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

12 In re:  
 13 JERRY'S NUGGET, INC.,  
 14  Affects this Debtor.

Case No.: 12-19387-MKN  
 Chapter 11

JOINTLY ADMINISTERED UNDER CASE  
 NO.: 12-19387-MKN

15  
 16 In re :  
 SPARTAN GAMING LLC,  
 17  Affects this Debtor.

Case No.: 12-19388  
 Chapter 11

Date: June 26, 2013  
 Time: 9:30 a.m.

18  
 19 **DISCLOSURE STATEMENT TO ACCOMPANY DEBTORS' JOINT PLAN OF**  
 20 **REORGANIZATION**  
 21  
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**APPENDIX**

- EXHIBIT "1": DEBTORS' JOINT PLAN OF REORGANIZATION
- EXHIBIT "2": LIQUIDATION ANALYSIS
- EXHIBIT "3": FINANCIAL PROJECTIONS
- EXHIBIT "4": USB AMENDED AND RESTATED NOTE
- EXHIBIT "5": CM AMENDED AND RESTATED NOTE
- EXHIBIT "6": CRE AMENDED AND RESTATED NOTE
- EXHIBIT "7": 1111(b) AMENDED AND RESTATED NOTE

I.  
**INTRODUCTION**

On August 13, 2013 (the "Petition Date"), Jerry's Nugget, Inc., a Nevada corporation ("JNI"), and Spartan Gaming LLC, a Nevada limited liability company ("Spartan Gaming" and, together with JNI, the "Debtors" and each a "Debtor"), filed their voluntary petitions (the "Petitions") under Title 11, Chapter 11 of the United States Code (the "Bankruptcy Code")<sup>1</sup> with the United States Bankruptcy Court for the District of Nevada (the "Bankruptcy Court") to commence the above-captioned cases (together, the "Chapter 11 Case," and, respectively, the "JNI Chapter 11 Case" and the "SG Chapter 11 Case"). The cases are being jointly administered.

Debtors have prepared this Disclosure Statement in connection with the solicitation of votes on *Debtors' Joint Plan of Reorganization* (the "Plan") filed May 8, 2013, proposed by Debtors to treat the Claims of Creditors in the Chapter 11 Case.

**CAPITALIZED TERMS USED BUT NOT DEFINED IN THIS DISCLOSURE STATEMENT HAVE THE MEANINGS ASCRIBED TO SUCH TERMS IN THE PLAN. IN THE EVENT OF A CONFLICT OR DIFFERENCE BETWEEN THE DEFINITIONS USED IN THIS DISCLOSURE STATEMENT AND IN THE PLAN, THE DEFINITIONS CONTAINED IN THE PLAN SHALL CONTROL.**

The Exhibits to this Disclosure Statement included in the Appendix are incorporated into, and are a part of, this Disclosure Statement. The Plan is attached hereto as **Exhibit "1."** Any interested party desiring further information should contact:

Gordon Silver  
Talitha Gray Kozlowski, Esq.  
3960 Howard Hughes Parkway, 9th Floor  
Las Vegas, Nevada 89169  
Telephone: (702) 796-5555  
Email: tgray@gordonsilver.com

...

...

<sup>1</sup> All references to "Chapter" and "Section" hereinafter shall be to the Bankruptcy Code; all references to a "Bankruptcy Rule" shall refer to the Federal Rules of Bankruptcy Procedure; and all references to a "Local Rule" shall refer to the Local Rules of Bankruptcy Practice of the U.S. District Court for the District of Nevada.



1 Interested parties may also obtain further information from the Bankruptcy Court at the  
2 following website: <http://www.nvb.uscourts.gov>. Each Holder of a Claim entitled to vote on the  
3 Plan should read this Disclosure Statement, the Exhibits hereto including the Plan, and the  
4 instructions accompanying the Ballots in their entirety before voting on the Plan. These  
5 documents contain important information concerning the classification of Claims and Equity  
6 Securities for voting purposes and the tabulation of votes.

7 **II.**  
8 **INFORMATION REGARDING THE PLAN AND THIS DISCLOSURE STATEMENT**

9 The following are answers to common questions about a Chapter 11 reorganization:

10 **1. What is Chapter 11?**

11 Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code.  
12 Under Chapter 11, a debtor is authorized to reorganize its business for the benefit of itself, its  
13 creditors, and equity interest holders. The commencement of a Chapter 11 case creates an estate  
14 that is comprised of all of the legal and equitable interests of the debtor as of the filing date. The  
15 Bankruptcy Code provides that the debtor may continue to operate its business and remain in  
16 possession of its property as a “debtor-in-possession.”

17 **2. What is the objective of a Chapter 11 bankruptcy case?**

18 The objective of a Chapter 11 bankruptcy case is the confirmation (*i.e.* approval by the  
19 bankruptcy court) of a plan of reorganization. In this case, Debtors commended the Chapter 11  
20 Case with two primary goals in mind: (1) to restructure Debtors’ secured and unsecured debt  
21 while continuing to improve the operation of Jerry’s Nugget; and (2) to maximize the return to  
22 their Creditors from Debtors’ future revenue and/or take-out financing.

23 **3. What is a plan of reorganization?**

24 A plan describes in detail (and in language appropriate for a legal contract) the means for  
25 satisfying claims against, and equity interests in, a debtor.

26 ...

27 ...

28 ...

1           **4.       What happens after a plan is filed?**

2           After a plan has been filed, the holders of claims and equity interests that are impaired (as  
3 defined in Section 1124 of the Bankruptcy Code) and receiving some cash and/or property on  
4 account of such claims or equity interests are permitted to vote to accept or reject the plan.

5           **5.       What is a disclosure statement and its purpose?**

6           Before a debtor or other plan proponent can solicit acceptances of a plan, Section 1125 of  
7 the Bankruptcy Code requires the debtor or other plan proponent to prepare a disclosure  
8 statement containing adequate information of a kind, and in sufficient detail, to enable those  
9 parties entitled to vote on the plan to make an informed voting decision about whether to accept  
10 or reject the plan.

11           The purpose of this Disclosure Statement is to provide sufficient information about  
12 Debtors and the Plan to enable Holders of Impaired Claims to make an informed voting decision  
13 about whether to accept or reject the Plan.

14           **6.       What will happen after the Bankruptcy Court approves this Disclosure**  
15 **Statement?**

16           This Disclosure Statement will be used to solicit acceptances of the Plan only after the  
17 Bankruptcy Court has found that this Disclosure Statement provides adequate information in  
18 accordance with Section 1125 of the Bankruptcy Code and has entered an order approving this  
19 Disclosure Statement. Approval by the Bankruptcy Court is not an opinion or ruling on the  
20 merits of the Plan and it does not mean that the Plan has been or will be approved by the  
21 Bankruptcy Court.

22           **7.       Who may vote to accept or reject a plan?**

23           A claim is defined by the Bankruptcy Code to include a right to payment from a debtor.  
24 In order to vote on the Plan, a Creditor must have an Allowed Claim. The solicitation of votes  
25 on the Plan will be sought only from Holders of Allowed Claims whose Claims are Impaired and  
26 who will receive property or rights under the Plan. As explained further below, to be entitled to  
27 vote, a Person must be a Holder of a Claim that is both an “Allowed Claim” and “Impaired.”

28           . . .

1           **8.       Do I have an Allowed Claim?**

2           You have an Allowed Claim if: (i) you or your representative timely files a proof of  
3 Claim and no objection has been filed to your Claim within the time period set for the filing of  
4 such objections; (ii) you or your representative timely files a proof of Claim and an objection is  
5 filed to your Claim upon which the Bankruptcy Court has ruled and allowed your Claim; (iii)  
6 your Claim is listed by a Debtor in its Schedules or any amendments thereto (which are on file  
7 with the Bankruptcy Court as a public record) as liquidated in amount and undisputed and no  
8 objection has been filed to your Claim; or (iv) your Claim is listed by a Debtor in its Schedules  
9 as liquidated in amount and undisputed and an objection was filed to your Claim upon which the  
10 Bankruptcy Court has ruled to allow your Claim. Under the Plan, the deadline for filing  
11 objections to Claims is sixty (60) calendar days following the Effective Date. If your Claim is  
12 not an Allowed Claim, it is a Disputed Claim and you will *not* be entitled to vote on the Plan  
13 unless the Bankruptcy Court temporarily or provisionally allows your Claim for voting purposes  
14 pursuant to Bankruptcy Rule 3018. If you are uncertain as to the status of your Claim or if you  
15 have a dispute with Debtors, you should check the Bankruptcy Court record carefully, including  
16 Debtors' Schedules, and seek appropriate legal advice. Neither Debtors nor their professionals  
17 can advise you about such matters.

18           **9.       Is my Claim or Equity Security Impaired?**

19           Impaired Claims include those whose legal, equitable, or contractual rights are altered by  
20 the Plan, even if the alteration is beneficial to the Creditor, or if the full amount of the Allowed  
21 Claim will not be paid under the Plan. Holders of Claims that are not Impaired under the Plan  
22 will be deemed to have accepted the Plan pursuant to Section 1126(f) of the Bankruptcy Code,  
23 and Debtors need not solicit acceptance of the Plan by Holders of such Unimpaired Claims.  
24 Holders of Claims that are to receive nothing under the Plan will be deemed to have voted to  
25 reject the Plan pursuant to Section 1126(g) of the Bankruptcy Code, and Debtors need not solicit  
26 votes from such Holders.

27           ...

1 Impaired Classes of Claims under the Plan in Class 1 (Allowed USB Claim), Class 2  
2 (Allowed CM Claim), Class 3 (Allowed CRE Claim), Class 4 (Allowed Slot Contract Claims),  
3 Class 5 (Allowed Other Secured Claims), Class 6 (Allowed Priority Unsecured Claims), and  
4 Class 8 (Allowed General Unsecured Claims) are entitled to vote. Debtors are soliciting votes  
5 from the Holders of these Claims.

6 The only Unimpaired Class of Claims is Class 7 (Allowed Administrative Convenience  
7 Claims). As the Class 7 Claims are Unimpaired and deemed to accept the Plan, Holders of Class  
8 7 Claims will not vote on the Plan.

9 Class 9 (Allowed Intercompany Claims) will either be reinstated or cancelled and  
10 discharged and the Class 10 (Allowed JNI Equity Securities) and Class 11 (Allowed Spartan  
11 Gaming Equity Securities) will not receive anything under the Plan. As such, the Holders of  
12 Class 9 Claims and Class 10 and Class 11 Equity Securities are Impaired and deemed to reject  
13 the Plan, and therefore, will not vote on the Plan.

14 **10. How generally is a plan approved?**

15 In order for a plan to be confirmed, it must be accepted by at least one impaired class of  
16 claims, excluding the affirmative votes of any insiders within that class. A class of claims is  
17 deemed to have accepted the plan if and when allowed votes representing at least two-thirds in  
18 amount and a majority in number of the claims of the class actually voting cast votes in favor of  
19 the plan.

20 **11. What is the general construct of Debtors' Plan?**

21 The primary objective of the reorganization and restructuring under the Plan is to  
22 maximize returns to those Creditors entitled to recoveries from the Estates and to allow Debtors  
23 to continue their operations as a going concern. Debtors desire to achieve this objective through  
24 restructuring their secured and unsecured debt and making payments on the restructured debt  
25 from cash flow obtained from the continued operation of Jerry's Nugget and the value of the  
26 Spartan Gaming Property. Additionally, the Stamis Trusts, will be contributing \$400,000 to  
27 Reorganized JNI and Reorganized Spartan Gaming, which will be tendered into escrow or  
28

1 Gordon Silver's trust account prior to the Confirmation Hearing, plus such additional funds as  
2 are necessary for Debtors to timely tender the Distributions contemplated by the Plan. In  
3 exchange, for such contribution and the continued management of Jerry's Nugget, the Stamis  
4 Trusts will become the sole owners of Reorganized Debtors.

5 **12. Will Reorganized Debtors be able to meet the financial terms of the Plan?**

6 As set forth in Debtors' Financial Projections attached hereto as **Exhibit "3"** (the  
7 "Projections") and discussed in Section XIII.C *infra*, Debtors projected revenues, in conjunction  
8 with the Stamis Trusts' contribution, are sufficient to satisfy all of their obligations under the  
9 Plan.

10 **13. What happens after the voting is completed?**

11 After the appropriate Holders of Allowed Claims and Allowed Equity Securities have  
12 voted to accept or reject the Plan, there will be a Confirmation Hearing to determine whether the  
13 Plan should be confirmed by the Bankruptcy Court. At the Confirmation Hearing, the  
14 Bankruptcy Court will consider whether the Plan satisfies the requirements of the Bankruptcy  
15 Code. The Bankruptcy Court will also receive and consider a ballot summary that will present a  
16 tally of the votes cast by those Classes of Creditors entitled to vote on the Plan.

17 **14. What is the effect of Plan Confirmation?**

18 Confirmation of a plan of reorganization by the bankruptcy court makes the plan binding  
19 upon Debtors, any issuer of securities under the Plan, any person acquiring property under the  
20 Plan, and *every Creditor of Debtors*, regardless of whether such creditor is Impaired under, or  
21 has accepted the Plan or receives or retains any property under the Plan. Subject to certain  
22 limited exceptions, and other than as provided in the Plan itself or the Confirmation Order, the  
23 Confirmation Order discharges Debtors from any debt that arose prior to the date of confirmation  
24 of the Plan and substitutes the obligations specified under the Plan.

25 **15. Has the Securities Exchange Commission reviewed and approved this**  
26 **Disclosure Statement?**

27 This Disclosure Statement has been prepared in accordance with Section 1125 of the  
28 Bankruptcy Code and Bankruptcy Rule 3016(b) and not necessarily in accordance with federal

1 or state securities laws or other non-bankruptcy laws. This Disclosure Statement has not been  
2 approved or disapproved by the United States Securities and Exchange Commission (the  
3 “SEC”), nor has the SEC passed upon the accuracy or adequacy of the statements contained  
4 herein.

5 **16. Can I rely upon the statements and financial information contained in this**  
6 **Disclosure Statement?**

7 **DEBTORS MAKE THE STATEMENTS AND PROVIDE THE FINANCIAL**  
8 **INFORMATION CONTAINED HEREIN AS OF THE DATE HEREOF. UNLESS**  
9 **OTHERWISE SPECIFIED, PERSONS REVIEWING THIS DISCLOSURE**  
10 **STATEMENT SHOULD NOT INFER THAT THE FACTS SET FORTH HEREIN HAVE**  
11 **NOT CHANGED SINCE THE DATE THIS DISCLOSURE STATEMENT WAS**  
12 **INITIALLY PREPARED.**

13 **DEBTORS’ MANAGEMENT HAS REVIEWED THE FINANCIAL**  
14 **INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT. ALTHOUGH**  
15 **DEBTORS HAVE ENDEAVORED TO ENSURE THE ACCURACY OF THIS**  
16 **FINANCIAL INFORMATION, THE FINANCIAL INFORMATION CONTAINED IN,**  
17 **OR INCORPORATED BY REFERENCE INTO, THIS DISCLOSURE STATEMENT**  
18 **HAS NOT BEEN AUDITED, UNLESS OTHERWISE STATED HEREIN.**

19 **17. Can I rely upon the Disclosure Statement for other purposes?**

20 **THE INFORMATION IN THIS DISCLOSURE STATEMENT IS INCLUDED**  
21 **HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN AND**  
22 **MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE**  
23 **HOW TO VOTE ON THE PLAN. THIS DISCLOSURE STATEMENT THEREFORE**  
24 **DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF**  
25 **FACT OR LIABILITY, A STIPULATION, OR A WAIVER IN ANY PROCEEDING**  
26 **OTHER THAN THE SOLICITATION OF ACCEPTANCES OF THE PLAN AND**  
27 **CONFIRMATION OF THE PLAN. FOR ALL PURPOSES OTHER THAN THE**  
28 **SOLICITATION OF ACCEPTANCES OF THE PLAN, THIS DISCLOSURE**

1 STATEMENT SHOULD BE CONSTRUED AS A STATEMENT MADE IN  
2 SETTLEMENT NEGOTIATIONS RELATED TO CONTESTED MATTERS,  
3 ADVERSARY PROCEEDINGS, AND OTHER PENDING OR THREATENED  
4 LITIGATION OR ACTIONS.

5 18. Who provided the information contained in this Disclosure Statement?

6 This Disclosure Statement was prepared by Debtors' management in conjunction with  
7 Debtors' bankruptcy counsel, the law firm of Gordon Silver.

8 19. Should I consult with my own financial and legal advisors?

9 This Disclosure Statement does not constitute legal, business, financial, or tax advice.  
10 All persons desiring such advice or any other advice should consult with their own advisors.

11 20. I have heard statements from the media regarding the Plan. Can I rely on these  
12 statements?

13 Debtors have not authorized any representations about the Plan, themselves, or the value  
14 of their property other than those set forth in this Disclosure Statement. Holders of Claims  
15 proceed at their own risk to the extent that they rely on any information, representations, or  
16 inducements made or given about the Plan that differ from, or are inconsistent with, the  
17 information contained herein and in the Plan.

18 21. What if there is an inconsistency between this Disclosure Statement and the  
19 Plan?

20 This Disclosure Statement summarizes certain provisions of the Plan and certain other  
21 documents and financial information that are incorporated by reference herein (collectively, the  
22 "Incorporated Documents"). The summaries contained herein are qualified in their entirety by  
23 reference to the Incorporated Documents. In the event of any inconsistency or discrepancy  
24 between a description in this Disclosure Statement and the actual content of any of the  
25 Incorporated Documents, the Incorporated Documents shall govern for all purposes.

26 **III.**  
**GENERAL OVERVIEW OF THE PLAN**

27 Debtors' Plan generally provides for the repayment of Claims against Debtors as follows:  
28 (i) Allowed Secured Claims will be paid *in full with interest*; (ii) Allowed Priority Claims will be

1 *paid in full with interests*; (iii) Allowed Administrative Convenience Claims will be *paid in full*;  
2 and (iv) Allowed General Unsecured Claims will be paid their Pro Rata portion of \$2,500,000,  
3 which will be funded by Debtors' ongoing operations and the \$400,000 or greater contribution  
4 from the Stamis Trusts. Existing Equity Securities in JNI and Spartan Gaming shall be cancelled  
5 and 100% of the Reorganized Debtors' stock and membership issued to the Stamis Trusts.

6 The following is a general overview of the provisions of the Plan, which Plan treatment is  
7 discussed more fully herein and is qualified in its entirety by reference to the provisions of the  
8 Plan itself.

9 **A. Classification of Claims.**

10 Section 1123 of the Bankruptcy Code provides that a plan of reorganization shall classify  
11 the claims of a debtor's creditors and equity interest holders. In compliance therewith, the Plan  
12 divides Claims into various Classes and sets forth the treatment for each Class. Debtors are also  
13 required under Section 1122 of the Bankruptcy Code to place a Claim into a particular Class only  
14 if such Claim is substantially similar to the other Claims in such Class. Debtors believe that the  
15 Plan has classified all Claims in compliance with the provisions of Section 1122 of the  
16 Bankruptcy Code, but it is possible that a Holder of a Claim will challenge the Plan's  
17 classifications and that the Bankruptcy Court will find that different classifications are required  
18 in order for the Plan to be confirmed. In such event, Debtors reserve the right, to the extent  
19 permitted by the Bankruptcy Code, to make reasonable modifications of the classifications under  
20 the Plan to permit Confirmation of the Plan and to use the Plan acceptances received in this  
21 solicitation for the purpose of obtaining the approval of the reconstituted Class or Classes of  
22 which the accepting Holders are ultimately deemed members.

23 The Plan's treatment of each classified Class of Claims is summarized in the following  
24 table:

25 ...  
26 ...  
27 ...  
28 ...



<u>Class</u>	<u>Description</u>	<u>Summary of Treatment</u>	<u>Estimated Claim</u> <sup>2</sup>
Class 1	USB Claim	The Allowed Class 1 Claim will be paid in full with interest over a 7-year term as set forth more fully in <u>Section III.C.1</u> hereof.  Impaired. Solicitation required.	\$3,753,737.00 <sup>3</sup>
Class 2	CM Claim	The Allowed Class 2 Claim will be paid in full with interest over a 3.5-year term as set forth more fully in <u>Section III.C.2</u> hereof.  Impaired. Solicitation required.	\$1,096,123.80 <sup>4</sup>
Class 3	CRE Claim	As set forth more fully in <u>Section III.C.3</u> hereof, the Secured Claim portion of the Allowed Class 3 Claim will be in full with interest if the Section 1111(b) Election is not made and without interest if the Section 1111(b) Election is made.  Impaired. Solicitation required.	\$64,500.00 <sup>5</sup>

...

