: \$5,900,000.00 |
| Vacant Parcels: \$0 | | Vacant Parcels: unknown ² |
| Less: Costs of Collection/Sales (10%) \$590,000.00 | | Less: Costs of Collection/Sales (10%) \$590,000.00 |
| Less: Payment of Secured Claims Bank of America \$5,514,992.59 Vestin approx. \$4,606,285.92 | | Less: Payments of Secured Claims Bank of America \$5,514,992.59 Vestin approx. \$4,606,285.92 |
| Less Payment of Priority Unsecured Claims \$128,963.11 | | Less: Payment of Priority Unsecured Claims \$128,963.11 |
| Less: Payment of Chapter 7 liquidation expenses (including taxes): \$30,090.00 plus any federal taxes caused by sale ³ | | Less: payment of Chapter 11 expenses approx. \$75,000.00 in Attorney fees, Trustee's Fees, etc. |

¹This amount is the value of Michaels' Plaza in an "upon stabilization" scenario. This appraisal was completed on or about January 7, 2009.

²In a Chapter 11, this amount will be equal to the amount generated by either selling or development of the three vacant parcels. This amount is unknown at this time. The Debtor has received some inquiries from interested parties concerning the vacant parcels, which are attached hereto as Exhibit "2". The Debtor anticipates that it will market the parcels over the next year in an attempt to locate the best possible buyers for the parcels.

³This amount is determined from Clark County transfer tax tables indicating taxes to equal \$510.00 per \$100,000.00 amount. Thus, for one of the homes the transfer taxes equal \$11,220.00. Under a Chapter 11 Plan, these transfer taxes may be avoided. Any capital gains taxes from the sale of the properties would pass through to the Debtor's principal, Modern Management, Inc., as this Debtor is a limited liability company.

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1 Less: Payment of Chapter 7 administrative
 2 expenses Trustee's Fees -
 3 Percentage of the value of the estate
 4 unknown at this time

5 Balance: \$0 Balance: \$unknown

6 Asserted unsecured claims recovery Asserted unsecured claims recovery

7 NOT 100% redeemable COULD BE 100% redeemable

8 In a Chapter 11 scenario, the vacant parcels, which are valued in a Chapter 7 scenario at
 9 \$0, may be developed or sold. Although the amount is unknown at this time, the Debtor has
 10 already received some inquiries from interested parties concerning the vacant parcels. See
 11 Exhibit "2". The Debtor anticipates that it will market the parcels over the next year in an
 12 attempt to locate the best possible buyers for the parcels, and maximize the proceeds of the
 13 sales of the parcels, thus increasing the amounts available to its creditors.

14 In contrast, in a Chapter 7 scenario, the only creditor that will likely be paid is the Bank
 15 of America. Vestin, the holder of a secured interest on Michaels' Plaza and the Vacant Parcels,
 16 will likely receive pennies on the dollar, if any amount at all. It is anticipated that no other
 17 party will be paid. In fact, it is likely that in a Chapter 7 scenario, the Court will either lift the
 18 automatic stay as to Bank of America or the Trustee will abandon the property as the alleged
 19 value barely covers the amounts due and owing to the First Deed of Trust holder, Bank of
 20 America.

21 **VI. SUMMARY OF ASSETS AND LIABILITIES**

22 The statement of affairs and schedules of assets and liabilities of the Debtor have
 23 previously been filed herein, and to the best of the knowledge, information and belief of the
 24 Debtor, these statements together with the monthly operating statements which have been filed
 25 on behalf of the Debtor, contain an accurate itemization of the Debtor's assets and liabilities
 26 prior to filing. The Debtor's post-petition finances are, to the best of its knowledge, accurately
 27 reflected in the Monthly Operating Reports consistently filed on behalf of the Debtor since the
 28 date of the filing of this petition.

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1 **EXCEPT AS OTHERWISE SET FORTH IN THIS DISCLOSURE**
2 **STATEMENT, THE DEBTOR BELIEVES, TO THE BEST OF ITS**
3 **KNOWLEDGE, INFORMATION AND BELIEF THAT THE ASSETS**
4 **AND LIABILITIES SET FORTH HEREIN AND ON SAID SCHEDULES**
5 **CONSTITUTE A FULL AND COMPLETE ESTIMATION OF ALL**
6 **ASSETS AND LIABILITIES OF THE DEBTOR, AND AMOUNTS**
7 **THEREOF (EXCLUDING INTEREST, ATTORNEY'S FEES AND ANY**
8 **OTHER UNKNOWN OR VARIABLE FACTS, BEARING ON THE**
9 **AMOUNT OF THE LIABILITIES). CREDITORS ARE URGED TO**
10 **FULLY REVIEW WITH THEIR ATTORNEYS (AND CONSULT WITH**
11 **THE DEBTOR AND THEIR ATTORNEYS) THE SCHEDULES OF**
12 **ASSETS AND LIABILITIES FILED HEREIN.**

13 The Debtor believes that the valuation of its assets, set forth in the schedules of assets
14 and liabilities filed herewith and in monthly post-petition operating reports, is a fair estimate of
15 the book value thereof if the punch list items are completed and the assets are liquidated in an
16 orderly fashion. However, in the event of the conversion of the Debtor's estate into a chapter 7
17 bankruptcy proceeding and the subsequent liquidation of its property over a short period of time
18 (and possibly at forced sale values), it is highly possible that a significantly lower value would
19 be received for the Debtor's property. Therefore, the Debtor believes that it would achieve the
20 greatest value for its property and recovery for creditors through an Amended Plan of
21 Reorganization which will be proposed by the Debtor herein.

17 **ARTICLE VII. CLASSIFICATION OF CLAIMS AND INTERESTS**

18 The following provisions designate Classes of Claims and the Allowed Equity Interest.
19 Each Class is either impaired or unimpaired, thereby giving effect to the different rights of the
20 Holders of Claims of each Class. For the Holder of a Claim to participate in the Amended Plan
21 and to receive treatment afforded to the applicable Class, the Claim must be an Allowed Claim,
22 as defined above. Only Holders of Allowed Claims are entitled to participate and receive a
23 distribution in accordance with the Amended Plan. A Claim may be properly included for
24 treatment in more than one class.

25 7.01 Class One shall consist of all Priority Claims not otherwise excluded from
26 classification by 11 U.S.C. §1123(a)(1) (2007).

27 7.02 Class Two shall consist of the Secured Claim of Bank of America, N.A., as
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