<sup>2</sup> The *estimated* Claim amounts were compiled by combining the undisputed, liquidated, and non-contingent Claims included in Debtors' Schedules, as amended, and the proofs of Claim on file on or about April 10, 2013. Debtors anticipate filing objections to certain of the filed proofs of Claim, as may other parties-in-interest. The allowance or disallowance of such Claims will alter the aggregate amount of Allowed Claims. *Nothing herein shall be deemed an acknowledgment of the amount or allowance of any asserted Claim; rather, Debtors hereby expressly reserve their right to object to any and all asserted or scheduled Claims.*

<sup>3</sup> On December 12, 2012, US Bank, N.A. ("USB") filed proof of Claim number 50 asserting a Secured Claim against JNI in the amount of \$3,753,737, plus post-petition interest, fees, and expenses. Debtors dispute USB's asserted Claim and hereby expressly reserve their right to object to the nature and amount of USB's asserted Claim.

<sup>4</sup> On December 12, 2012, CM Capital Services, LP ("CM") filed proof of Claim number 46 asserting a Secured Claim against JNI in the amount of \$1,096,123.80. Debtors hereby expressly reserve their right to object to the nature and amount of CM's asserted Claim.

<sup>5</sup> On November 27, 2012, 2010-1 CRE Venture, LLC ("CRE") filed proof of Claim number 35 asserting a Claim against JNI in the amount of \$750,119.60. CRE contends that the CRE Encumbered Property has a value of \$212,687, which property Debtor contends has a value of \$64,500. Debtors have utilized their valuation in determining the Secured Claim portion of CRE's asserted Claim. The Secured Claim portion of the CRE Claim is included in Class 3 and the balance of the asserted CRE Claim is included in Class 8. However, to the extent CRE makes the Section 1111(b) Election, CRE's entire Allowed Claim will be classified in Class 3. Debtors dispute CRE's asserted Claim and hereby expressly reserve their right to object to the nature and amount of CRE's asserted Claim.

1	Class 4	Slot Contract Claims	As more fully set forth in <u>Section III.C.4</u> hereof, the Slot Contracts will be Reinstated on the Effective Date and the Allowed Class 4 Claims for pre-petition arrearages will be paid on the 60 <sup>th</sup> day after the Effective Date.  Impaired. Solicitation required.	N/A <sup>6</sup>
2	4.1	Slot Contract Claim of Aristocrat Technologies	Impaired. Solicitation required.	\$0.00 (Cure)  \$0.00 (Reinstatement)
3	4.2	Slot Contract Claims of Bally Gaming, Inc. (#1)	Impaired. Solicitation required.	\$3,224.00 (Cure)  \$20,906.00 (Reinstatement)
4	4.3	Slot Contract Claims of Bally Gaming, Inc. (#2)	Impaired. Solicitation required.	\$4,836.00 (Cure)  \$42,725.00 (Reinstatement)
5	4.4	Slot Contract Claim of International Game Technology (#1)	Impaired. Solicitation required.	\$7,344.28 (Cure)  \$0.00 (Reinstatement)
6	4.5	Slot Contract Claim of International Game Technology (#2)	Impaired. Solicitation required.	\$4,256.50 (Cure)  \$56,111.17 (Reinstatement)
7	4.6	Slot Contract Claim of Konami Gaming, Inc.	Impaired. Solicitation required.	\$2,440.05 (Cure)  \$0.00 (Reinstatement)
8	4.7	Slot Contract Claim of PDS Gaming Corporation	Impaired. Solicitation required.	\$0.00 (Cure)  \$0.00 (Reinstatement)

<sup>6</sup> Both the pre-petition arrearages, as well as balance as of April 1, 2013 of the Slot Contracts that will be Reinstated are identified herein.

1	4.8	Slot Contract Claim of WMS Gaming Inc.	Impaired. Solicitation required.	\$0.00 (Cure)  \$19,566.10 (Reinstatement)
2	Class 5	Other Secured Claims	As set forth more fully in <u>Section III.C.5</u> hereof, the Allowed Class 5 Claims will be paid in full with interest on the 120 <sup>th</sup> day after the Effective Date.  Impaired. Solicitation required.	\$156.39 <sup>7</sup>
3	Class 6	Priority Unsecured Claims	The Allowed Class 6 Claims will be paid on the 60 <sup>th</sup> day after the Effective Date as more fully set forth in <u>Section III.C.6</u> hereof.  Impaired. Solicitation required.	\$0.00 <sup>8</sup>
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<sup>7</sup> Ally Financial Inc. filed proof of Claim number 4 asserting a Secured Claim against JNI in the amount of \$11,105.96, the Clark County Treasurer filed proof of Claim number 25 asserting a Secured Claim against JNI in the amount of \$91,268.65, and the Clark County Treasurer filed proof of Claim number 3 asserting a Secured Claim against Spartan Gaming in the amount of \$11,470.20. As these asserted Claims were satisfied pursuant to the First Day Orders (discussed herein), Debtors intend to file objections seeking the disallowance of these asserted Other Secured Claims on the basis that they have been satisfied. Toyota Motor Credit filed proof of Claim number 10 asserting a Secured Claim against JNI in the amount of \$1,119.06, which Debtors submit includes a pre-petition Claim in the amount of \$156.39, with the balance having been satisfied by post-petition payments in the ordinary course. Unless a consensual resolution is reached, Debtors intend to file an objection seeking to allow Toyota Motor Credit's asserted Claim solely in the amount of \$156.39. Nevada Sign, Inc. filed proof of Claim number 23 asserting a Secured Claim against Spartan Gaming in the amount of \$161,974.53, plus all fees, costs, and interest pursuant to NRS 108.237. Debtors dispute the validity of Nevada Sign, Inc.'s asserted Secured Claim and intend to seek its disallowance. To the extent that any of the foregoing asserted Claims are ultimately allowed by Final Order of the Bankruptcy Court, such Allowed Other Secured Claims will be paid in accordance with Section 4.5 of the Plan.

<sup>8</sup> CDW filed proof of Claim number 1 asserting a Priority Unsecured Claim against JNI in the amount of \$5,788.26. Debtors dispute CDW's contention that its Claim is entitled to priority status pursuant to Section 507 of the Bankruptcy Code and further contend that only \$886.51 is due and owing to CDW. Debtors intend to file an objection to CDW's proof of Claim seeking entry of an order granting CDW an Allowed General Unsecured Claim in the amount of \$886.51, which Allowed Claim would be paid in accordance with Section 4.7 of the Plan. The State of Nevada – Nevada Gaming Commission file proof of Claim number 54 asserting a Priority Unsecured Claim against JNI in the amount of \$15,450.64, which Claim Debtors contend was satisfied pursuant to the First Day Orders. Debtors intend to file an objection seeking the disallowance of the Nevada Gaming Commissions' asserted Claim on the basis that it was satisfied. The Nevada Department of Taxation filed proof of Claim number 22 asserting a Priority Unsecured Claim against JNI in the amount of \$61,585.12. Debtors dispute the validity of proof of Claim number 22 and intend to seek its disallowance. To the extent that any of the foregoing asserted Claims are ultimately allowed by Final Order of the Bankruptcy Court, such Allowed Priority Unsecured Claims will be paid in accordance with Section 4.6 of the Plan.

1	Class 7	Administrative Convenience Claims	The Allowed Class 7 Claims (being the General Unsecured Claims of \$3,500 or less) will be paid on the Effective Date as more fully set forth in <u>Section III.C.7</u> hereof.	\$76,100.00 <sup>9</sup>
2			Unimpaired. Deemed to accept. No solicitation required.	
3	Class 8	General Unsecured Claims	As more fully set forth in <u>Section III.C.8</u> hereof, the Allowed Class 8 Claims will receive their Pro Rata share of \$2.5 Million through payments of \$20,000 through January 2022, and through payments of \$25,000 thereafter, which payments shall be made on each February, March, April, May, June, and July.	\$5,985,000.00 <sup>10</sup>
4			Impaired. Solicitation required.	(or less or greater as more fully discussed in footnote 10)
5	Class 9	Intercompany Claims	The Class 9 Claims will be cancelled in full or part, or Reinstated in full or in part, at the option of Debtors as more fully set forth in <u>Section III.C.9</u> hereof.	\$1,524,886.00
6			Impaired. Deemed to reject. No solicitation required.	

17 ...

18 <sup>9</sup> To the extent that any Class 8 Claimants agree to accept \$3,500 in full satisfaction of their Allowed Class 8  
 19 Claims, such Class 8 Claims will become Class 7 Claims and will be paid in accordance with Section 4.7 of the Plan.

20 <sup>10</sup> The sum of \$5,985,000 includes the asserted General Unsecured Claims exceeding \$3,500 as filed in Debtors' Schedules, as well as the filed proofs of Claim. *As previously stated, Debtors intend to object to certain of the asserted General Unsecured Claims.* To the extent such objections are sustained, the total Allowed General Unsecured Claims will be reduced below \$5,985,000. It should be noted that the sum of \$5,985,000 includes the unsecured portion of the asserted CRE Claim. Additionally, CRE filed duplicative proofs of Claim against JNI in the amount of \$44,351,108.67, being proof of Claim numbers 36 and 37 (the "CRE Guaranty Claims"). The CRE Guaranty Claims are based on an alleged guaranty provided by JNI for a loan by and between Community Bank of Nevada and Barcelona Partners, LLC, repayment of which loan is secured by approximately 194 acres of land in Mesquite, Nevada, which land is owned by Barcelona Partners, LLC. Debtors dispute the validity of the asserted guarantee by JNI and also asserts, among other defenses, the defenses provided by Nevada's anti-deficiency statutes, including NRS 40.459. If a consensual resolution is not reached with CRE, Debtors intend to file an objection seeking the disallowance of the duplicative CRE Guaranty Claims. To the extent such objection is not sustained in full, the total Allowed General Unsecured Claims will increase to the extent that the CRE Guaranty Claims are allowed by Final Order of the Bankruptcy Court. *For instance, were the Bankruptcy Court to allow the full CRE Guaranty Claims, an outcome Debtors submit is highly unlikely, the Class 8 Claims would increase from \$5,985,000 to \$50,336,108. In such event, CRE would be entitled to more than 85% of the total Class 8 Distributions with the remaining Class 8 Creditors sharing Pro Rata less than 15% of the Class 8 Distributions.*

1	Class 10	JNI Equity Securities	As set forth in <u>Section III.C.10</u> hereof, Class 10 shall not receive any Distribution.	N/A
2			Impaired. Deemed to reject. No solicitation required.	
3				
4	Class 11	Spartan Gaming Equity Securities	As set forth in <u>Section III.C.11</u> hereof, Class 11 shall not receive any Distribution.	N/A
5			Impaired. Deemed to reject. No solicitation required.	
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8  
9 **B. Non-Classified Claims.**

10 **1. Allowed Administrative Claims.**

11 Pursuant to Section 1123(a)(1), Allowed Administrative Claims are not designated as a  
12 Class. The Holders of such unclassified Claims shall be *paid in full* under the Plan consistent  
13 with the requirements of Section 1129(a)(9)(A) and are not entitled to vote on the Plan. Pursuant  
14 to Section 331 of the Bankruptcy Code, Debtors' duly-retained professionals are able to seek the  
15 allowance and payment of their incurred fees and costs and may do so prior to the Confirmation  
16 Hearing. To date, this Court has awarded \$91,003.39 in fees and costs to Debtors' bankruptcy  
17 counsel, the law firm of Gordon Silver. Debtors anticipate they will seek the approval and  
18 payment of approximately \$250,000 in fees prior to confirmation representing fees for Debtors'  
19 bankruptcy counsel and special employment counsel. Debtors additionally anticipate that  
20 Debtors' proposed valuation expert, William G. Kimmel, will incur fees and costs between  
21 \$10,000 and \$25,000, and Debtors' proposed interest rate and feasibility expert, Conway  
22 MacKenzie, will incur fees and costs between \$75,000 and \$200,000, both in conjunction with  
23 confirmation of Debtors' Plan. Thus, Debtors anticipate unpaid professional fees and costs of  
24 between \$335,000 and \$475,000; however, such fees may be greater depending on the extent of  
25 any litigation with CRE on the CRE Guaranty Claims and any objections to Confirmation of the  
26 Plan.

27 Each Allowed Administrative Claim shall be paid by Reorganized JNI, Reorganized  
28 Spartan Gaming, or Reorganized Debtors, as applicable, (or otherwise satisfied in accordance

1 with its terms) upon the latest of: (i) the Effective Date or as soon thereafter as is practicable; (ii)  
2 such date as may be fixed by the Bankruptcy Court, or as soon thereafter as practicable; (iii) the  
3 fourteenth (14<sup>th</sup>) Business Day after such Claim is Allowed, or as soon thereafter as practicable;  
4 and (iv) such date as the Holder of such Claim and Debtors, Reorganized JNI, Reorganized  
5 Spartan Gaming, or Reorganized Debtors, as applicable, shall agree upon. The Allowed  
6 Administrative Claims will be paid from Debtors' cash on hand.

7 All requests for payment of Administrative Claims against Debtors and all final  
8 applications for allowance and disbursement of Professional Fees must be filed by the  
9 Administrative Claims Bar Date or the Holders thereof shall be forever barred from asserting  
10 such Administrative Claims against Debtors, and Reorganized Debtors. All Professional Fees  
11 applications must be in compliance with all of the terms and provisions of any applicable order  
12 of the Bankruptcy Court, including the Confirmation Order, and all other orders governing  
13 payment of Professional Fees. Unless otherwise ordered by the Bankruptcy Court, from and  
14 after the Effective Date, no professional shall be required to file fee applications with the  
15 Bankruptcy Court and Reorganized Debtors may pay all professionals in the ordinary course for  
16 fees and expenses incurred after the Effective Date.

## 17 **2. Allowed Priority Tax Claims.**

18 Except to the extent a Holder of an Allowed Priority Tax Claim agrees to less favorable  
19 treatment, each Holder of an Allowed Priority Tax Claim, if any, will, in full and final  
20 satisfaction of such Claim, be paid in full (or be treated in compliance with Section  
21 1129(a)(9)(C) of the Bankruptcy Code) by Reorganized JNI, Reorganized Spartan Gaming, or  
22 Reorganized Debtors, as applicable, on the latest of: (i) the Effective Date, or as soon thereafter  
23 as practicable; (ii) such date as may be fixed by the Bankruptcy Court, or as soon thereafter as  
24 practicable; (iii) the fourteenth (14<sup>th</sup>) Business Day after such Claim is Allowed, or as soon  
25 thereafter as practicable; and (iv) such date as the Holder of such Claim and Reorganized JNI,  
26 Reorganized Spartan Gaming, or Reorganized Debtors, as applicable, shall agree upon. Debtors  
27 do not anticipate having any Allowed Priority Tax Claims.

28 . . .

1 **C. Treatment of Classified Claims.**

2 **1. Class 1 - Allowed USB Claim.**

3 Class 1 consists of the Allowed USB Claim, which is the outstanding payment obligation  
4 of JNI to USB under the USB Secured Note as of the Petition Date as determined by entry of a  
5 Final Order of the Bankruptcy Court, plus: (i) any accrued and unpaid interest at the contract rate  
6 as set forth in the USB Secured Note from the Petition Date up to the Effective Date; and (ii)  
7 reasonable attorney's fees, costs, and expenses incurred by USB post-petition and prior to the  
8 Effective Date, solely to the extent that such fees, costs, and expenses are approved by entry of a  
9 Final Order of the Bankruptcy Court.

10 On the Effective Date, the USB Loan Documents shall remain in full force and effect,  
11 save and except as modified by or otherwise inconsistent with the Plan. Without any further  
12 action by JNI, Reorganized JNI, or USB, all of the USB Loan Documents shall be deemed to  
13 have been amended as follows:

14 a. Amended and Restated Note. The USB Claim will be evidenced by the  
15 USB Amended and Restated Note substantially in the form attached hereto as  
16 **Exhibit "4,"** which will be effective on the Effective Date.

17 b. Principal Balance. The principal balance of the USB Amended and  
18 Restated Note shall be the Allowed USB Claim.

19 c. Lien. From and after the Effective Date, the Holder of the Allowed USB  
20 Claim shall retain its Lien in the USB Encumbered Property consistent with the  
21 applicable USB Loan Documents and the USB Amended and Restated Note until the  
22 USB Amended and Restated Note is repaid in full.

23 d. Post-Effective Date Interest. Interest shall accrue on the USB Amended  
24 and Restated Note at the USB Interest Rate of 4.25% per annum or such other rate as  
25 determined by the Bankruptcy Court pursuant to Section 1129(b)(2).

26 e. Monthly Payments.

27 (i) Beginning on the fourteenth (14<sup>th</sup>) Business Day following the first  
28 (1<sup>st</sup>) day of the month following the Effective Date and on the fourteenth (14<sup>th</sup>)  
Business Day of each subsequent month thereafter through the twelfth (12<sup>th</sup>)  
month after the Effective Date, Reorganized JNI shall distribute to USB monthly  
interest-only payments on the outstanding balance of the USB Amended and  
Restated Note.

...

1 (ii) Beginning on the fourteenth (14<sup>th</sup>) Business Day following the first  
2 (1<sup>st</sup>) day of the thirteenth (13<sup>th</sup>) month following the Effective Date and on the  
3 fourteenth (14<sup>th</sup>) Business Day of each subsequent month thereafter through the  
4 eighty-third (83<sup>rd</sup>) month after the Effective Date, Reorganized JNI shall  
5 distribute to USB monthly principal and interest payments on the outstanding  
6 balance of the USB Amended and Restated Note amortized over a period of thirty  
7 (30) years at the USB Interest Rate.

8 f. Maturity Date. The unpaid balance of the USB Amended and Restated  
9 Note shall be due and payable on the first (1<sup>st</sup>) Business Day after the eighty-fourth (84<sup>th</sup>)  
10 month after the Effective Date, or such later date as agreed to in writing by Reorganized  
11 JNI and USB.

12 g. Prepayment. There shall be no penalty for prepayment for all or part of  
13 the USB Amended and Restated Note prior to the maturity date under such Note.

14 h. Refinancing and Sale Options. Prior to the maturity date under the USB  
15 Amended and Restated Note, Reorganized JNI shall have the absolute right to act as  
16 follows:

17 (i) *Refinance*. Refinance the USB Amended and Restated Note  
18 provided, however, that the proceeds of such refinancing loan are sufficient to,  
19 and are used to, pay all sums due and owing under the USB Amended and  
20 Restated Note at the time of closing of such refinancing, unless USB otherwise  
21 agrees; or

22 (ii) *Sale*. Sell the USB Encumbered Property free and clear of USB's  
23 Lien; provided, however, that the proceeds of such sale are sufficient at the time  
24 of closing of such sale, to pay, and are used to pay, all sums due and owing under  
25 the USB Amended and Restated Note, unless USB otherwise agrees.

26 i. Financial Covenants. On and after the Effective Date, all financial  
27 covenants set forth in the USB Loan Documents, including but not necessarily limited to  
28 those set forth in Section C.4 of the Amended and Restated Loan Agreement with USB,  
shall be of no force and effect.

j. Prohibition on Improperly Asserting Fees and Costs. For the avoidance of  
doubt, after the Effective Date, USB may not seek reimbursement or add to the amount of  
the USB Claim any appraisal fees, title costs, charges, attorney's fees, or other amounts  
unless there has been a post-Effective Date default by Reorganized JNI with respect to  
the payments required under the Plan. Any and all costs, fees, or other charges arising or  
relating to events occurring prior to the Effective Date shall be waived and forever  
released unless expressly included as part of the Allowed USB Claim as determined by  
Final Order of the Bankruptcy Court.

Class 1 is Impaired under the Plan. The Holder of the Allowed USB Claim is entitled to  
vote on the Plan.



1           **2. Class 2 - Allowed CM Claim.**

2           Class 2 consists of the Allowed CM Secured Claim, which is the outstanding payment  
3 obligation of JNI to CM under the CM Secured Note as of the Petition Date as determined by  
4 entry of a Final Order of the Bankruptcy Court.

5           On the Effective Date, the CM Loan Documents shall remain in full force and effect,  
6 save and except as modified by or otherwise inconsistent with the Plan. Without any further  
7 action by Debtors, Reorganized Debtors, or CM, all of the CM Loan Documents shall be deemed  
8 to have been amended as follows:

9           a. Amended and Restated Note. The Allowed CM Claim will be evidenced  
10 by the CM Amended and Restated Note substantially in the form attached hereto as  
11 **Exhibit “5,”** which will be effective on the Effective Date and will generally incorporate  
12 the terms of the CM Secured Note as modified as follows:

13           b. Principal Balance. The principal balance of the CM Amended and  
14 Restated Note shall be the Allowed CM Claim of \$973,637.78.

15           c. Lien. From and after the Confirmation Date, the Holder of the CM Claim  
16 shall retain its Lien in the CM Encumbered Property consistent with the applicable CM  
17 Loan Documents and the CM Amended and Restated Note until the CM Amended and  
18 Restated Note is repaid in full.

19           d. Post-Effective Date Interest. Interest shall accrue on the CM Amended  
20 and Restated Note at the CM Interest Rate of 4.50% per annum.

21           e. Payments.

22           (i) Beginning on the fourteenth (14<sup>th</sup>) Business Day following the first  
23 (1<sup>st</sup>) day of the month following the Effective Date and on the fourteenth (14<sup>th</sup>)  
24 Business Day of each subsequent month thereafter through the forty-second (42<sup>nd</sup>)  
25 month after the Effective Date, Reorganized Debtors shall distribute to CM  
26 monthly interest-only payments on the then-outstanding balance of the CM  
27 Amended and Restated Note.

28           (ii) On the one-year, two-year, and three-year anniversaries of the  
Effective Date, Reorganized Debtors shall distribute \$5,000 to CM as an  
extension fee.

          (iii) Reorganized Debtors may, in their sole discretion, tender principal  
reduction payments in any denomination of \$10,000 or greater to CM, which  
payments shall be applied as a principal reduction on the then-outstanding balance  
of the CM Amended and Restated Note.

...

1 f. Maturity Date. The unpaid balance of the CM Amended and Restated  
2 Note shall be due and payable on the first Business Day of the forty-third (43<sup>rd</sup>) month  
3 after the Effective Date, or such later date as agreed to in writing by Reorganized Debtors  
4 and CM.

5 g. Prepayment. There shall be no penalty for prepayment for all or part of  
6 the CM Amended and Restated Note prior to the maturity date under such Note.

7 h. Refinancing and Sale Options. Prior to the maturity date under the CM  
8 Amended and Restated Note, Reorganized Debtors shall have the absolute right to act as  
9 follows:

10 (i) *Refinance*. Refinance the CM Amended and Restated Note;  
11 provided, however, that the proceeds of such refinancing loan are sufficient to,  
12 and are used to, pay all sums due and owing under the CM Amended and Restated  
13 Note at the time of closing of such refinancing, unless CM otherwise agrees; or

14 (ii) *Sale*. Sell the CM Encumbered Property free and clear of CM's  
15 Lien; provided, however, that the proceeds of such sale are sufficient at the time  
16 of closing of such sale, to pay, and are used to pay, all sums due and owing under  
17 the CM Amended and Restated Note, unless CM otherwise agrees.

18 i. Financial Covenants. On and after the Effective Date, all financial  
19 covenants set forth in the CM Loan Documents shall be of no force and effect.

20 j. Prohibition on Improperly Asserting Fees and Costs. For the avoidance of  
21 doubt, after the Effective Date, CM may not seek reimbursement or add to the amount of  
22 the CM Claim any appraisal fees, title costs, charges, attorney's fees, or other amounts  
23 unless there has been a post-Effective Date default by Reorganized Debtors with respect  
24 to the payments required under the Plan. Any and all costs, fees, or other charges arising  
25 or relating to events occurring prior to the Effective Date shall be waived and forever  
26 released unless expressly included as part of the Allowed CM Claim as determined by  
27 Final Order of the Bankruptcy Court.

28 Class 2 is Impaired under the Plan. The Holder of the Allowed CRE Claim is entitled to  
vote on the Plan.

**3. Class 3 - Allowed CRE Claim.**

Class 3 consists of the Secured Claim portion of the CRE Claim, which is the outstanding  
payment obligation of JNI to CRE under the CRE Secured Note as of the Petition Date as  
determined by entry of a Final Order of the Bankruptcy Court. For the avoidance of doubt, the  
CRE Claim shall not include any default or contract interest, prepayment penalties, late charges,  
amounts due under any penalty provisions in the CRE Loan Documents, or attorneys' fees or  
costs that accrued or arose after the Petition Date.

1 The Holder of the Allowed CRE Claim shall have up to and including the initial hearing  
2 on the motion seeking approval of this Disclosure Statement to make the Section 1111(b)  
3 Election, which is the election provided to undersecured creditors pursuant to Section 1111(b) of  
4 the Bankruptcy Code and Bankruptcy Rule 3014.

5 *If the Section 1111(b) Election is Not Made.* In such event, Class 3 is comprised of the  
6 Allowed CRE Secured Claim.<sup>11</sup> On the Effective Date, the CRE Loan Documents shall remain  
7 in full force and effect, save and except as modified by or otherwise inconsistent with the Plan.  
8 Without any further action by JNI, Reorganized JNI, or CRE, all of the CRE Loan Documents  
9 shall be deemed to have been amended as follows:

10 a. Amended and Restated Note. The Allowed CRE Secured Claim will be  
11 evidenced by the CRE Amended and Restated Note substantially in the form attached  
12 hereto as **Exhibit “6,”** which will be effective on the Effective Date and will generally  
incorporate the terms of the CRE Secured Note as modified as follows:

13 b. Principal Balance. The principal balance of the CRE Amended and  
14 Restated Note shall be the Allowed CRE Secured Claim.

15 c. Lien. From and after the Confirmation Date, the Holder of the Allowed  
16 CRE Secured Claim shall retain its Lien in the CRE Encumbered Property consistent  
with the applicable CRE Loan Documents and the CRE Amended and Restated Note  
until the CRE Amended and Restated Note is repaid in full.

17 d. Post-Effective Date Interest. Interest shall accrue on the CRE Amended  
18 and Restated Note at the CRE Interest Rate of 4.50% per annum or such other rate as  
determined by the Bankruptcy Court pursuant to Section 1129(b)(2).

19 e. Monthly Payments. Beginning on the fourteenth (14<sup>th</sup>) Business Day  
20 following the first (1<sup>st</sup>) day of the month following the Effective Date and on the  
21 fourteenth (14<sup>th</sup>) Business Day of each subsequent month thereafter through the forty-  
22 second (42<sup>nd</sup>) month after the Effective Date, Reorganized JNI shall distribute to CRE  
principal and interest payments on the CRE Amended and Restated Note amortized over  
thirty (30) years at the CRE Interest Rate.

23 f. Maturity Date. The unpaid balance of the CRE Amended and Restated  
24 Note shall be due and payable on the first (1<sup>st</sup>) Business Day after the forty-third (43<sup>rd</sup>)  
25 month after the Effective Date, or such later date as agreed to in writing by Reorganized  
26 JNI and CRE.

27 <sup>11</sup> The “CRE Secured Claim” is defined in Section 1.1.45 of the Plan as “[t]he portion of the CRE Claim that is  
28 secured by the CRE Encumbered Property as the date of the Confirmation Hearing.”

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*If the Section 1111(b) Election is Made.* In such event, the Class 3 Claim is comprised of the Allowed CRE Claim. On the Effective Date, the CRE Loan Documents shall remain in full force and effect, save and except that: (i) without any further action by JNI, Reorganized JNI, or CRE, all of the Loan Documents shall be deemed to have been amended as follows; and (ii) the Allowed CRE Claim will be evidenced by the 1111(b) Amended and Restated Note, substantially in the form attached hereto as **Exhibit “7,”** which will be effective on the Effective Date and will generally incorporate the terms of the CRE Secured Note as modified as follows:

a. Principal Balance. The stated principal balance of the 1111(b) Amended and Restated Note shall be the Allowed CRE Claim.

b. Lien. From and after the Confirmation Date, the Holder of the Allowed CRE Claim shall retain its Lien in the CRE Encumbered Property consistent with the applicable CRE Loan Documents and the 1111(b) Amended and Restated Note until the 1111(b) Amended and Restated Note is repaid in full.

c. Post Effective Date Interest. No interest shall accrue on the 1111(b) Amended and Restated Note.

d. Monthly Payments. Beginning on the fourteenth (14<sup>th</sup>) Business Day following the first (1<sup>st</sup>) day of the month following the Effective Date and on the fourteenth (14<sup>th</sup>) Business Day of each subsequent month thereafter through the one hundred and eightieth month (180<sup>th</sup>) month after the Effective Date, Reorganized JNI shall distribute to CRE payments of the lesser of: (i) \$4,100; and (ii) the unpaid balance of the 1111(b) Amended and Restated Note.

e. Maturity Date. The unpaid balance of the 1111(b) Amended and Restated Note, being the principal balance less the gross amount of all payments on the 1111(b) Amended and Restated Note, unless sooner paid, shall be due and payable on the first Business Day of the one hundred eighty first (181<sup>st</sup>) month after the Effective Date, or such later date as agreed to in writing by Reorganized JNI and CRE.

f. Full Repayment. As a result of the Section 1111(b) Election, the Allowed CRE Claim as of the Effective Date shall be deemed satisfied in full when the gross amount of all post-Effective Date Distributions made to CRE on account of the CRE Claim equals the Allowed CRE Claim.

***Provisions Applicable Regardless of Whether the Section 1111(b) Election is Made.***

g. Prepayment. There shall be no penalty for prepayment for all or part of the CRE Amended and Restated Note or the 1111(b) Amended and Restated Note, as applicable, prior to the applicable maturity date under such Notes.

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1 h. Refinancing and Sale Options. Prior to the applicable maturity date under  
2 either the CRE Amended and Restated Note or the 1111(b) Amended and Restated Note,  
as applicable, Reorganized JNI shall have the absolute right to act as follows:

3 (i) *Refinance*. Refinance the CRE Amended and Restated Note or the  
4 1111(b) Amended and Restated Note, as applicable; *provided, however*, that the  
5 proceeds of such refinancing loan are sufficient to, and are used to, pay all sums  
6 due and owing under such Note at the time of closing of such refinancing, unless  
CRE otherwise agrees; or

7 (ii) *Sale*. Sell the CRE Encumbered Property free and clear of CRE's  
8 Lien; *provided, however*, that the proceeds of such sale are sufficient at the time  
9 of closing of such sale, to pay, and are used to pay, all sums due and owing under  
such Note, unless CRE otherwise agrees.

10 i. Financial Covenants. On and after the Effective Date, all financial  
covenants set forth in the CRE Loan Documents shall be of no force and effect.

11 j. Prohibition on Improperly Asserting Fees and Costs. For the avoidance of  
12 doubt, after the Effective Date, CRE may not seek reimbursement or add to the amount of  
13 the CRE Claim any appraisal fees, title costs, charges, attorney's fees, or other amounts  
14 unless there has been a post-Effective Date default by Reorganized JNI with respect to  
15 the payments required under the Plan. Any and all costs, fees, or other charges arising or  
relating to events occurring prior to the Effective Date shall be waived and forever  
released unless expressly included as part of the Allowed CRE Claim as determined by  
Final Order of the Bankruptcy Court.

16 Class 3 is Impaired under the Plan. The Holder of the Allowed CRE Claim is entitled to  
17 vote on the Plan.

18 **4. Class 4 - Slot Contract Claims.**

19 Class 4 consists of the Slot Contract Claims, which are the Claims arising from the  
20 various purchase agreements by and between JNI, on the one hand, and Aristocrat Technologies,  
21 Bally Gaming, Inc., International Game Technology, Konami Game Technology, PDS Gaming  
22 Corporation, and WMS Gaming Inc., on the other, for the purchase of gaming equipment, which  
23 purchase agreements grant a security interest in the subject purchased gaming equipment. Each  
24 Holder of an Allowed Slot Contract Claim has been placed in its own separate subclass within  
25 Class 4, and each subclass shall be deemed to be a separate class for purposes of the Plan.

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1 Except to the extent that the Holder of an Allowed Claim in Class 4 agrees to less  
2 favorable treatment, each Holder of an Allowed Slot Contract Claim shall, in full and final  
3 satisfaction of such Allowed Claim, be treated as follows:

4 a. Lien. From and after the Effective Date, each Holder of a Class 4  
5 Allowed Slot Contract Claim shall retain its Lien in its respective collateral until such  
6 Allowed Slot Contract Claim is repaid in full.

7 b. Post-Effective Date Interest. Interest shall accrue on each Allowed Slot  
8 Contract Claim at the rate of interest set forth in the applicable Slot Contract, if any.

9 c. Cure Payments. To the extent applicable, each Holder of a Class 4  
10 Allowed Slot Contract Claim shall receive a Cure payment that shall be paid in Cash on  
11 the latest of: (i) the sixtieth (60<sup>th</sup>) day after the Effective Date, or as soon thereafter as is  
12 practicable; (ii) such date as may be fixed by the Bankruptcy Court, or as soon thereafter  
13 as is practicable; or (iii) such date as the Holder of such Claim and Reorganized JNI have  
14 agreed.

15 d. Payments. On the Effective Date, the Slot Contracts shall be Reinstated  
16 and Reorganized JNI shall tender payments in accordance with the terms of the Slot  
17 Contracts.

18 Class 4 is Impaired under the Plan. The Holders of the Slot Contract Claims are entitled  
19 to vote on the Plan.

## 20 **5. Class 5 - Other Secured Claims.**

21 Each Holder of an Allowed Other Secured Claim<sup>12</sup> shall be considered to be its own  
22 separate subclass within Class 5, and each subclass shall be deemed to be a separate class for  
23 purposes of the Plan. Except to the extent that the Holder of an Allowed Other Secured Claim in  
24 Class 5 agrees to less favorable treatment, each Holder of an Allowed Other Secured Claim shall,  
25 in full and final satisfaction of such Allowed Claim, be treated as follows:

26 a. Lien. From and after the Effective Date, each Holder of a Class 5  
27 Allowed Other Secured Claim shall retain its Lien in its respective collateral until such  
28 Allowed Other Secured Claim is repaid in full.

b. Post-Effective Date Interest. Interest shall accrue on each Allowed Other  
Secured Claim at the rate of 4.50% per annum; *provided, however*, that if the Allowed  
Other Secured Claim is a tax liability, interest shall accrue at the applicable statutory rate.

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<sup>12</sup> The term “Other Secured Claim” is defined in Section 1.1.73 of the Plan as “[a]ny Secured Claim other than the CRE Claim, the CM Claim, the Slot Contract Claims, and the USB Claim.”

1 c. Payments. Each Allowed Other Secured Claim, if any, shall, in full and  
2 final satisfaction of such Claim, be paid in full in Cash, together with interest rate set  
3 forth in the Plan, on the latest of: (i) the one hundred and twentieth (120<sup>th</sup>) day after the  
4 Effective Date, or as soon thereafter as is practicable; (ii) such date as may be fixed by  
5 the Bankruptcy Court, or as soon thereafter as is practicable; (iii) the fourteenth (14<sup>th</sup>)  
6 Business Day after such Claim is Allowed, or as soon thereafter as is practicable; or (iv)  
7 such date as the Holder of such Claim and Reorganized JNI or Reorganized Spartan  
8 Gaming, as applicable, have agreed.

9 Class 5 is Impaired under the Plan. The Holders of the Allowed Other Secured Claims  
10 are entitled to vote on the Plan.

11 **6. Class 6 - Priority Unsecured Claims.**

12 Class 6 consists of the Priority Unsecured Claims.<sup>13</sup> Allowed Priority Unsecured Claims  
13 against JNI and Allowed Priority Unsecured Claims against Spartan Gaming shall be considered  
14 to be in their own separate subclass within Class 6, and each subclass shall be deemed to be a  
15 separate class for purposes of the Plan.

16 Each Allowed Priority Unsecured Claim, if any, shall, in full and final satisfaction of  
17 such Claim, be paid in full in Cash, together with interest at the rate of 3.00% per annum, on the  
18 latest of: (i) the sixtieth (60<sup>th</sup>) day after the Effective Date, or as soon thereafter as is practicable;  
19 (ii) such date as may be fixed by the Bankruptcy Court, or as soon thereafter as is practicable;  
20 (iii) the fourteenth (14<sup>th</sup>) Business Day after such Claim is Allowed, or as soon thereafter as is  
21 practicable; or (iv) such date as the Holder of such Claim and Reorganized JNI or Reorganized  
22 Spartan Gaming, as applicable, have agreed.

23 Class 6 is Impaired under the Plan. The Holders of the Allowed Priority Unsecured  
24 Claims are entitled to vote on the Plan.

25 **7. Class 7 - Administrative Convenience Claims.**

26 Class 7 consists of the Administrative Convenience Claims.<sup>14</sup> Allowed Administrative  
27 Convenience Claims against JNI and Allowed Administrative Convenience Claims against  
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<sup>13</sup> The term “Priority Unsecured Claims” is defined in Section 1.1.77 of the Plan as “[a]ny and all Claims accorded priority in right of payment under Section 507(a) of the Bankruptcy Code, other than Administrative Claims and Priority Tax Claims addressed in Sections 2.2. through 2.4 of the Plan.”

<sup>14</sup> The term “Administrative Convenience Claims” is defined in Section 1.1.4 of the Plan as “[a]ny Allowed General Unsecured Claim in an amount less than \$3,500.00 on the Effective Date. For the avoidance of doubt, any Allowed

1 Spartan Gaming shall be considered to be in their own separate subclass within Class 7, and each  
2 subclass shall be deemed to be a separate class for purposes of the Plan.

3 Each Allowed Administrative Convenience Claim shall, in full and final satisfaction of  
4 such Claim, be paid in full with interest, in Cash, on the latest of: (i) the Effective Date, or as  
5 soon thereafter as is practical; (ii) such date as may be fixed by the Bankruptcy Court, or as soon  
6 thereafter as is practicable; (iii) the fourteenth Business Day after such Claim is Allowed, or as  
7 soon thereafter as is practicable; or (iv) such date as the Holder of such Claim and Reorganized  
8 JNI or Reorganized Spartan Gaming, as applicable, have agreed.

9 Class 7 is Unimpaired under the Plan, and therefore, the Holders of the Allowed  
10 Administrative Convenience Claims are deemed to have accepted the Plan and are not entitled to  
11 vote on the Plan.

12 **8. Class 8 – General Unsecured Claims.**

13 Class 8 consists of the General Unsecured Claims, which is any Claim that is not secured  
14 by a charge against or interest in property in which the Estates have an interest and is not an  
15 unclassified Claim, Administrative Claim, Administrative Convenience Class Claim, or Other  
16 Priority Unsecured Claim. General Unsecured Claims shall also include all Claims arising under  
17 Section 502(g) of the Bankruptcy Code. Allowed General Unsecured Claims against JNI and  
18 Allowed General Unsecured Claims against Spartan Gaming shall be considered to be in their  
19 own separate subclass within Class 8, and each subclass shall be deemed to be a separate  
20 subclass for purposes of the Plan.

21 Except to the extent that a Holder of an Allowed General Unsecured Claim agrees to less  
22 favorable treatment, each Creditor with an Allowed Claim in Class 8 shall be paid Distributions  
23 as follows:

- 24 a. Distributions. On the first (1st) Business Day of February, March, April,  
25 May, June, and July of each year after the Effective Date, each Holder of an Allowed  
26 General Unsecured Claim will be paid its Pro Rata share of \$20,000, which payments  
27 shall continue until the earlier of the date that: (i) all Allowed General Unsecured Claims  
28 have been repaid in full; or (ii) January 1, 2022. Beginning on February 1, 2022, and on

\_\_\_\_\_ (continued)  
General Unsecured Claim in an amount in-excess-of \$3,500 that agrees to accept \$3,500 in full satisfaction of its  
Allowed Claim shall constitute an Administrative Convenience Claim.”



1 the first (1st) Business Day of each February, March, April, May, June, and July of each  
2 year thereafter, each Holder of an Allowed General Unsecured Claim will be paid its Pro  
3 Rata share of \$25,000, which payments shall continue until the earlier of the date that: (i)  
4 all Allowed General Unsecured Claims have been repaid in full; and (ii) the total  
aggregate payments to Class 8 Claimants on account of their Allowed Class 8 Claims  
equals \$2.5 Million.

5 b. Unpaid Claims. On each of the distribution dates set forth in Section 4.8.1  
6 of the Plan, all Creditors with Allowed General Unsecured Claims that were not, on the  
7 immediately preceding distribution date, Allowed Claims, shall receive a Distribution of  
sufficient Cash to bring them into a Pro Rata position vis-à-vis all other Creditors with  
Allowed General Unsecured Claims.

8 c. Prepayment of Class 8 Claims. Solely to the extent that all Allowed Class  
9 1, Class 2, Class 3, Class 4, Class 5, Class 6, and Class 7 Claims have been repaid in full  
10 in accordance with the terms of the Plan, Reorganized JNI or Reorganized Spartan  
11 Gaming, as applicable, may, at any time and in their sole discretion, tender a final  
12 Distribution to the Holders of Allowed Class 8 Claims in an amount that is the lesser of:  
(i) the amount necessary to repay in full the then-outstanding balance of the Allowed  
Class 8 Claims; and (ii) the amount necessary to distribute the aggregate sum of \$2.5  
Million to the Class 8 Claimants on account of the Allowed Class 8 Claims.

13 Class 8 is Impaired under the Plan. The Holders of the Allowed General Unsecured  
14 Claims are entitled to vote on the Plan.

15 **9. Class 9 - Intercompany Claims.**

16 Class 9 consists of the Intercompany Claims, which are Claims by and between Debtors.  
17 On the Effective Date, at the option of Reorganized JNI and Reorganized Spartan Gaming, the  
18 Intercompany Claims of any Debtor against any other Debtor shall either be Reinstated, in full or  
19 in part, or cancelled and discharged, in full or in part, in which case such discharged and satisfied  
20 portion shall be eliminated and the Holders thereof shall not be entitled to, and shall not receive  
21 or retain, any property or interest in property on account of such portion.

22 Holders of Allowed Intercompany Claims are not receiving any Cash on account of such  
23 Claims and shall be Impaired, not entitled to vote on the Plan, and deemed to have rejected the  
24 Plan.

25 **10. Class 10 - JNI Equity Securities.**

26 Class 10 consists of the Equity Securities in JNI. On the Substantial Consummation  
27 Date, all Class 10 Equity Securities in JNI shall be cancelled. Holders of Class 10 Equity  
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1 Securities shall not receive or retain any property on account of their Equity Securities under the  
2 Plan. Holders of Allowed JNI Equity Securities are deemed to have rejected the Plan and will  
3 not be entitled to vote on the Plan.

4 **11. Class 11 - Spartan Gaming Equity Securities.**

5 Class 11 consists of the Equity Securities in Spartan Gaming. On the Effective Date, all  
6 Class 11 Equity Securities in Spartan Gaming shall be cancelled. Holders of Class 11 Equity  
7 Securities shall not receive or retain any property on account of their Equity Securities under the  
8 Plan. Holders of Allowed Spartan Gaming Equity Securities are deemed to have rejected the  
9 Plan and will not be entitled to vote on the Plan.

10 **IV.**  
11 **DISCLAIMER**

12 In formulating the Plan, Debtors relied on financial data derived from their books and  
13 records, as well as the valuation of Mr. Kimmel. Debtors represent that as of the date of this  
14 Disclosure Statement, everything stated in this Disclosure Statement is true to the best of their  
15 knowledge and belief. However, Debtors cannot and do not confirm the current accuracy of the  
16 statements appearing in this Disclosure Statement.

17 The discussion in this Disclosure Statement regarding Debtors may contain “forward-  
18 looking statements,” as that term is used in the Private Securities Litigation Reform Act of 1995.  
19 Such statements consist of any statement other than one of historical fact, and can be identified  
20 by the use of forward-looking terminology such as “may,” “expect,” “believe,” “anticipate,”  
21 “estimate,” “likely,” “probable,” or “continue” or the negative thereof or other variations thereof  
22 or comparable terminology. All such forward-looking statements are speculative, and there are  
23 risks and uncertainties that could cause actual events or results to differ materially from those  
24 referred to in such forward-looking statements. The liquidation analysis and distribution  
25 projections are estimates only, and the timing and amounts of actual distributions may be  
26 affected by many factors that cannot be predicted. Therefore, any analysis, estimates, or  
27 recovery projections may not turn out to be accurate.

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1           **NOTHING IN THIS DISCLOSURE STATEMENT IS, OR SHALL BE DEEMED,**  
2 **AN ADMISSION OR STATEMENT AGAINST INTEREST BY DEBTORS FOR**  
3 **PURPOSES OF ANY PENDING OR FUTURE LITIGATION MATTER OR**  
4 **PROCEEDING.**

5           **ALTHOUGH THE ATTORNEYS AND OTHER PROFESSIONALS EMPLOYED**  
6 **BY DEBTORS HAVE ASSISTED IN PREPARING THIS DISCLOSURE STATEMENT**  
7 **BASED UPON FACTUAL INFORMATION AND ASSUMPTIONS RESPECTING**  
8 **FINANCIAL, BUSINESS, AND ACCOUNTING DATA FOUND IN THE BOOKS AND**  
9 **RECORDS OF DEBTORS, THEY HAVE NOT INDEPENDENTLY VERIFIED SUCH**  
10 **INFORMATION AND MAKE NO REPRESENTATIONS AS TO THE ACCURACY**  
11 **THEREOF. THE ATTORNEYS AND OTHER PROFESSIONALS EMPLOYED BY**  
12 **DEBTORS SHALL HAVE NO LIABILITY FOR INFORMATION CONTAINED IN, OR**  
13 **OMITTED FROM, THIS DISCLOSURE STATEMENT.**

14           **DEBTORS AND THEIR PROFESSIONALS HAVE MADE A DILIGENT**  
15 **EFFORT TO IDENTIFY IN THIS DISCLOSURE STATEMENT AND IN THE PLAN**  
16 **PENDING LITIGATION CLAIMS, PROJECTED CAUSES OF ACTION, AND**  
17 **OBJECTIONS TO CLAIMS. HOWEVER, NO RELIANCE SHOULD BE PLACED ON**  
18 **THE FACT THAT A PARTICULAR LITIGATION CLAIM, PROJECTED CAUSE OF**  
19 **ACTION, OR OBJECTION TO A CLAIM IS OR IS NOT IDENTIFIED IN THIS**  
20 **DISCLOSURE STATEMENT OR THE PLAN. DEBTORS AND/OR REORGANIZED**  
21 **DEBTORS MAY SEEK TO INVESTIGATE, FILE, AND PROSECUTE LITIGATION**  
22 **CLAIMS, PROJECTED CAUSES OF ACTION, AND OBJECTIONS TO CLAIMS**  
23 **AFTER THE CONFIRMATION DATE, EFFECTIVE DATE, OR SUBSTANTIAL**  
24 **CONSUMMATION DATE, IRRESPECTIVE OF WHETHER THIS DISCLOSURE**  
25 **STATEMENT OR THE PLAN IDENTIFIES SUCH CLAIMS, CAUSES OF ACTION,**  
26 **OR OBJECTIONS TO CLAIMS.**

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**V.**  
**SUMMARY OF VOTING PROCESS**

**A. Summary of Voting Requirements.**

In order for the Plan to be confirmed, it must be accepted by at least one Impaired Class of Claims, excluding the acceptance votes of any Insiders within that Class. A Class of Claims is deemed to have accepted the Plan if and when allowed votes representing at least two-thirds in amount and a majority in number of the Claims of the Class actually voting cast votes in favor of the Plan. A Class of Equity Securities would be deemed to have accepted the Plan if votes representing at least two-thirds in amount of the outstanding Equity Securities of the Class actually voting cast votes in favor of the Plan.

Debtors are soliciting votes from Holders of Allowed Claims in the following Classes:

<b><u>Class</u></b>	<b><u>Description</u></b>
Class 1	USB Claim
Class 2	CM Claim
Class 3	CRE Claim
Class 4	Slot Contract Claims
Class 5	Other Secured Claims
Class 6	Priority Unsecured Claims
Class 8	General Unsecured Claims

Debtors expressly reserve their right to supplement this Disclosure Statement as to additional Impaired Classes, if any.

A VOTE FOR ACCEPTANCE OF THE PLAN BY HOLDERS OF ALLOWED CLAIMS WHO ARE ENTITLED TO VOTE IS MOST IMPORTANT. DEBTORS BELIEVE THAT THE TREATMENT OF THE IMPAIRED CLAIMS UNDER THE PLAN IS THE BEST ALTERNATIVE FOR THEM, AND DEBTORS RECOMMEND THAT THE HOLDERS OF THOSE ALLOWED CLAIMS VOTE IN FAVOR OF THE PLAN.

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**VI.**  
**GENERAL INFORMATION ABOUT DEBTORS' BUSINESS, RESTRUCTURING EFFORTS, AND THE FILING OF THE CHAPTER 11 CASE**

**A. Debtors' Business.**

JNI operates Jerry's Nugget Casino ("Jerry's Nugget"), a casino whose business focuses on attracting and fostering repeat business from patrons living in the Las Vegas Valley. Spartan Gaming owns certain parcels of real property, most of which are in the immediate vicinity of Jerry's Nugget, and used in connection with Jerry's Nugget's operations.

**a. Jerry's Nugget Casino.**

Jerry's Nugget is located at 1821 North Las Vegas Boulevard, North Las Vegas, Nevada 89030, on approximately 9.1 acres, being APN 139-23-302 (the "Casino Property"). Jerry's Nugget consists of approximately 87,187 square feet of building area and 24,511 square feet of casino floor space, with approximately 630 slot and video poker machines and 9 table games, including keno, blackjack, poker, craps, and roulette.<sup>15</sup> Jerry's Nugget also contains a sports book, a keno area, and a small live pit. JNI remodeled Jerry's Nugget's 150-seat bingo hall in 2012 and resumed its bingo games.

Jerry's Nugget has two restaurants, being Uncle Angelo's Pizza Joint and Jerry's Famous Coffee Shop, as well as Uncle Angelo's Bakery, a locals' favorite. Jerry's Nugget further offers a center bar and various beverage outlets throughout Jerry's Nugget, the Royal Street Theater, which provides live stage entertainment and a dance floor, a lounge, and a small arcade.<sup>16</sup>

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<sup>15</sup> Debtors also own approximately one-hundred and fifty (150) to two hundred (200) antique slot machines, the majority of which are not currently operational. Debtors approximate that the antique machines in their current non-operating condition have a value of \$200 a piece, or possibly \$1000 a piece if operable (accepting coins, paying coins, reels spin, lights, etc.). Thus, the value of these machines is approximately \$40,000, which could increase to \$200,000 if the expense to refurbish the machines was incurred. The value of the machines is included in the \$9.4 million going concern valuation completed by William Kimmel and discussed herein.

<sup>16</sup> Debtors also own several pieces of art, including four (4) paintings by Christian Reese Lassen, which have an insurable value of approximately \$78,709.74. The art is likewise included in Mr. Kimmel's valuation.

1                   b.       The Spartan Gaming Property.

2                   Spartan Gaming owns twelve parcels of real property in Nevada (the “Spartan Gaming  
3 Property”). Ten of the parcels,<sup>17</sup> comprising approximately 3.29 acres, are located within a few  
4 blocks of Jerry’s Nugget. Two of these parcels, being APNs 139-23-401-005 and 139-23-401-  
5 001 (the “Signage Parcel”), provide parking access for Jerry’s Nugget, as well as signage for  
6 Jerry’s Nugget.

7                   Spartan Gaming also owns two residential parcels in Nevada. The first is a 0.49 acre  
8 undeveloped parcel of real property located at 9465 W. Centennial Parkway, bearing APN 125-  
9 30-502-039, which, pursuant to an appraisal prepared by Integra Realty Resources, had a market  
10 value as of July 22, 2011 of \$45,000. The second is a 0.27 acre developed parcel of real property  
11 located at 1681 N. Lamont Street, Sunrise Manor Town, bearing APN 140-20-812-016 (the  
12 “Rental Property”). The Rental Property is improved with a residential four-plex, which is  
13 leased at a rental rate of \$500 per month per unit. Pursuant to an appraisal prepared by Integra  
14 Realty Resources, the Rental Property had a market value as of July 25, 2011 of \$100,000.

15 **B. Debtors’ Going Concern Value Under Its Current Management.**

16                   Pre-petition, Debtors engaged William G. Kimmel, Real Estate Appraiser & Consultant,  
17 to provide an appraisal of Jerry’s Nugget and the Ten Parcels. In his appraisal, Mr. Kimmel  
18 determined that the going concern value of Jerry’s Nugget and the Ten Parcels was \$9.4 Million  
19 as of August 27, 2012.

20 **C. Debtors’ Corporate Structure.**

21                   JNI is a Nevada corporation incorporated on July 30, 1964 by Jerry Stamis, George  
22 Stamis, and Angelo Stamis for the purpose of owning and operating Jerry’s Nugget. Since 1964,  
23 Jerry’s Nugget has been owned and operated by the Stamis family. Today, Joseph Stamis and  
24 \_\_\_\_\_

17 The ten parcels have the following APNs and addresses: (i) 139-23-401-005, located at 1821 N. Las Vegas Blvd.,  
25 which 0.39 acres provides vehicular access from the main thoroughfare to Jerry’s Nugget’s parking; (ii) the Signage  
26 Parcel, 139-23-401-001, located at 1700 N. Las Vegas Blvd., upon which 0.45 signage for Jerry’s Nugget is  
27 constructed; (iii) 139-23-311-181 and 139-23-311-182, which are contiguous parcels of 1.59 acres of excess land on  
28 North Las Vegas Blvd.; (iv) 139-23-310-036, 139-23-301-035, and 139-23-310-034, which total 0.49 acres of  
excess land are located at 719, 713, and 705 Williams Avenue; and (v) 139-23-310-024, 139-23-310-022, and 139-  
23-310-006, which parcels total 0.37 acres of excess land are located at 1915 and 1905 Glider Street and 1916 N. 5<sup>th</sup>  
Street. All ten parcels are located within a few blocks of Jerry’s Nugget (collectively, the “Ten Parcels”).

1 Jeremy Stamis are the directors of operations for JNI and, Angelo Stamis, is the manager.  
2 Further, Jeremy Stamis is the President and a Director of JNI and Joseph Stamis is JNI's  
3 Secretary, Treasurer, and a Director. JNI's shareholders are The George Stamis Family Trust,  
4 holding more than 95% of JNI's shares, and Peter DeMangus. Spartan Gaming is a Nevada  
5 limited liability company organized on November 26, 2007. SG is owned by Joseph Stamis,  
6 Peter DeMangus, and Jeremy Stamis. Joseph Stamis and Jeremy Stamis are Spartan Gaming's  
7 managers.

8 **D. Debtors' Secured Loans.**

9 **1. The USB Loan.**

10 Pursuant to a Revolving Line of Credit Loan Agreement dated November 7, 2005, by and  
11 between JNI and USB (the "Original USB Loan Agreement"), USB extended a revolving line of  
12 credit to JNI in the maximum principal amount of \$3 Million to provide JNI with working  
13 capital. Consistent with the Original USB Loan Agreement, on November 7, 2005, JNI executed  
14 a Revolving Line of Credit Promissory Note in favor of USB in the principal sum of \$3 Million  
15 (as subsequently amended, supplemented, converted, or otherwise modified from time to time,  
16 the "USB Secured Note").

17 On November 7, 2005, JNI entered into the Deed of Trust and Security Agreement and  
18 Fixture Filing with Assignment of Rents as trustor for the benefit of USB, which was recorded  
19 on November 23, 2005 as Instrument No. 20051123-0004259 in the Official Records of Clark  
20 County, Nevada (as subsequently amended, supplemented, converted, or otherwise modified  
21 from time to time, the "USB Deed of Trust"). The USB Deed of Trust granted a first priority  
22 security interest in the Casino Property and the Signage Parcel including the buildings or other  
23 Improvements thereto (as defined therein). JNI also granted USB an interest in certain of JNI's  
24 personal property. On November 7, 2005, JNI also entered into the Assignment of Leases and  
25 Rents.

26 Between April 6, 2006, and May 13, 2011, JNI and USB entered into a series of  
27 amendments to the Original USB Loan Agreement and the USB Secured Note, which  
28 amendments provided in relevant part for maturity extensions and modified interest rates. On

1 May 13, 2011, JNI and USB entered into the Amended and Restated Loan Agreement which  
2 converted the Original USB Loan Agreement, as subsequently modified, into a term loan in the  
3 principal amount of \$3,674,792 maturing on October 1, 2011. As discussed more fully below,  
4 because USB would not extend the maturity date and Debtors could not procure take-out  
5 financing, Debtors were left with no option but to seek Chapter 11 relief in order to maintain  
6 their business and to protect the interests of all of Debtors' creditors, not just USB.

## 7 **2. The CM Loan.**

8 Pursuant to a Business Loan Agreement dated February 12, 2010, by and between  
9 Spartan Gaming and Barcelona Motorcoach, LLC, as borrowers, and CM for the benefit of the  
10 various lenders identified on the CM Deed of Trust, as lender, CM tendered a loan to Spartan  
11 Gaming and Barcelona Motorcoach in the principal amount of \$1 Million. Concurrently with the  
12 Business Loan Agreement, on February 12, 2010, Spartan Gaming and Barcelona Motorcoach  
13 executed a Promissory Note in favor of CM in the principal sum of \$1 Million (the "CM Secured  
14 Note").

15 On February 12, 2010, Spartan Gaming entered into the Deed of Trust as trustor for the  
16 benefit of CM which was recorded on February 17, 2010 as Instrument No. 201002170003847 in  
17 the Official Records of Clark County, Nevada (as subsequently amended, supplemented,  
18 converted, or otherwise modified from time to time, the "CM Deed of Trust"). The CM Deed of  
19 Trust granted CM a first priority security interest in the Spartan Gaming Property, except for the  
20 Signage Parcel, upon which a second priority security interest was granted, as well as an absolute  
21 and irrevocable assignment of Spartan Gaming's right, title, and interest in and to all present and  
22 future leases and rent of the Spartan Gaming Property. The CM Loan is guaranteed by JNI,  
23 Michael Kennedy, and Peter DeMangus (collectively, the "CM Guarantors").

24 On the February 12, 2011 maturity date, Spartan Gaming and Barcelona Motorcoach,  
25 LLC were unable to repay the balance of the CM Loan and CM commenced a lawsuit bearing  
26 the caption CM Capital Services, LLC v. Jerry's Nugget, et al., case number A-11-646738-C, in  
27 the Eighth Judicial District Court for Clark County, Nevada (the "CM Lawsuit"), seeking, among  
28 other relief, enforcement of the guarantees against the CM Guarantors, including JNI. On



1 December 21, 2011, in exchange for the dismissal of the CM Lawsuit and CM's forbearance  
2 from pursuit of its legal remedies, including foreclosure on the Spartan Gaming Property until  
3 the earlier of a subsequent default and February 28, 2017, JNI and CM entered into the  
4 Forbearance Agreement. The Forbearance Agreement, which was executed by JNI, Spartan  
5 Gaming, and CM, effectively reinstated the CM Loan pursuant to the terms of the CM Secured  
6 Note and the CM Loan Documents except as modified therein, including extending the maturity  
7 date through March 1, 2017. Debtors were substantially current on their monthly debt service  
8 payments to CM on the Petition Date.

9 **3. The CRE Loan.**

10 Pursuant to a Business Loan Agreement dated December 28, 2006, by and between JNI  
11 and Community Bank of Nevada,<sup>18</sup> CBN tendered a loan to JNI in the principal amount of \$1.1  
12 Million. Concurrently with the Business Loan Agreement, on December 28, 2006, JNI executed  
13 a Promissory Note in favor of CBN in the principal sum of \$1.1 Million. On the same date, JNI  
14 also entered into the Commercial Security Agreement, thereby granting CBN a security interest  
15 in the itemized gaming equipment, as well as any attachments or replacements, and any proceeds  
16 from the sale or other disposition of the equipment. CRE contends that the CRE Loan is  
17 guaranteed by the DeMangus Family Trust, the Peter G. DeMangus Gaming Properties Trust,  
18 and Peter DeMangus.

19 The CRE Loan matured on March 28, 2010. Thereafter, effective May 20, 2010, JNI and  
20 the FDIC, as the receiver for CBN, entered into the Loan Modification Agreement, thereby,  
21 among other modifications, extending the maturity date to May 20, 2012. Debtors were  
22 substantially current on their monthly debt service payments on the CRE Loan on the May 20,  
23 2012 maturity date.

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27 <sup>18</sup> CBN was closed by the Nevada Institution of Business and Finance and the Federal Deposit Insurance Company  
28 (the "FDIC") was subsequently appointed as the receiver for CBN's assets. Based on the information provided to  
Debtors, the FDIC sold the CBN Loan on or about July 2, 2010 to CRE.

1 **E. The Events Leading to the Commencement of the Chapter 11 Case.**

2 **1. JNI's Potential Guarantor Liabilities Precluded a Refinancing of the USB**  
3 **Loan Prior to Its Maturity Date.**

4 a. The asserted \$40.3 Million CRE Guaranty Claims.

5 Despite the fact that USB was oversecured by more than 120%, as a result of the asserted  
6 CRE Guaranty Claims and under the tightened credit markets, JNI was not able to obtain a  
7 refinancing of the matured USB Loan pre-petition. As USB refused to extend or modify the  
8 USB Loan as discussed below and as take-out financing could not be obtained due to the asserted  
9 CRE Guaranty Claims, Debtors were forced to seek Chapter 11 relief in order to restructure their  
10 debts.<sup>19</sup>

11 Through Prado, LLC, Joseph Stamis, Peter DeMangus, and Jeremy Stamis own a 50%  
12 membership interest in Barcelona Partners, LLC ("Barcelona Partners"), a land development  
13 company that owns approximately 194 acres of land in Mesquite, Nevada (the "Barcelona  
14 Property"). The remaining 50% membership interest in Barcelona Partners is owned by Michael  
15 Kennedy. Pursuant to an Acquisition and Development Loan dated August 24, 2007, CBN  
16 tendered a loan to Barcelona Partners in the principal amount of \$40.3 Million (the "Barcelona  
17 Loan"), the proceeds of which were utilized to acquire and develop the Barcelona Property,  
18 which property serves as security for the Barcelona Loan. CRE contends that the Barcelona  
19 Loan was guaranteed by JNI, Peter DeMangus, Peter DeMangus as trustee of the Peter  
20 DeMangus Gaming Properties Trust dated October 22, 2004, and Michael Kennedy (collectively,  
21 the "Asserted Barcelona Guarantors").

22 As previously stated, CBN was subsequently closed by the Nevada Institution of  
23 Business and Finance and the FDIC was appointed as the receiver of CBN's assets. Debtors  
24 have been informed that the Barcelona Loan was subsequently assigned by the FDIC in or about  
25 September 2010 to CRE.

26 . . .

27 \_\_\_\_\_  
28 <sup>19</sup> USB disputes Debtors' assertion that "USB refused to extend or modify the USB Loan."

1 As a result of a maturity default, rather than foreclosing on the Barcelona Property, on  
2 April 6, 2011, CRE filed a *Complaint* against the Asserted Barcelona Guarantors asserting  
3 breach of guaranty claims on the alleged outstanding principal sum of \$33,074,511.72 as of  
4 March 1, 2011, which litigation is captioned 2010-1 CRE Venture, LLC v. Jerry's Nugget, et al.,  
5 case number A-11-638681-C, pending in the Eighth Judicial District Court, Las Vegas, Nevada  
6 (the "CRE Lawsuit"). As a result of the asserted CRE Guaranty Claims, Debtors were unable to  
7 obtain take-out financing for the USB Loan pre-petition despite the over 120% equity cushion.

8 **2. The Economic Recession Additionally Negatively Impacted JNI's Ability to**  
9 **Obtain Take-Out Financing for the USB Loan Prior to Its Maturity Date.**

10 Beginning in 2007, the real estate market in Clark County, Nevada, as well as across the  
11 southwestern United States, experienced a significant downturn due to plummeting real estate  
12 values, substantially reduced mortgage loan originations and securitizations, increased residential  
13 mortgage foreclosures, and more generalized credit market dislocations and significant  
14 contraction in available liquidity. In fact, Nevada's foreclosure and unemployment rates have  
15 consistently been among the highest in the country. These factors, combined with declining  
16 business and consumer confidence and significantly increased unemployment, precipitated the  
17 recession resulting in Nevada experiencing dramatic decreases in tourism, convention, and  
18 gaming revenues. These same factors additionally resulted in significantly increased  
19 unemployment in Clark County and consumers within Nevada significantly reducing spending  
20 on gaming.

21 According to the pre-petition Gaming Revenue Report from the State of Nevada, Gaming  
22 Control Board, Tax and License Division (the "Gaming Revenue Report") for the year ending  
23 December 31, 2010, after three consecutive years of decline, Clark County, Nevada showed an  
24 improvement over 2009 of 0.8% in gaming revenue. A review of the Gaming Revenue Report  
25 for the twelve months ended December 31, 2011, showed an improvement over 2010 of 1.61%,  
26 and for the twelve months ended December 31, 2012, the Gaming Revenue Report showed an  
27 improvement over 2011 of 1.92%. Although such improvement was indicative of the beginning  
28 of the economic recovery in early 2012, such figures remained substantially lower than the

1 reported gaming revenue for the same period in 2007, at the onset of the recession. See Gaming  
2 Revenue Reports, State of Nevada Gaming Control Board, available at: [http://gaming.nv.gov/  
3 documents/gaming\\_revenue\\_rpt.htm](http://gaming.nv.gov/documents/gaming_revenue_rpt.htm).

4 According to the Press Releases from the Nevada Department of Employment, Training  
5 and Rehabilitation (the "Unemployment Reports"), Nevada's severe economic recession resulted  
6 in dramatic increases in Nevada's unemployment rates. A review of the pre-petition  
7 Unemployment Reports reveals that unemployment rates in Las Vegas steadily increased from  
8 4.2% in December 2006, to 5.6% in December 2007, 9.1% by December 2008, 13.1% by  
9 December 2009, and 14.9% as of December 2010. For the first time since 2006, unemployment  
10 rates fell in 2011 as Las Vegas began to show signs of the economic recovery, with the Las  
11 Vegas unemployment rate having decreased to 12.7% as of December 2011, and having further  
12 decreased to 9.6% as of February 2013. See Unemployment Reports, Nevada Department of  
13 Employment, Training and Rehabilitation, available at: <http://detr.state.nv.us/PressReleases.htm>.

14 In sum, until shortly before the Petition Date, JNI had been faced with declining casino  
15 revenues based on reduced consumer spending resulting heavily from the dramatic increases in  
16 unemployment in the Las Vegas area, a tightened credit market, and an overall weakened  
17 economy. These market-driven challenges negatively impacted JNI's ability to fully repay or  
18 refinance the USB Loan prior to or after the October 1, 2011 maturity date. Debtors' only viable  
19 option was therefore to seek Chapter 11 relief in order to restructure the USB Loan, as well as  
20 Debtors' other secured and unsecured debts.

### 21 **3. USB Refused to Extend the Maturity Date Under the USB Secured Note.**<sup>20</sup>

22 Prior to the October 1, 2011 maturity date, JNI had timely tendered all payments under  
23 the USB Secured Note. Based upon JNI's ability to fully service its monthly payment  
24 obligations under the USB Secured Note, and the fact that USB was protected by an equity  
25

26  
27 <sup>20</sup> USB disputes Debtors' contentions in this section titled "USB Refused to Extend the Maturity Date Under the  
28 USB Secured Note" and contends that Debtors have mischaracterized their prepetition negotiations with USB and the reasons Debtors sought Chapter 11 relief.

1 cushion of more than 120%, JNI contacted USB and sought to reach a consensual resolution to  
2 extend the term of the USB Loan; no principal reduction was requested.

3 In furtherance of reaching a consensual resolution, JNI agreed to permit USB to engage a  
4 business turnaround and financial advisor to provide an assessment of JNI's operation for year to  
5 date 2011 and its 2012 forecasts, and to assist in the preparation of a cash flow analysis.  
6 Alliance Management, LLC ("Alliance") was ultimately retained by USB's counsel and JNI  
7 dedicated significant time to assisting Alliance in its evaluation of JNI's business. Based on the  
8 analysis of Alliance, JNI and Alliance prepared and submitted a proposal for a restructuring of  
9 the USB Loan to USB.

10 Despite months of negotiations, JNI's ability to service its monthly debt obligations  
11 under the USB Secured Note, and JNI's formation of a proposed restructuring supported by  
12 USB's agent, Alliance, USB declined JNI's proposal for a consensual restructuring. Instead, on  
13 January 5, 2012, USB recorded its Notice of Default and Election to Sell Under Deed of Trust.  
14 Thereafter, JNI continued to submit restructuring proposals to USB; however, no acceptable  
15 restructuring terms were reached. Instead, on March 6, 2012, USB filed its *Complaint for: 1)*  
16 *Appointment of a Receiver, 2) Specific Performance, 3) Indemnification, and 4) Injunctive Relief*  
17 and sought the appointment of a receiver, thereby commencing case number A-12-657670-B in  
18 the Eighth Judicial District Court, Clark County (the "Receivership Action"). The Receivership  
19 Motion was initially set for hearing on Tuesday, March 12, 2012.

20 Upon receiving notice of the March 12, 2012 hearing on USB's motion seeking the  
21 appointment of a receiver, JNI again sought to reach a consensual resolution with USB and an  
22 initial term sheet was under negotiation. In order to provide time to work through a final  
23 resolution, USB continued the receivership hearing in open court on March 12, 2012 to March  
24 28, 2012, at 9:00 a.m., which was subsequently continued several times, to a final continued  
25 hearing date of August 14, 2012. However, as a consensual loan modification or note sale could  
26 not ultimately be reached, in order to protect the value of Jerry's Nugget and the Spartan Gaming  
27 for all of Debtors' creditors and equity, Debtors were left with no other option than to seek  
28 Chapter 11 relief despite JNI's ability to service its monthly debt obligations.

1 **F. Debtors' Financial Performance.**

2 Spartan Gaming's sole revenue is derived from its lease of the Rental Property, which  
 3 generates, when fully leased, annual income of \$24,000. The Rental Property generated rental  
 4 income of approximately \$17,300 in 2011, and approximately \$16,100 in 2012. Spartan  
 5 Gaming's only other source of revenue would be from the sale of the Spartan Gaming Property,  
 6 the proceeds of which would be required to be used to satisfy the CM Loan. Spartan Gaming's  
 7 annual operating expenses total, on average, approximately \$20,000, in addition to the CM Loan  
 8 debt service.

9 *JNI's recent financial performance on a consolidated basis has been as follows:*<sup>21</sup>

	<b>Year Ended 12-31-10</b>	<b>Year Ended 12-31-11</b>	<b>Year Ended 12-31-12</b>	<b>YTD May 2013</b>
<b>Revenues</b>				
<b>Gaming</b> <sup>22</sup>	\$18,684,642	\$18,057,952	\$19,132,666	\$8,994,375
<b>Food and Beverage</b>	\$3,404,966	\$3,212,506	\$3,385,633	\$1,392,540
<b>Other Casino</b>	\$485,169	\$398,703	\$409,727	\$192,283
<b>Gross Revenues</b>	\$22,574,778	\$21,669,161	\$22,928,026	\$10,579,198
<b>Promotional Income</b>	\$762,679	\$860,552	\$850,523	\$359,047
<b>Net Revenues</b>	\$23,337,457	\$22,529,713	\$23,778,549	\$10,938,245
<b>Cost of Sales</b>	(\$2,314,596)	(\$2,178,929)	(\$2,218,869)	(\$893,891)
<b>Gross Profit</b>	\$21,022,860	\$20,350,784	\$21,559,680	\$10,044,354
<b>Expenses</b>				
<b>Payroll</b>	(\$12,030,026)	(\$11,763,142)	(\$12,098,020)	(\$4,872,347)
<b>General Administrative</b>	(\$7,644,627)	(\$8,533,892)	(\$9,582,192)	(\$3,585,670)

22 ...

23 ...

24  
 25  
 26 <sup>21</sup> As JNI is a private gaming company, its financial records are confidential. Audited financial statements for 2010, 2011, and 2012, will be provided to any creditor upon request and subject to a confidentiality agreement.

27 <sup>22</sup> Debtors submit that specific information on a machine-by-machine basis regarding slot drop, average hold, etc. is proprietary and thus confidential. However, upon request by any creditor and subject to a confidentiality agreement, Debtors will provide such information for review.

1 As this chart reveals, JNI's revenues increased for 2012 by more than \$1.24 Million.  
 2 While overall JNI's financial performance slightly decreased in 2012<sup>23</sup> as a result of the legal  
 3 fees and related Chapter 11 expenses incurred in 2012 of approximately \$434,400 relating to the  
 4 negotiations with USB, the USB Receivership Action, the CRE Lawsuit, and the commencement  
 5 of the Chapter 11 Case, as well as the expense of \$140,000 for remodeling the bingo hall,  
 6 Debtor's strong revenue demonstrates strong future performance. Such improvement in  
 7 operations is a testament to the strength of Jerry's Nugget's management and operations and with  
 8 the continued improvement in the Las Vegas economic climate, Jerry's Nugget's net profits will  
 9 continue to increase.

10 As discussed above, as of February 2013, unemployment within Las Vegas has decreased  
 11 and the Las Vegas economy as a whole is experiencing the economic recovery. Based on JNI's  
 12 operational results to date, which has – and will continue to – benefit from the improvement of  
 13 the Las Vegas economy, JNI projects an increase in total revenue for 2013 to approximately  
 14 \$23.91 Million, with an EBIDTA of approximately \$1,588,555, and net income of approximately  
 15 \$525,265.77.

16 ***Summary of JNI's Unaudited Balance Sheet for 2010, 2011, 2012:***<sup>24</sup>

	<b>2010</b>	<b>2011</b>	<b>2012</b>
<u>Total Assets</u>	\$24,188,969.17	\$24,354,259.88	\$23,998,714.46
Cash	\$897,397.07	\$1,105,411.30	\$1,749,485.00
Receivables	\$697,231.05	\$1,859,531.38	\$823,212.32
Inventory	\$237,412.32	\$192,832.32	\$184,421.98
Prepaid Expenses	\$567,675.55	\$591,037.60	\$702,852.44

23 JNI's revenues exceeded its expenses in 2011 by approximately \$53,750, while JNI's expenses exceeded its revenues by approximately \$120,532 in 2012. Had JNI not incurred: (i) over \$361,000 in legal fees as a result of the CRE Lawsuit, the negotiations with USB, the USB Receivership Action, and the commencement of the Chapter 11 Case; (ii) \$12,000 for appraisal fees; (iii) \$23,400 for US Trustee fees; and (iv) \$38,000 in utility deposits, JNI's revenues would have exceeded its expenses by more than **\$313,868**. It is also important to note that JNI expended \$140,000 in 2012 remodeling its bingo hall. If the attorney's fees and bingo hall capital expenditures are excluded, Debtors' revenues exceeded their expenses by more than \$453,400 for 2012.

24 ***Again, upon request and subject to a confidentiality agreement, Debtors will provide any creditor with Debtors' balance sheets for 2010, 2011, and 2012.***

1	Fixed Assets	\$12,917,566.78	\$10,249,856.32	\$9,876,097.23
2	Other Long-Term Assets	Note Receivable - Prado, LLC = \$6,034,901.74 Interest Receivable - Prado, LLC = \$1,734,980.64 Restricted Investments - Deposit R&S - Wells Fargo CD's = \$24,982.36 Restricted Investments - Deposit R&S - Bank of America = \$10,027.07 Cash Surrender Value - Life Insurance = \$293,939.04 Note Receivable - Aida B. Nova = \$290,000.00 Note Receivable - Benigno Aguilera = \$482,855.55 TOTAL = \$8,871,686.40	Note Receivable - Prado, LLC = \$6,338,202.26 Interest Receivable - Prado, LLC = \$2,168,080.95 Restricted Investments - Deposit R&S - Bank of America = \$10,153.65 Cash Surrender Value - Life Insurance = \$314,267.88 Due from Spartan Gaming = \$124,886.22 Note Receivable - Spartan Gaming = \$1,400,000.00 TOTAL = \$10,355,590.96	Note Receivable - Prado, LLC = \$6,442,643.67 <sup>25</sup> Interest Receivable - Prado, LLC = \$2,168,080.95 Restricted Investments - Deposit R&S - Bank of America = \$10,039.96 Restricted Investments - Deposit R&S - US Bank = \$180,006.89 Cash Surrender Value - Life Insurance = \$367,311.16 Due from Spartan Gaming = \$94,562.86 Note Receivable - Spartan Gaming = \$1,400,000.00 TOTAL = \$10,662,645.49
9	<b>Total Liabilities</b>	<b>\$12,754,982.90</b>	<b>\$12,903,914.20</b>	<b>\$12,320,255.80</b>
10	Current Liabilities	Accounts Payable = \$1,176,408.10 Credit Card Payable - American Express = \$2,041.78 Credit Card Fees Payable = \$3,395.12 Gift Cards = \$6,679.14 Gift Certificates = \$666.12 Chips and Tokens on Hand = (\$376,399.00) Chips and Tokens in Service = \$455,274.00 Chips and Tokens Adjustment = (\$27,609.00) Sales Tax Payable = \$24,660.82 Entertainment Tax Payable = \$622.65 Sports Book Futures Liability = \$23,392.25 Unpaid Winning Tickets = \$75,389.72 Unredeemed Quickets = \$9,972.73 Accrued gaming and Related Liabilities = \$1,055,178.18 Payroll Tax Liability = \$164,699.90 Union Dues = \$44.00 Garnishments = \$227.05 401(k) Deductions = \$65.87 Supplemental Insurance Deductions = \$375.90 Deposit - City of North Las Vegas = \$27,000.00 US Bank Line of Credit - Loan #26 = \$3,476,942.83	Accounts Payable = \$965,029.11 Credit Card Payable - American Express = (\$300.00) Credit Card Fees Payable = \$2,988.66 945 Tax Withholding = \$1,560.00 Gift Cards = \$11,152.49 Gift Certificates = \$460.73 Chips and Tokens on Hand = (\$371,642.00) Chips and Tokens in Service = \$455,274.00 Chips and Tokens Adjustment = (\$27,609.00) Sales Tax Payable = \$26,062.64 Entertainment Tax Payable = \$449.34 Sports Book Futures Liability = \$40,213.50 Unpaid Winning Tickets = \$120,953.78 Unredeemed Quickets = \$37,405.35 Accrued gaming and Related Liabilities = \$1,005,502.93 Payroll Tax Liability = \$177,857.59 Union Dues = \$40.00 Garnishments = \$49.00 401(k) Deductions = \$60.61 Supplemental Insurance Deductions = \$470.22 US Bank Line of Credit - Loan #26 = \$3,244,792.00	Accounts Payable = \$1,183,041.37 Credit Card Fees Payable = \$5,422.72 1042 Foreign Withholding = \$1,194.00 Gift Cards = \$11,506.95 Gift Certificates = \$355.12 Chips and Tokens on Hand = (\$377,981.00) Chips and Tokens in Service = \$456,424.00 Chips and Tokens Adjustment = (\$27,609.00) Sales Tax Payable = \$116,218.46 Entertainment Tax Payable = \$637.62 Sports Book Futures Liability = \$18,766.00 Unpaid Winning Tickets = \$89,444.76 Unredeemed Quickets = \$94,200.22 Accrued gaming and Related Liabilities = \$1,452,493.45 Payroll Tax Liability = \$206,120.46 Union Dues = \$39.00 Garnishments = \$567.17 401(k) Deductions = \$111.13 US Bank Line of Credit - Loan #26 = \$3,184,792.00 Note Payable - George Stamis = \$50,000.00 IGT Slot Purchase 2013 = \$90,756.44 IGT Slot Purchase - 2012 =

<sup>25</sup> In completing its audited financials for 2012, JNI determined that the Prado LLC receivable was uncollectable due to CRE's pending foreclosure action on the related property.



1		Aristocrat Slot Purchase - 2010 = \$204,489.20	Spartan Note Payable - CMCS = \$1,000,000.00	\$50,672.62
2		Bally Slot Purchase - 2010 = \$24,133.33	Aristocrat Slot Machine Purchase 2012 = \$68,724.58	Bally Slot Purchase - 2011 - #2 = \$66,281.00
3		WMS #1 Slot Purchase - 2010 = \$72,872.91	Bally Slot Purchase - 2011 - #2 = \$109,181.00	WMS Slot Purchase - 2011 = \$32,646.20
4		WMS #2 Slot Purchase -2010 = \$142,765.38	PDS Slot Purchase - 2011 = \$2,259.82	Konami Slot Purchase - 2011 = \$2,440.05
5		Current Portion of Long- Term Debt - Community Bank of Nevada = \$728,591.81	IGT Slot Purchase - 2011 = \$42,913.49	Bally Slot Purchase - 2011 = \$36,610.00
6		Current Portion of Long- Term Debt - GMAC = \$13,096.91	WMS Slot Purchase - 2011 = \$72,210.80	Current Portion of Long- Term Debt - Community Bank of Nevada = \$728,204.47
7		Current Portion of Long- Term Debt - J. Lodge Note = \$407,285.48	Konami Slot Purchase - 2011 = \$58,185.70	Current Portion of Long- Term Debt - J. Lodge Note = \$69,712.81
8		Current Portion of Capital Lease Obligation - National City = \$252,942.18	Bally Slot Purchase - 2011 = \$71,346.00	Current Portion of Long- Term Debt - GMAC = \$6,158.71
9		Current Portion of Capital Lease Obligation - Ikon #3 = \$10,179.95	Current Portion of Long- Term Debt - Community Bank of Nevada = \$137,110.47	Current Portion of Capital Lease Obligation - Ikon #3 = \$11,024.34
10		Current Portion of Capital Lease Obligation - Ricoh 6 Copiers = \$18,264.06	Current Portion of Long- Term Debt - J. Lodge Note = \$278,784.21	Current Portion of Capital Lease Obligation - Ricoh 6 Copiers = \$20,180.72
11		TOTAL = \$7,973,649.37	Current Portion of Capital Lease Obligation - National City = \$112,467.34	TOTAL = \$7,580,431.79
12			Current Portion of Capital Lease Obligation - Ikon #3 = \$10,611.39	
13			Current Portion of Capital Lease Obligation - Ricoh 6 Copiers = \$19,198.49	
14			TOTAL = \$7,688,003.18	
15				
16				
17	Long-Term Liabilities	Long-Term Debt - G. Stamis = \$4,550,726.15	Long-Term Debt - Community Bank of Nevada = \$591,093.58	Long-Term Debt - G. Stamis = \$4,550,726.15
18		Long-Term Debt - GMAC = \$19,256.02	Long-Term Debt - G. Stamis \$4,550,726.15	Long-Term Debt - J. Lodge Note = \$126,312.00
19		Long-Term Portion of Capital Lease Obligation - National City = \$112,467.34	Long-Term Debt - GMAC = \$5,017.08	Long-Term Debt - IGT Slot Purchase 2012 = \$24,953.50
20		Long-Term Portion of Capital Lease Obligation - Ikon #3 = \$21,672.50	Long-Term Portion of Capital Lease Obligation - Ikon #3 = \$11,061.11	Long-Term Portion of Capital Lease Obligation - Ricoh 6 Copiers = \$37,832.34
21		Long-Term Portion of Capital Lease Obligation - Ricoh 6 Copiers = \$77,211.55	Long-Term Portion of Capital Lease Obligation - Ricoh 6 Copiers = \$58,013.06	TOTAL = \$4,739,823.99
22		TOTAL = \$4,781,333.56	TOTAL = \$5,215,910.98	

23 Since the Petition Date, JNI's total revenue has increased to \$18,685,212 from  
24 \$16,949,580 compared to the same period last year. This represents a total increase of  
25 \$1,735,632 or 10.24%. JNI's EBITDA for the same period increased to \$2,150,875 from  
26 \$1,664,393. This represents a \$486,482 total increase or 29.23% in EBITDA. May 2013  
27 numbers show total revenue of \$2,261,316 compared to \$1,932,927 the previous May and  
28

1 EBITDA of \$348,847 over \$103,635, respectively. Thus, JNI has seen steady increases in total  
2 revenue and EBITDA as illustrated from August 2012 through June 2013.

3 As a result of: (i) Debtors' skilled and knowledgeable management; (ii) the performance  
4 of Debtors' business up to the Petition Date; and (iii) the performance of Debtors' business in the  
5 ordinary course during the Chapter 11 Case, Debtors expect the enterprise value of Debtors'  
6 business and real property to continue to increase.

7 **G. Significant Events During the Chapter 11 Case.**

8 **1. The First Day Motions.**

9 Concurrently with the filing of the Petition, Debtors filed various First Day Motions  
10 designed to assist Debtors in making a smooth transition into Chapter 11, including:

11 a. Debtors' *Emergency Motion for Entry of an Interim Order Pursuant to*  
12 *Fed. R. Bankr. P. 4001(b) and LR 4001(b): (i) Initially Determining Extend of Cash*  
13 *Collateral by Debtors; and (ii) Scheduling a Final Hearing to Determine Extent of Cash*  
14 *Collateral and Authorizing Use of Cash Collateral by Debtors* (the "Cash Collateral  
15 Motion") [ECF No. 8];

16 b. JNI's *Emergency Motion for Order Authorizing Debtor to Honor Casino*  
17 *Chips and Other Gaming Liabilities* [ECF No. 9];

18 c. JNI's *Emergency Motion for Order: (i) Authorizing Debtor to Pay Wages,*  
19 *Salaries, Benefits, Reimbursable Business Expenses, and Other Employee Obligations;*  
20 *and (ii) Authorizing and Directing Financial Institutions to Honor and Process Checks*  
21 *and Transfers Related to Such Obligations* [ECF No. 10];

22 d. *Emergency Motion for Order Authorizing Maintenance of Prepetition*  
23 *Cash Management System* [ECF No. 11];

24 e. Debtors' *Emergency Motion Pursuant to 11 U.S.C. §§ 105(a) and 366 for*  
25 *an Order Determining that Adequate Assurance has been Provided to the Utility*  
26 *Companies* [ECF No. 12];

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1 f. JNI's *Emergency Motion for an Order: (I) Allowing Administrative*  
2 *Expense Status for Goods Received Within the Twenty Day Period Before the Petition*  
3 *Date, and (II) Authorizing, but not Directing, Debtor to Pay Such Obligations* [ECF No.  
4 13]; and

5 g. Debtors' *Emergency Motion for Order Authorizing Debtors to Pay Pre-*  
6 *Petition Taxes and Fees Pursuant to 11 U.S.C. §§ 105(a), 363(b), 507(a)(8), and 541(d)*  
7 [ECF No. 14] (collectively, the "First Day Motions").

8 Except as discussed below with regard to the Cash Collateral Motion, these First Day  
9 Motions were heard on an emergency basis on August 16, 2012, were approved, and  
10 corresponding orders were subsequently entered by the Bankruptcy Court (the "First Day  
11 Orders").

12 **2. Other Significant Motions and Post-Petition Events.**

13 a. The Cash Collateral Motion.

14 In the Cash Collateral Motion, Debtors sought: (i) a hearing to determine the extent of the  
15 USB and CM's interest in Cash Collateral; (ii) an order authorizing the interim use of Cash  
16 Collateral by Debtors to pay costs of administration and to operate Debtors' business in the  
17 ordinary course pending a final hearing; and (iii) an order scheduling a final hearing on the Cash  
18 Collateral Motion. On August 16, 2012, USB filed *U.S. Bank National Association's Opposition*  
19 *to Emergency Motion for Entry of an Interim Order Pursuant to Fed. R. Bankr. P. 4001(b) and*  
20 *LR 4001(b): (i) Initially Determining Extend of Cash Collateral and Authorizing Interim Use of*  
21 *Cash Collateral by Debtors; and (ii) Scheduling a Final Hearing to Determine Extent of Cash*  
22 *Collateral and Authorizing Use of Cash Collateral by Debtors* ("Cash Collateral Objection")  
23 [ECF. 34]. Following the contested hearing on the Cash Collateral Motion, the Bankruptcy  
24 Court entered its *Interim Order Re: Emergency Motion for Entry of an Interim Order Pursuant*  
25 *to Fed. R. Bankr. P. 4001(b) and LR 4001(b): (i) Initially Determining Extend of Cash Collateral*  
26 *by Debtors; and (ii) Scheduling a Final Hearing to Determine Extent of Cash Collateral and*  
27 *Authorizing Use of Cash Collateral by Debtors* (the "Interim Cash Collateral Order") [ECF No.  
28 87], thereby, among other relief: (i) authorizing Debtors' use of Cash Collateral on an interim

1 basis in accordance with the budget inclusive of the requested variances; (ii) granting USB and  
2 CM replacement liens to the extent necessary to adequately protect USB and CM from any  
3 diminution in the value of their respective security interests; (iii) requiring Debtors to maintain  
4 their accounts with USB and to provide weekly, bi-weekly, and monthly reporting to USB; and  
5 (iv) establishing discovery procedures and additional briefing deadlines, as well as setting an  
6 additional hearing on the Cash Collateral Motion for September 19, 2012 (the “Second Cash  
7 Collateral Hearing”).

8 Following the Second Cash Collateral Hearing, the Bankruptcy Court entered its *Second*  
9 *Interim Order Re: Emergency Motion for Entry of an Interim Order Pursuant to Fed. R. Bankr.*  
10 *P. 4001(b) and LR 4001(b): (i) Initially Determining Extend of Cash Collateral by Debtors; and*  
11 *(ii) Scheduling a Final Hearing to Determine Extent of Cash Collateral and Authorizing Use of*  
12 *Cash Collateral by Debtors* (the “Second Interim Cash Collateral Order”) [ECF No. 110],  
13 thereby authorizing Debtors to continue using Cash Collateral in accordance with the terms of  
14 the Second Interim Cash Collateral Order and took the balance of the disputed Cash Collateral  
15 issues under submission.

16 b. Exclusivity pleadings.

17 On November 21, 2012, Debtors filed *Debtors’ Motion for Order Extending the*  
18 *Exclusive Periods to File and Secure Acceptance of Debtors’ Plan of Reorganization Pursuant*  
19 *to 11 U.S.C. § 1121(d)* (the “Exclusivity Motion”) [ECF No. 140], which was heard by the  
20 Bankruptcy Court on December 19, 2012. On December 21, 2012, this Court entered an order  
21 overruling CRE and USB’s objections to the Exclusivity Motion [ECF Nos. 174 and 177] and  
22 approving the Exclusivity Motion [ECF No. 188] (the “Exclusivity Order”), thereby allowing  
23 Debtors up to and including April 10, 2013 to file their Plan. In accordance therewith, Debtors  
24 filed their initial plan of reorganization on April 10, 2013. See ECF No. 205. Debtors filed their  
25 amended plan on May 8, 2013.

26 c. The employment of Debtors’ professionals.

27 On August 13, 2012, Debtors filed their *Application for Order Authorizing Employment*  
28 *of Gordon Silver as Attorneys for Debtors* (the “GS Employment Application”) [ECF No. 18]

1 seeking the employment of Gordon Silver (“GS”) as Debtors’ bankruptcy counsel. On October  
2 2, 2012, the Bankruptcy Court entered an order, following a September 19, 2012 hearing on the  
3 GS Employment Application, which order approved the employment of GS as Debtors’  
4 bankruptcy counsel.

5 On August 31, 2012, JNI filed its *Application for Order Authorizing the Employment of*  
6 *Fisher & Phillips LLP as Special Employment Counsel for Debtor* (the “FP Employment  
7 Application”) [ECF No. 80] seeking the employment of Fisher & Phillips LLP (“FP”) as JNI’s  
8 counsel with regard to certain employment disputes. On October 15, 2012, the Bankruptcy  
9 Court entered an order, following an October 3, 2012 hearing on the FP Employment  
10 Application, which order approved the employment of FP as Debtors’ special counsel pursuant  
11 to the scope identified in the FP Employment Application.

12 On March 7, 2013, Debtors filed their *Application for Order Authorizing the Employment*  
13 *of Lever Capital as Financing Broker for Debtors Nunc Pro Tunc to February 21, 2013* [ECF  
14 No.196] (the “Broker Employment Application”) seeking the employment of Lever Capital  
15 (“Lever”) as JNI’s broker for potential take-out financing. On April 15, 2013, the Bankruptcy  
16 Court entered an order approving the employment of Lever as Debtors’ broker. See ECF No.  
17 208.

18 Debtors recently filed their: (i) *Application for Order Authorizing the Employment and*  
19 *Retention of Valuation Consultants as Debtors’ Valuation Expert* (the “Kimmel Employment  
20 Application”) seeking entry of an order authorizing the employment of William G. Kimmel as  
21 Debtor’s valuation expert; and (ii) *Application for Order Authorizing the Employment and*  
22 *Retention of Conway MacKenzie, Inc. as Debtors’ Financial Advisory and Interest Rate Expert*  
23 (the “Conway MacKenzie Employment Application”) seeking entry of an order authorizing the  
24 employment of Conway MacKenzie as Debtor’s financial advisors and interest rate expert. On  
25 June 14, 2013, the Bankruptcy Court entered an order approving the employment of William G.  
26 Kimmel as Debtors’ valuation expert. See ECF No. 307. On June 14, 2013, the Bankruptcy  
27 Court also entered an order approving the employment of Conway MacKenzie, Inc. as Debtors’  
28 Financial Advisor and Interest Rate Expert. See ECF No. 308.

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d. Monthly Operating Reports.

To date, Debtors have filed all required Monthly Operating Reports and paid all required fees to the Office of the United States Trustee (the “UST”).

e. USB’s Adversary Proceeding.

On May 17, 2013, USB filed an adversary proceeding styled as *U.S. Bank N.A. v. The George Stamis Trust et al. (In re Jerry’s Nugget, Inc.)*, Adv. No. 13-01096 (Bankr. D. Nev.) (the “Adversary Proceeding”). Through the Adversary Proceeding: (i) USB seeks subordination of the Stamis Trust Claim pursuant to 11 U.S.C. § 510(a); (ii) USB and CRE seek subordination of the Stamis Trust Claim pursuant to 11 U.S.C. § 510(c); (iii) USB and CRE seek subordination of the Lodge Trust Claim pursuant to 11 U.S.C. § 510(b); and (iv) USB and CRE seek subordination of the Lodge Trust Claim pursuant to 11 U.S.C. § 510(c). See ECF No. 239. Although Debtors have not taken a formal position regarding the merits of USB’s claims brought pursuant to 11 U.S.C. §§ 510(a) or (b) in the Adversary Proceeding and do not anticipating appearing the action, Debtors do not believe that there was the requisite inequitable conduct necessary to support a claim under 11 U.S.C. § 510(c).

As Debtors’ Plan provides that the loan documents remain enforceable with regard to USB, except as expressly modified by the Plan, the outcome of the first claim for relief does not impact the Plan. To the extent that USB and/or CRE prevail on the balance of their claims for relief under 11 U.S.C. 510(b) and (c), Debtors will amend the Plan to separately classify such claims in accordance with the Bankruptcy Court’s Final Order.

**VII.**  
**ADDITIONAL PLAN PROVISIONS**

**A. Full Satisfaction.**

Other than as specifically provided in the Plan, the treatment under the Plan of each Claim will be in full satisfaction, settlement, release, and discharge of all Claims. Reorganized JNI and/or Reorganized Spartan Gaming, as applicable, will make all payments and other Distributions under the Plan, unless otherwise specified.

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**B. Means for Implementation of the Plan.**

**1. Plan Implementation Occurring on the Effective Date and Substantial Consummation Date.**

On the Effective Date and Substantial Consummation Date, as set forth herein, and without any further action by Debtors or Reorganized Debtors, the following shall occur:

a. Reorganized JNI. On and after the Effective Date, without any further action by JNI or Reorganized JNI, all of the JNI Assets shall vest in Reorganized JNI. On and after the Effective Date, Reorganized JNI shall continue to exist as a separate entity in accordance with applicable law. JNI’s existing articles of organization, by-laws, and operating agreement (as amended, supplemented, or modified) will continue in effect following the Effective Date, except to the extent that such documents are amended in conformance with the Plan or by proper governance action after the Effective Date.

b. Reorganized JNI’s Equity Securities Post-Substantial Consummation Date. On the Substantial Consummation Date, Reorganized JNI shall issue 100% of its shares to the Stamis Trusts, such that each of the Stamis Trusts shall equally own 50% of the total shares of Reorganized JNI.

c. Reorganized Spartan Gaming. On the Effective Date, without any further action by Spartan Gaming or Reorganized Spartan Gaming, all of the Spartan Gaming Assets shall vest in Reorganized Spartan Gaming. On and after the Effective Date, Reorganized Spartan Gaming shall continue to exist as a separate entity in accordance with applicable law. Spartan Gaming’s existing articles of organization, by-laws, and operating agreement (as amended, supplemented, or modified) will continue in effect following the Effective Date, except to the extent that such documents are amended in conformance with the Plan or by proper governance action after the Effective Date.

d. Spartan Gaming Equity Securities Post-Effective Date. On the Effective Date, Reorganized Spartan Gaming shall issue 100% of its membership interests to the Stamis Trusts, such that each of the Stamis Trusts shall equally own 50% of Reorganized Spartan Gaming.

e. Contribution. On the Substantial Consummation Date, the Stamis Trusts shall contribute \$400,000, which money shall be used by Reorganized Debtors to fund the Distributions required under the Plan. Upon the written request of Reorganized Debtors after the Substantial Consummation Date, the Stamis Trusts shall additionally contribute such others funds as are necessary for Reorganized Debtors to timely tender the Distributions contemplated by the Plan.

1           **2. Effectiveness of the Amended and Restated Notes.**

2           On the Effective Date, the Amended and Restated Notes shall be executed by  
3 Reorganized JNI and/or Reorganized Spartan Gaming, as applicable, and delivered to Secured  
4 Lenders.

5           **3. Effectiveness of the Loan Documents.**

6           On the Effective Date, the Loan Documents shall remain in full force and effect, save and  
7 expect that without any further action by Debtors, Reorganized Debtors, or Secured Lenders, all  
8 of the Loan Documents shall be deemed to have been amended as set forth in Section 4 of the  
9 Plan. All amendments necessary to implement and effectuate the provisions of the Plan shall be  
10 deemed to have been made. All potential discrepancies or inconsistencies between the Loan  
11 Documents and the Plan shall be construed and resolved in favor of the effectuation and  
12 implementation of the provisions and intentions of the Plan.

13           **4. Articles of Organization, By-laws, Operating Agreement.**

14           The articles of organization, by-laws, and/or operating agreement, as applicable, of  
15 Debtors shall be amended as necessary to satisfy and effectuate the provisions of the Plan and the  
16 Bankruptcy Code and shall include, among other things, pursuant to Section 1123(a)(6) of the  
17 Bankruptcy Code, a provision prohibiting the issuance of non-voting equity securities, but only  
18 to the extent required by Section 1123(a)(6) of the Bankruptcy Code.

19           **5. Post-Effective Date and Pre-Substantial Consummation Date Management  
20 and Operations.**

21           Reorganized JNI and Reorganized Spartan Gaming will continue to be managed by  
22 Jeremy Stamis and Joseph Stamis, which management may only be modified with the express  
23 written consent of Jeremy Stamis and Joseph Stamis. Jeremy Stamis, who serves as the  
24 President and Director of Operations of JNI and Co-Manager of Spartan Gaming, receives an  
25 annual salary of \$70,000 and a car with a value of \$18,000-\$21,400. Joseph Stamis, who serves  
26 as the Secretary, Treasurer, and Director of Operations of JNI and Co-Manager of Spartan  
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1 Gaming, receives an annual salary of \$75,000. There is currently no formal employment  
2 agreement between Debtors and Jeremy and Joseph Stamis.<sup>26</sup>

3 **6. Post-Substantial Consummation Date Funding.**

4 On and after the Substantial Consummation Date, Reorganized JNI shall, by way of  
5 intercompany advances, contributions, or loans to Reorganized Spartan Gaming, provide such  
6 funds as Reorganized JNI, in its sole discretion, determines is appropriate for the funding of  
7 Reorganized Spartan Gaming's obligations pursuant to the Plan and the Confirmation Order.

8 **7. Post-Substantial Consummation Date Officers and Directors of Reorganized  
9 JNI.**

10 On the Substantial Consummation Date, the board of directors of Reorganized JNI and all  
11 officers of Reorganized JNI shall be comprised of Jeremy Stamis and Joseph Stamis. Each  
12 member of the board and officers shall satisfy all applicable requirements imposed by any  
13 applicable Gaming Laws.

14 **8. Effectuation of Transactions.**

15 On and after the Effective Date, the appropriate managers or members of Debtors are  
16 authorized to issue, execute, deliver, and consummate the transactions contemplated by or  
17 described in the Plan in the name of and on behalf of Reorganized Debtors without further notice  
18 to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, rule, or  
19 any requirements of further action, vote, or other approval or authorization by any Person.

20 **9. No Governance Action Required.**

21 As of the Effective Date: (i) the adoption, execution, delivery, and implementation or  
22 assignment of all contracts, leases, instruments, releases, and other agreements related to or  
23 contemplated by the Plan; and (ii) the other matters provided for under or in furtherance of the  
24 Plan involving corporate action to be taken by or required of Debtors shall be deemed to have

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26 <sup>26</sup> Furthermore, Angelo Stamis, who currently serves as the General Manager of JNI and who has worked in varying  
27 roles at Jerry's Nugget Casino since 2000, receives an annual salary of \$190,000, plus a car allowance. Susan  
28 Stamis, who has been employed by JNI since 2000 as a gift shop manager and now a consulting manager that also  
handles interior and exterior design, receives an annual salary of \$52,000. Jeremy, Joseph, Angelo, and Susan each  
receive the same 401K and employee benefit plan as all of the other employees of Jerry's Nugget Casino. There are  
no other incentive plans or severance packages.

1 occurred and be effective as provided herein, and shall be authorized and approved in all respects  
2 without further order of the Bankruptcy Court or any requirement of further action by the  
3 members or managers of Debtors.

4 **10. Debtors' Organizational Documents.**

5 As of the Substantial Consummation Date, the certificates or articles of incorporation and  
6 by-laws or other organizational documents of each of the Debtors shall be amended as necessary  
7 to satisfy the provisions of the Plan and the Bankruptcy Code, and shall: (i) include, among other  
8 things, pursuant to section 1123(a)(6) of the Bankruptcy Code, a provision prohibiting, the  
9 issuance of non-voting equity securities, but only to the extent required by section 1123(a)(6) of  
10 the Bankruptcy Code; and (ii) to the extent necessary or appropriate, include such provisions as  
11 may be needed to effectuate and consummate the Plan and the transactions contemplated herein.

12 **11. Filing with Nevada Secretary.**

13 To the extent required by applicable law, as soon as reasonably practical after the  
14 Effective Date, a certified copy of the Plan and the Confirmation Order shall be filed with the  
15 Nevada Secretary. Again, to the extent applicable, Debtors, from the Confirmation Date until the  
16 Effective Date, are authorized and directed to take any action or carry out any proceeding  
17 necessary to effectuate the Plan pursuant to NRS Chapter 86.

18 **C. Executory Contracts and Unexpired Leases.**

19 **1. Executory Contracts.**

20 Except for Executory Contracts and Unexpired Leases specifically addressed in the Plan  
21 or set forth on the schedule of Rejected Executory Contracts and Unexpired Leases attached as  
22 Schedule 6.1 to the Plan (which may be supplemented and amended up to the date the  
23 Bankruptcy Court enters the Confirmation Order), all Executory Contracts and Unexpired Leases  
24 that exist on the Confirmation Date shall be deemed assumed by Reorganized JNI or  
25 Reorganized Spartan Gaming, as applicable, on the Effective Date.

26 **2. Approval of Assumption or Rejection.**

27 Entry of the Confirmation Order shall constitute as of the Effective Date: (i) approval,  
28 pursuant to Section 365(a) of the Bankruptcy Code, of the assumption by the applicable Debtor

1 of each Executory Contract and Unexpired Lease to which the applicable Debtor is a party that is  
2 not listed on Schedule 6.1 of the Plan, not otherwise provided for in the Plan, and neither  
3 assumed, assumed and assigned, nor rejected by separate order of the Bankruptcy Court prior to  
4 the Effective Date; and (ii) rejection by Debtors of each Executory Contract and Unexpired  
5 Lease to which Debtors are a party that is listed on Schedule 6.1 of the Plan. Upon the Effective  
6 Date, each counter party to an assumed Executory Contract or Unexpired Lease listed shall be  
7 deemed to have consented to an assumption contemplated by Section 365(c)(1)(B) of the  
8 Bankruptcy Code, to the extent such consent is necessary for such assumption. To the extent  
9 applicable, all Executory Contracts or Unexpired Leases of Debtors assumed and assigned to  
10 Reorganized JNI or Reorganized Spartan Gaming, as applicable, pursuant to this Section 6 shall  
11 not be a “change of control,” regardless of how such term may be defined in the relevant  
12 Executory Contract or Unexpired Lease, and any required consent under any such Executory  
13 Contract or Unexpired Lease shall be deemed satisfied by Confirmation of the Plan.

14 **3. Cure of Defaults.**

15 Reorganized Debtors shall Cure any defaults respecting each Executory Contract or  
16 Unexpired Lease assumed pursuant to Section 6.1 of the Plan upon the latest of: (i) the Effective  
17 Date or as soon thereafter as practicable; (ii) such dates as may be fixed by the Bankruptcy Court  
18 or agreed upon by Debtors, and after the Effective Date, Reorganized Debtors; or (iii) the  
19 fourteenth (14<sup>th</sup>) Business Day after the entry of a Final Order resolving any dispute regarding:  
20 (a) a Cure amount; (b) the ability of Debtors or Reorganized Debtors to provide “adequate  
21 assurance of future performance” under the Executory Contract or Unexpired Lease assumed  
22 pursuant to the Plan in accordance with Section 365(b)(1) of the Bankruptcy Code; provided,  
23 however, that upon resolution of a dispute over a Cure amount, Reorganized Debtors may reject  
24 the Executory Contract or Unexpired Lease notwithstanding a previous listing as assumed; or (c)  
25 any other disputed matter pertaining to assumption, assignment, or the Cure of a particular  
26 Executory Contract or an Unexpired Lease.

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1           **4.       Objection to Cure Amounts.**

2           Any party to an Executory Contract or Unexpired Lease who objects to the Cure amount  
3 determined by Debtors to be due and owing must file and serve an objection on Debtors' counsel  
4 no later than thirty (30) days after the Effective Date. Failure to file and serve a timely objection  
5 shall be deemed consent to the Cure amounts paid by Debtors in accordance with Section 6.3 of  
6 the Plan. If there is a dispute regarding: (i) the amount of any Cure payment; (ii) the ability of  
7 Reorganized Debtors to provide "adequate assurance of future performance" under the  
8 Executory Contract or Unexpired Lease to be assumed or assigned; or (iii) any other matter  
9 pertaining to assumption, the Cure payments required by Section 365(b)(1) of the Bankruptcy  
10 Code will be made following the entry of a Final Order resolving the dispute and approving the  
11 assumption.

12           **5.       Confirmation Order.**

13           The Confirmation Order will constitute an order of the Bankruptcy Court approving the  
14 assumptions and rejections described in Section 6 of the Plan pursuant to Section 365 of the  
15 Bankruptcy Code as of the Effective Date. Notwithstanding the forgoing, if, as of the date the  
16 Bankruptcy Court enters the Confirmation Order, there is pending before the Bankruptcy Court a  
17 dispute concerning the Cure amount or adequate assurance for any particular Executory Contract  
18 or Unexpired Lease (or the time period for a non-Debtor to object to the Cure has not yet lapsed),  
19 the assumption of such Executory Contract or Unexpired Lease shall be effective as of the date  
20 the Bankruptcy Court enters an order resolving any such dispute and authorizing assumption by  
21 the applicable Debtor.

22           **6.       Post-Petition Date Contracts and Leases.**

23           Executory Contracts and Unexpired Leases entered into and other obligations incurred  
24 after the Petition Date by Debtors shall be assumed by Debtors on the Effective Date. Each such  
25 Executory Contract and Unexpired Lease shall be performed by Debtors or Reorganized  
26 Debtors, as applicable, in the ordinary course of its/their business.

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1           **7. Bar Date.**

2           All proofs of Claims with respect to Claims arising from the rejection of any Executory  
3 Contract or Unexpired Lease shall be filed no later than thirty (30) calendar days after the  
4 Effective Date. Any Claim not filed within such time shall be forever barred.

5           **D. Manner of Distribution of Property Under the Plan.**

6           Reorganized Debtors shall be responsible for making the Distributions described in the  
7 Plan. Except as otherwise provided in the Plan or the Confirmation Order, the Cash necessary  
8 for Reorganized Debtors to make payments pursuant to the Plan may be obtained from existing  
9 Cash balances and Reorganized Debtors' operations.

10           Reorganized Debtors shall maintain a record of the names and addresses of all Holders of  
11 Allowed Claims as of the Effective Date for purposes of mailing Distributions to them.  
12 Reorganized Debtors may rely on the name and address set forth in Debtors' Schedules and/or  
13 proofs of Claim as being true and correct unless and until notified in writing.

14           **E. Conditions Precedent to Confirmation and the Effective Date.**

15           **1. Condition Precedent to Confirmation.**

16           As a condition precedent to the Confirmation of the Plan, the Confirmation Order shall  
17 have been entered and be in form and substance reasonably acceptable to Debtors.

18           **2. Conditions Precedent to Effectiveness.**

19           The following are conditions precedent to the occurrence of the Effective Date:

20           a. The Confirmation Order shall be a Final Order, except that Debtors  
21 reserve the right to cause the Effective Date to occur notwithstanding the pendency of an  
22 appeal of the Confirmation Order;

23           b. No request for revocation of the Confirmation Order under Section 1144  
24 of the Bankruptcy Code shall have been made, or, if made, shall remain pending,  
25 including any appeal; and

26           c. All documents necessary to implement the transactions contemplated by  
27 the Plan shall be in form and substance reasonably acceptable to Debtors.

28           **3. Conditions Precedent to Substantial Consummation.**

          a. All approvals as required for the transactions as set forth in the Plan and  
effectuating documents have been obtained from the applicable Governmental and  
Regulatory Authorities, including the Gaming Authorities; and

1           b. Reorganized Debtors are not in material breach of the Plan or any other  
2 effectuating documents in effect from the Effective Date through the Substantial  
3 Consummation Date.

4           **4. Waiver of Conditions.**

5 Debtors or Reorganized Debtors, in their sole discretion, may waive any and all of the  
6 other conditions set forth in the Plan and specifically Section 8.2 of the Plan without leave of or  
7 order of the Bankruptcy Court and without any formal action.

8           **F. Objections to Claims or Equity Securities.**

9 After the Effective Date, objections to Claims or Equity Securities shall be made and  
10 objections to Claims and Equity Securities made previous thereto shall be pursued by  
11 Reorganized Debtors or any other party properly entitled to do so after notice to Reorganized  
12 Debtors and approval by the Bankruptcy Court. Any objections to Claims made after the  
13 Effective Date shall be filed and served not later than the first Business Day that is sixty (60)  
14 calendar days after the Effective Date; provided, however, that such period may be extended by  
15 order of the Bankruptcy Court.

16           **1. Resolution of Objections After the Effective Date.** From and after the Effective  
17 Date, Reorganized Debtors may litigate to judgment, propose settlements of, or withdraw  
18 objections to, all pending or filed Disputed Claims and Disputed Equity Securities and may settle  
19 or compromise any Disputed Claim or Disputed Equity Security without notice and a hearing  
20 and without approval of the Bankruptcy Court.

21           **2. Late-Filed Claims.** No Claim filed after the Bar Date or, as applicable, the  
22 Administrative Claim Bar Date, shall be allowed, and all such Claims are hereby disallowed in  
23 full. After the Bar Date or the Administrative Claim Bar Date, as applicable, no Creditor shall be  
24 permitted to amend any claim to increase the claimed amount and any such amendment shall be  
25 disallowed to the extent of the late-filed increase in the claimed amount.

26           **G. Miscellaneous Plan Provisions.**

27           **1. Effectuating Documents; Further Transactions; Timing.**

28 Debtors or Reorganized Debtors are each authorized to execute, deliver, file, or record  
such contracts, instruments, releases, and other agreements or documents and to take such

1 actions as may be necessary or appropriate to effectuate and further evidence the terms and  
2 conditions of the Plan and any securities issued, transferred, or canceled pursuant to the Plan.  
3 All transactions that are required to occur on the Effective Date under the terms of the Plan shall  
4 be deemed to have occurred simultaneously. Debtors or Reorganized Debtors are authorized and  
5 directed to do such acts and execute such documents as are necessary to implement the Plan. All  
6 transactions that are required to occur on the Effective Date under the terms of the Plan shall be  
7 deemed to have occurred simultaneously. Debtors, Reorganized JNI, or Reorganized Spartan  
8 Gaming, as applicable, are authorized and directed to do such acts and execute such documents  
9 as are necessary to implement the Plan.

10 **2. Exemption From Transfer Taxes.**

11 Pursuant to Section 1146 of the Bankruptcy Code: (i) the issuance, distribution, transfer,  
12 or exchange of Estate property; (ii) the creation, modification, consolidation, or recording of any  
13 deed of trust or other security interest, the securing of additional indebtedness by such means or  
14 by other means in furtherance of, or connection with the Plan or the Confirmation Order; (iii) the  
15 making, assignment, modification, or recording of any lease or sublease; or (iv) the making,  
16 delivery, or recording of a deed or other instrument of transfer under, in furtherance of, or in  
17 connection with, the Plan, Confirmation Order, or any transaction contemplated above, or any  
18 transactions arising out of, contemplated by, or in any way related to the foregoing shall not be  
19 subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax,  
20 mortgage tax, stamp act or real estate transfer tax, mortgage recording tax, or other similar tax or  
21 governmental assessment and the appropriate state or local government officials or agents shall  
22 be, and hereby are, directed to forego the collection of any such tax or assessment and to accept  
23 for filing or recordation any of the foregoing instruments or other documents without the  
24 payment of any such tax or assessment.

25 **3. Revocation or Withdrawal of the Plan.**

26 Debtors reserve the right to revoke or withdraw the Plan at any time prior to the  
27 Confirmation Date. If the Plan is withdrawn or revoked, then the Plan shall be deemed null and  
28 void and nothing contained herein shall be deemed to constitute a waiver or release of any

1 Claims by or against Debtors or any other Person nor shall the withdrawal or revocation of the  
2 Plan prejudice in any manner the rights of the Debtors or any Person in any further proceedings  
3 involving Debtors. In the event the Plan is withdrawn or revoked, nothing set forth herein shall  
4 be deemed an admission of any sort and the Plan and any transaction contemplated thereby shall  
5 be inadmissible into evidence in any proceeding.

6 **4. Binding Effect.**

7 The Plan shall be binding upon, and shall inure to the benefit of, Debtors or Reorganized  
8 Debtors, and the Holders of all Claims and Equity Securities and their respective successors and  
9 assigns.

10 **5. Governing Law.**

11 Except to the extent that the Bankruptcy Code or other federal law is applicable or as  
12 provided in any contract, instrument, release, or other agreement entered into in connection with  
13 the Plan or in any document which remains unaltered by the Plan, the rights, duties, and  
14 obligations of Debtors, Reorganized Debtors, and any other Person arising under the Plan shall  
15 be governed by, and construed and enforced in accordance with, the internal laws of the State of  
16 Nevada without giving effect to Nevada's choice of law provisions.

17 **6. Modification of Payment Terms.**

18 Reorganized Debtors reserve the right to modify the treatment of any Allowed Claim or  
19 Allowed Equity Security in any manner adverse only to the Holder of such Allowed Claim or  
20 Allowed Equity Security at any time after the Effective Date upon the prior written consent of  
21 the Holder whose Allowed Claim or Allowed Equity Security treatment is being adversely  
22 affected.

23 **7. Providing for Claims Payments.**

24 Distributions to Holders of Allowed Claims shall be made by Reorganized Debtors: (i) at  
25 the addresses set forth on the proofs of Claim filed by such Holders (or at the last known  
26 addresses of such Holders if no proof of Claim is filed or if Debtors have been notified of a  
27 change of address); (ii) at the addresses set forth in any written notices of address changes  
28 delivered to Reorganized Debtors after the date of any related proof of Claim; or (iii) at the



1 addresses reflected in the Schedules if no proof of Claim has been filed and Reorganized Debtors  
2 have not received a written notice of a change of address. If any Holder's distribution is returned  
3 as undeliverable, no further distributions to such Holder shall be made unless and until  
4 Reorganized Debtors are notified in writing of such Holder's then-current address, at which time  
5 all missed Distributions shall be made to such Holder without interest. Amounts in respect of  
6 undeliverable Distributions made through Reorganized Debtors shall be returned to Reorganized  
7 Debtors until such Distributions are claimed. All claims for undeliverable Distributions shall be  
8 made on or before the first anniversary of the Effective Date. After such date, all unclaimed  
9 property shall revert to Reorganized Debtors and the Claim of any Holder or successor to such  
10 Holder with respect to such property shall be discharged and forever barred notwithstanding any  
11 federal or state escheat laws to the contrary. Nothing contained in the Plan shall require Debtors,  
12 Reorganized JNI, or Reorganized Debtors to attempt to locate any Holder of an Allowed Claim  
13 or Allowed Equity Security.

14 **8. Set Offs.**

15 Debtors or Reorganized Debtors may, but shall not be required to, set off or recoup  
16 against any Claim or Equity Security and the payments or other distributions to be made  
17 pursuant to the Plan in respect of such Claim or Equity Security (before any distribution is made  
18 on account of such Claim or Equity Security), claims of any nature whatsoever that the  
19 applicable Debtors or Reorganized Debtors may have against the Holder of such Claim or Equity  
20 Security to the extent such Claims or Equity Securities may be set off or recouped under  
21 applicable law, but neither the failure to do so nor the allowance of any Claim or Equity Security  
22 hereunder shall constitute a waiver or release by Debtors or Reorganized Debtors of any such  
23 Claim that it may have against such Holder.

24 **9. Notices.**

25 Any notice required or permitted to be provided under the Plan shall be in writing and  
26 served by either: (i) certified mail, return receipt requested, postage prepaid; (ii) hand delivery;  
27 or (iii) reputable overnight courier service, freight prepaid, to be addressed as follows:

28 . . .

1 If to Debtors: Jerry's Nugget, Inc.  
2 Spartan Gaming LLC  
3 Attn: Jeremy Stamis  
4 1821 North Las Vegas Blvd.  
5 North Las Vegas, NV 89030

6 With a Copy to: Gordon Silver  
7 Attn: Talitha Gray Kozlowski, Esq.  
8 3960 Howard Hughes Pkwy, 9<sup>th</sup> Floor  
9 Las Vegas, NV 89169

10 **10. Severability.**

11 If any provision of the Plan is determined by the Bankruptcy Court to be invalid, illegal,  
12 or unenforceable or the Plan is determined to be not confirmable pursuant to Section 1129 of the  
13 Bankruptcy Code, the Bankruptcy Court shall alter and interpret such term to make it valid or  
14 enforceable to the maximum extent practicable, consistent with the original purpose of the term  
15 or provision held to be invalid, void, or unenforceable, and such term or provision shall then be  
16 applicable as altered or interpreted. Notwithstanding any such holding, alteration, interpretation,  
17 severance, or removal, the remainder of the terms and provisions of the Plan shall remain in full  
18 force and effect and will in no way be affected, Impaired, or invalidated by such holding,  
19 alteration, interpretation, severance, or removal. The Confirmation Order shall constitute a  
20 judicial determination and shall provide that each term and provision of the Plan, as it may have  
21 been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to  
22 its terms.

23 **11. Withholding and Reporting Requirements.**

24 In connection with the Plan and all instruments and securities issued in connection  
25 therewith and Distributions thereon, Reorganized JNI and Reorganized Debtors shall comply  
26 with all withholding and reporting requirements imposed by any federal, state, local, or foreign  
27 taxing authority and all Distributions hereunder shall be subject to any such withholding and  
28 reporting requirements. Reorganized Debtors shall be authorized to take any and all action that  
may be necessary to comply with such withholding and recording requirements. Notwithstanding any other provision of the Plan, each Holder of an Allowed Claim that has

1 received a distribution pursuant to the Plan shall have sole and exclusive responsibility for the  
2 satisfaction or payment of any tax obligation imposed by any governmental unit, including  
3 income, withholding, and other tax obligation on account of such distribution.

4 **12. Modification and Amendment.**

5 Prior to Confirmation, Debtors may alter, amend, or modify the Plan under Section  
6 1127(a) of the Bankruptcy Code at any time. After the Confirmation Date and prior to  
7 substantial consummation of the Plan as defined in Section 1101(2) of the Bankruptcy Code,  
8 Reorganized Debtors may, under Section 1127(b), (c), and (d) of the Bankruptcy Code, alter,  
9 amend, or modify the Plan or institute proceedings in the Bankruptcy Court to remedy any defect  
10 or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement, or the  
11 Confirmation Order, to make appropriate adjustments and modifications to the Plan or the  
12 Confirmation Order as may be necessary to carry out the purposes and effects of the Plan so long  
13 as such proceedings do not materially adversely affect the treatment of Holders of Claims under  
14 the Plan.

15 **VIII.**  
16 **POST-EFFECTIVE DATE OPERATIONS**

17 **A. Title to Property; Discharge; Injunction.**

18 **1. Vesting of Assets.**

19 Subject to the provisions of the Plan, pursuant to Section 5.1 of the Plan and as permitted  
20 by Section 1123(a)(5)(B) of the Bankruptcy Code, the Assets, including the Litigation Claims  
21 and right, title, and interest being assumed by Reorganized Debtors in the assumed Executory  
22 Contracts, shall be transferred to Reorganized JNI or Reorganized Spartan Gaming, as  
23 applicable, on the Effective Date. As of the Effective Date, all such property shall be free and  
24 clear of all Liens, Claims, and Equity Securities except as otherwise provided herein. On and  
25 after the Effective Date, Reorganized Debtors may operate their businesses and may use, acquire,  
26 and dispose of property and compromise or settle any Claim without the supervision of or  
27 approval of the Bankruptcy Court and free and clear of any restrictions of the Bankruptcy Code  
28

1 or the Bankruptcy Rules, other than restrictions expressly imposed by the Plan or the  
2 Confirmation Order.

3 **2. Preservation and Settlement of Litigation Claims.**

4 In accordance with Section 1123(b)(3) of the Bankruptcy Code, and except as otherwise  
5 expressly provided herein, all Litigation Claims shall be assigned and transferred to Reorganized  
6 JNI or Reorganized Spartan Gaming, as applicable, pursuant to Section 5.1 of the Plan.  
7 Reorganized Debtors as the successors in interest to Debtors and the Estates, may and shall have  
8 the exclusive right to sue on, settle, or compromise any and all Litigation Claims, including  
9 derivative actions existing against Debtors on the Effective Date.

10 There may also be other Litigation Claims which currently exist or may subsequently  
11 arise that are not set forth in this Disclosure Statement because the facts underlying such  
12 Litigation Claims are not currently known or sufficiently known by Debtors. The failure to list  
13 any such unknown Litigation Claim in the Disclosure Statement is not intended to limit the rights  
14 of Debtors or Reorganized Debtors, as applicable, to pursue any unknown Litigation Claim to the  
15 extent the facts underlying such unknown Litigation Claim become more fully known in the  
16 future. Furthermore, any potential net proceeds from Litigation Claims identified in the  
17 Disclosure Statement or any notice filed with the Bankruptcy Court, or which may subsequently  
18 arise or otherwise be pursued, are speculative and uncertain.

19 Unless Litigation Claims against any individual or entity are expressly waived,  
20 relinquished, released, compromised, or settled by the Plan or any Final Order, Debtors expressly  
21 reserve for their benefit and the benefit of Reorganized Debtors, all Litigation Claims, including,  
22 without limitation, all unknown Litigation Claims for later adjudication and therefore no  
23 preclusion doctrine (including, without limitation, the doctrines of res judicata, collateral  
24 estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or  
25 laches) shall apply to such Litigation Claims after the confirmation or consummation of the Plan.  
26 In addition, Debtors expressly reserves for their benefit, and the benefit of Reorganized Debtors,  
27 the right to pursue or adopt any claims alleged in any lawsuit in which a Debtor is a defendant or  
28

1 an interested party, against any individual or entity, including plaintiffs and co-defendants in  
2 such lawsuits.

3 **3. Discharge.**

4 **On the Effective Date, unless otherwise expressly provided in the Plan or the**  
5 **Confirmation Order, Debtors shall be discharged from any and all Claims and causes of**  
6 **action of any nature whatsoever, including any interest accrued on Claims from and after**  
7 **the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations**  
8 **of, rights against Debtors or Reorganized Debtors, or any of their assets or properties, to**  
9 **the fullest extent permitted in the Bankruptcy Code, including Sections 524 and 1141. All**  
10 **consideration distributed under the Plan or the Confirmation Order shall be in exchange**  
11 **for, and in complete satisfaction, settlement, discharge, and release of all Claims of any**  
12 **kind or nature whatsoever against Debtors or any of their Assets or properties, and**  
13 **regardless of whether any property shall have been distributed or retained pursuant to the**  
14 **Plan on account of such Claims. Except as otherwise expressly provided by the Plan or the**  
15 **Confirmation Order, upon the Effective Date, Debtors shall be deemed discharged and**  
16 **released under and to the fullest extent provided under Section 1141(d) of the Bankruptcy**  
17 **Code from any and all Claims of any kind or nature whatsoever, including, but not limited**  
18 **to, demands and liabilities that arose before the Confirmation Date, and all debts of the**  
19 **kind specified in Section 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case**  
20 **whether or not: (i) a proof of claim based upon such debt or right is filed or deemed filed**  
21 **pursuant to Section 501 of the Bankruptcy Code; (ii) a Claim based upon such debt is filed**  
22 **or right is Allowed pursuant to Section 502 of the Bankruptcy Code; or (iii) the Holder of**  
23 **such Claim has accepted the Plan. Any default by Debtors and their insiders with respect**  
24 **to any Claim that existed prior to the Effective Date, whether on account of their**  
25 **insolvency, financial condition, inability to pay their debts as they matured or became due,**  
26 **and/or the commencement or continuation of the Chapter 11 Case shall be deemed cured**  
27 **on the Effective Date, and Reorganized Debtors shall be deemed current and in good**  
28

1 standing under any loan documents. The Confirmation Order shall be a judicial  
2 determination of the discharge of all Claims subject to the Effective Date occurring.

3 **4. Injunction.**

4 From and after the Effective Date, and except as provided in the Plan or for  
5 obligations issued pursuant to the Plan, and the Confirmation Order, all entities that have  
6 held, currently hold, or may hold a Claim or an Equity Security or other right of an Equity  
7 Security Holder that is terminated pursuant to the terms of the Plan, are permanently  
8 enjoined from taking any of the following actions on account of any such Claims or  
9 terminated Equity Securities or rights against, as applicable, Debtors, Reorganized JNI,  
10 Reorganized Debtors, or the Estates: (i) commencing or continuing in any manner any  
11 action or other proceeding against Reorganized Debtors or their property; (ii) enforcing,  
12 attaching, collecting, or recovering in any manner any judgment, award, decree, or order  
13 against Reorganized Debtors or their property; (iii) creating, perfecting, or enforcing any  
14 Lien or encumbrance against Reorganized Debtors or their property; (iv) asserting a right  
15 of subrogation of any kind against any debt, liability, or obligation due to Reorganized  
16 Debtors or their property; and (v) commencing or continuing any action, in any manner or  
17 any place, that does not comply with or is inconsistent with the provisions of the Plan or the  
18 Bankruptcy Code.

19 **5. Exculpation.**

20 From and after the Effective Date, neither Debtors, Reorganized Debtors, the  
21 professionals employed on behalf of Debtors and the Estates, nor any of their respective  
22 present or former members, directors, officers, managers, employees, advisors, attorneys,  
23 or agents, shall have or incur any liability, including derivative claims, but excluding direct  
24 claims, to any Holder of a Claim or Equity Security or any other party-in-interest, or any  
25 of their respective agents, employees, representatives, financial advisors, attorneys, or  
26 Affiliates, or any of their successors or assigns, for any act or omission in connection with,  
27 relating to, or arising out of (from the Petition Date forward), the Chapter 11 Case or  
28 Reorganized Debtors related to the pursuit of confirmation of the Plan, or the

1 consummation of the Plan, except for gross negligence, willful misconduct or criminal  
2 conduct, and in all respects shall be entitled to reasonably rely upon the advice of counsel  
3 with respect to their duties and responsibilities under the Plan or in the context of the  
4 Chapter 11 Case.

5 **6. Release of Liens.**

6 Except as otherwise provided in the Plan or in any contrast, instrument, or other  
7 agreement or document created pursuant to the Plan, on the Effective Date, and  
8 concurrently with the applicable Distributions made pursuant to the Plan and, in the case  
9 of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed  
10 as of the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security  
11 interests against any property of the Estate shall be fully released and discharged, and all  
12 of the right, title and interest of any Holder of such mortgages, deeds of trust, Liens,  
13 pledges, or other security interests shall revert to Reorganized Debtors and their successors  
14 and assigns.

15 **7. Post-Confirmation Reporting and Quarterly Fees to the UST.**

16 Prior to the Effective Date, Debtors, and after the Effective Date, Reorganized Debtors  
17 shall pay all quarterly fees payable to the UST consistent with the sliding scale set forth in 28  
18 U.S.C. § 1930(a)(6) and the applicable provisions of the Bankruptcy Code and Bankruptcy  
19 Rules. These fees accrue throughout the pendency of the Chapter 11 Case, until entry of a final  
20 decree. UST fees paid prior to confirmation of the Plan will be reported in operating reports  
21 required by Sections 704(8), 1106(a)(1), and 1107(a), as well as the UST Guidelines. All UST  
22 quarterly fees accrued prior to confirmation of the Plan will be paid on or before the Effective  
23 Date pursuant to Section 1129(a)(12). All UST fees accrued post-confirmation will be timely  
24 paid on a calendar quarterly basis and reported on post-confirmation operating reports. Final  
25 fees will be paid on or before the entry of a final decree in the Chapter 11 Case.

26 ...

27 ...

28 ...

IX.  
**RETENTION OF JURISDICTION**

1  
2 The Bankruptcy Court shall retain such jurisdiction over the Chapter 11 Case or  
3 Reorganized Debtors after the Effective Date as is legally permissible, including jurisdiction to:

4 1. Allow, disallow, determine, liquidate, classify, estimate, or establish the priority  
5 or secured or unsecured status of any Claim or Equity Securities or Disputed Claim or Disputed  
6 Equity Securities, including the resolution of any request for payment of any Administrative  
7 Claim and the resolution of any and all objections to the allowance or priority of Claims or  
8 Disputed Claims and Equities Securities or Disputed Equities Securities;

9 2. Grant or deny any applications for allowance of compensation or reimbursement  
10 of expenses authorized pursuant to the Bankruptcy Code or the Plan for periods ending on or  
11 before the Effective Date;

12 3. Resolve any matters related to the assumption, assignment, or rejection of any  
13 Executory Contract or Unexpired Lease to which Debtors or Reorganized Debtors are party and  
14 to hear, determine, and, if necessary, liquidate any Claims arising there from or Cure amounts  
15 related thereto;

16 4. Insure that distributions to Holders of Allowed Claims and Equities Securities are  
17 accomplished pursuant to the provisions of the Plan and the Confirmation Order;

18 5. Decide or resolve any motions, adversary proceedings, contested or litigated  
19 matters, and any other matters and grant or deny any applications or motions involving Debtors  
20 or Reorganized Debtors that may be pending on the Effective Date or commenced thereafter as  
21 provided for by the Plan and the Confirmation Order;

22 6. Enter such orders as may be necessary or appropriate to implement or  
23 consummate the provisions of the Plan and all contracts, instruments, releases, and other  
24 agreements or documents created in connection with the Plan or the Disclosure Statement or the  
25 Confirmation Order, except as otherwise provided herein;

26 7. Decide or resolve any cases, controversies, suits, or disputes that may arise in  
27 connection with the consummation, interpretation, or enforcement of any Final Order, the Plan,  
28



1 the Confirmation Order, or any Person's obligations incurred in connection with the Plan or the  
2 Confirmation Order;

3 8. Modify the Plan before or after the Effective Date pursuant to Section 1127 of the  
4 Bankruptcy Code and Section 11.1 of the Plan or modify any contract, instrument, release or  
5 other agreement or document created in connection with the Plan, the Disclosure Statement, or  
6 the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any  
7 Final Order, the Plan, the Confirmation Order, or any contract, instrument, release or other  
8 agreement or document created in connection with the Plan or the Confirmation Order, in such  
9 manner as may be necessary or appropriate to consummate the Plan, to the extent authorized by  
10 the Bankruptcy Code;

11 9. Issue injunctions, enter and implement other orders, or take such other actions as  
12 may be necessary or appropriate to restrain interference by any person with consummation,  
13 implementation, or enforcement of any Final Order, the Plan, or the Confirmation Order, except  
14 as otherwise provided herein;

15 10. Enter and implement such orders as are necessary or appropriate if a Final Order  
16 or the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;

17 11. Determine any other matters that may arise in connection with or relate to the  
18 Plan, any Final Order, the Disclosure Statement, the Confirmation Order, or any contract,  
19 instrument, release, or other agreement or document created in connection with the Plan, any  
20 Final Order, or Confirmation Order, except as otherwise provided herein;

21 12. Enter an order closing the Chapter 11 Case;

22 13. Hear and decide Litigation Claims and continue to hear and decide pending  
23 Litigation Claims and any other claim or cause of action of Debtors or Reorganized Debtors; and

24 14. Decide or resolve any matter over which the Bankruptcy Court has jurisdiction  
25 pursuant to Section 505 of the Bankruptcy Code.

26 ...

27 ...

28 ...

**X.**  
**LIMITATIONS AND RISK FACTORS**

1  
2  
3 In addition to risks discussed elsewhere in this Disclosure Statement, the Plan and the  
4 transactions contemplated by the Plan involve the following limitations and risks, which should  
5 be taken into consideration.

6 **A. Debtors Have No Duty to Update.**

7 The statements in this Disclosure Statement are made by Debtors as of the date hereof,  
8 unless otherwise specified herein. The delivery of this Disclosure Statement after that date does  
9 not imply that there has been no change in the information set forth herein since that date.  
10 Debtors have no duty to update this Disclosure Statement unless ordered to do so by the  
11 Bankruptcy Court.

12 **B. Information Presented Is Based on Debtors' Books and Records, and Is Unaudited.**

13 While Debtors have endeavored to present information fairly in this Disclosure  
14 Statement, there is no assurance that Debtors' books and records upon which this Disclosure  
15 Statement is based are complete and accurate. Certain of the financial information contained  
16 herein has not been audited.

17 **C. This Disclosure Statement Was Not Approved By the SEC.**

18 Although a copy of this Disclosure Statement was served on the SEC and the SEC was  
19 provided an opportunity to object to the adequacy of this Disclosure Statement before the  
20 Bankruptcy Court approved it, this Disclosure Statement has not been registered under the  
21 Securities Act of 1933, as amended (the "Securities Act"), or applicable state securities laws.  
22 Neither the SEC nor any state regulatory authority has passed upon the accuracy or adequacy of  
23 this Disclosure Statement or the Exhibits contained herein, and any representation to the contrary  
24 is unlawful.

25 **D. Projections and Other Forward-Looking Statements Are Not Assured and Actual  
26 Results Will Vary.**

27 Certain information in this Disclosure Statement is forward-looking, and contains  
28 estimates and assumptions that might ultimately prove to be incorrect, and projections that may

1 differ materially from actual future results. Debtors believe that the projections of future  
2 performance upon which the treatments under the Plan are based are reasonable and fairly  
3 represent the future performance of Debtors' business operations. However, there are  
4 uncertainties associated with all assumptions, projections, and estimates, and they should not be  
5 considered assurances or guarantees of the amount of funds that will be distributed, the amount  
6 of Claims in the various Classes that will be allowed, or the success or results of Reorganized  
7 JNI and Reorganized Debtors' business operations.

8 **E. Debtors Face Extensive Regulation From Gaming and Other Government**  
9 **Authorities.**

10 As the owner and operator of a gaming facility, JNI is subject to extensive Nevada state  
11 and local regulations. Nevada state and local government authorities require JNI to obtain  
12 gaming licenses and require officers and key employees to demonstrate suitability to hold  
13 gaming licenses. Nevada state and local government authorities may limit, condition, suspend,  
14 or revoke a license for any cause deemed reasonable by the respective licensing agency. They  
15 may also levy substantial fines against JNI or the individuals involved in violating any gaming  
16 laws or regulations. The occurrence of any of these events could have a material adverse effect  
17 on Debtors' business, financial condition, and results of operations.

18 No assurances can be given that any new licenses, registrations, findings of suitability,  
19 permits, and approvals will be given or that existing ones will be renewed when they expire.  
20 Any failure to renew or maintain licenses or receive new licenses when necessary would have a  
21 material adverse effect on Debtors.

22 Debtors are subject to a variety of other rules and regulations, including zoning,  
23 environmental, construction and land-use laws, and regulations governing the serving of  
24 alcoholic beverages. Any changes to these laws could have a material adverse effect on Debtors'  
25 business, financial condition, and results of operations.

26 The compliance costs associated with these laws, regulations, and licenses are significant.  
27 A change in any such laws, regulations, and licenses or a violation of any current or future laws,  
28

1 regulations, or licenses could require Debtors to make material expenditures or could otherwise  
2 materially and adversely affect Debtors' business, financial condition, and results of operations.

3 **F. No Legal or Tax Advice Is Provided to You By This Disclosure Statement.**

4 The contents of this Disclosure Statement should not be construed as legal, business, or  
5 tax advice. Each Creditor or Holder of an Equity Interest should consult his, her, or its own legal  
6 counsel and accountant as to legal, tax, and other matters concerning his, her or its Claim or  
7 Equity Securities.

8 **G. No Admissions Made.**

9 Nothing contained herein shall constitute an admission of any fact or liability by Debtors  
10 or any other party nor shall it be deemed evidence of the tax or other legal effects of the Plan on  
11 Debtors or on Holders of Claims.

12 **H. No Waiver of Right to Object or Right to Recover Transfers and Estate Assets.**

13 Unless specifically provided in the Plan, a Creditor's vote for or against the Plan does not  
14 constitute a waiver or release of any claims or rights of Debtors (or any other party-in-interest) to  
15 object to that Creditor's Claim, or recover any preferential, fraudulent, or other voidable transfer  
16 of Estate assets, regardless of whether any claims or cause of action of Debtors or their Estate are  
17 specifically or generally identified herein.

18 **I. Bankruptcy Law Risks and Considerations.**

19 **1. Confirmation of the Plan Is Not Assured.**

20 Although Debtors believe the Plan will satisfy all requirements for Confirmation, the  
21 Bankruptcy Court might not reach that conclusion. It is also possible that modifications to the  
22 Plan will be required for Confirmation and that such modifications would necessitate a  
23 resolicitation of votes.

24 Confirmation requires, among other things, a finding by the Bankruptcy Court that it is  
25 not likely that there will be a need for further financial reorganization and that the value of  
26 distributions to dissenting members of Impaired Classes of Creditors and Holders of Equity  
27 Securities would not be less than the value of distributions such Creditors and Holders of Equity  
28 Securities would receive if Debtors were liquidated under Chapter 7 of the Bankruptcy Code

1 (“Chapter 7”). Although Debtors believe that the Plan will not be followed by a need for further  
2 financial reorganization and that dissenting members of Impaired Classes of Creditors and  
3 Holders of Equity Securities will receive Distributions at least as great as they would receive in a  
4 liquidation under Chapter 7, there can be no assurance that the Bankruptcy Court will conclude  
5 that these tests have been met.

6 **J. The Effective Date or the Substantial Consummation Date Might Be Delayed or**  
7 **Never Occur.**

8 There is no assurance as to the timing of the Effective Date or Substantial Consummation  
9 Date or that they both will occur. If the respective conditions precedent to the Effective Date and  
10 Substantial Consummation Date do not occur, the Confirmation Order will be vacated. In that  
11 event, the Holders of Claims and Equity Securities would be restored to their respective positions  
12 as of the day immediately preceding the Confirmation Date, and Debtors’ obligations for Claims  
13 and Equity Securities would remain unchanged as of such day (except to the extent of any post-  
14 Effective Date payments).

15 **1. The Projected Value of Estate Assets in the Event of Liquidation Might Not**  
16 **Be Realized.**

17 In the Best Interests Analysis, Debtors have projected the value of the Estates’ Assets that  
18 would be available for payment of expenses and Distributions to Holders of Allowed Claims as  
19 set forth in the Plan. Debtors have made certain assumptions, as described in the Liquidation  
20 Analysis that should be read carefully.

21 **2. Allowed Claims in Various Classes May Exceed Projections.**

22 Debtors have also projected the amount of Allowed Claims in each Class in the Best  
23 Interests Analysis and in Section III.A. Certain Classes, and the Classes below them in priority,  
24 could be significantly affected by the allowance of Claims in an amount that is greater than  
25 projected.

26 **3. No Representations Outside of this Disclosure Statement Are Authorized.**

27 No representations concerning or related to Debtors, the Chapter 11 Case, or the Plan are  
28 authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this

1 Disclosure Statement. Any representations or inducements made to secure your acceptance or  
2 rejection of the Plan that are other than as contained in, or included with, this Disclosure  
3 Statement should not be relied upon by you in arriving at your decision.

4 **K. Gaming Law Risk Factors.**

5 **1. Timely Approvals by Gaming Agencies Is Not Assured.**

6 Substantial consummation of the Plan and the events and restructuring to take place on or  
7 after the Substantial Consummation Date are conditioned upon costly and time-consuming  
8 licensing procedures described herein, and there is no assurance that the required approvals will  
9 be obtained on a timely basis, even if pursued in good faith and with due diligence.

10 **2. Licenses Not Transferable.**

11 Licenses that are currently held are not transferable to successor entities. Even if an  
12 individual has been previously licensed or found suitable with a Debtor entity, he or she may  
13 need to reapply to be licensed or found suitable in connection with any reorganized entity  
14 holding a gaming license. There is no guarantee that such licenses will be issued or findings of  
15 suitability received.

16 **3. Expenses of Investigation and Licensing.**

17 The burden and costs of proving suitability are on each individual applicant. There is no  
18 assurance that all of the Persons who will need to be investigated and found suitable will be  
19 licensed or found suitable on a timely basis.

20 **4. Waivers May Be Unavailable.**

21 Waivers from licensing requirements are often unavailable. Even when they are  
22 available, they may be difficult to obtain. A waiver from a licensing investigation requires an  
23 application for a waiver, which is itself investigated and must be approved by Gaming  
24 Authorities before the waiver can be effective.

25 **5. No Assurance of Favorable Outcome or Timing.**

26 There is no assurance that all of the required findings of suitability, licenses, and  
27 approvals to substantially consummate the Plan will be obtained. Gaming Authorities may deny  
28 an application for any cause they deem reasonable and such denial is normally not subject to

1 judicial review. There is no assurance as to the timing of the licensing process. Such timing is  
2 within the sole discretion of the Gaming Authorities.

3 **6. Adoption of Rules and Regulations.**

4 There is no assurance as to the potential changes in gaming rules and regulations that the  
5 Gaming Authorities may later adopt or any license conditions that may be imposed for any of the  
6 participants in the restructuring should licensing be obtained.

7 **7. Interference with JNI's Gaming Operations Prohibited.**

8 Any effort to usurp control of JNI's operations, including any attempted influence over  
9 JNI's operations or any unauthorized sharing in JNI's gaming revenues prior to final approval  
10 and licensing of the successor entities and of all relevant Persons associated with the successor  
11 entities, unless emergency approval is obtained in advance, could be viewed as a violation of  
12 gaming laws and could result in regulatory and criminal sanctions.

13 **8. Continued Regulatory Supervision.**

14 Even if the necessary licenses, approvals, registrations, and findings of suitability are  
15 secured, the Gaming Authorities have wide discretion in disciplining any licensee. Such  
16 discipline may include substantial fines and revocation of licenses. Gaming Authorities have  
17 wide discretion in determining what constitutes a violation and the amount of fines that may be  
18 imposed. Any taxes administered by the Gaming Authorities that are not paid by JNI (or unpaid  
19 gaming winnings) could also be assessed on Reorganized JNI.

20 **9. Legality of Gaming.**

21 The continuity of gaming operations depends on the political will of the local authorities  
22 and the respective state legislatures. While unlikely, Debtors cannot guarantee that gaming will  
23 not be limited in Nevada.

24 **10. Additional Competition.**

25 The introduction of additional commercial casinos in or adjacent to Jerry's Nugget or the  
26 legalization of internet gaming could adversely affect Jerry's Nugget's operations.

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1 **L. Risks Related to Debtors' Business Operations.**

2 The following discussions of risks that relate to Debtors' business should be read as also  
3 being applicable to the business of Reorganized JNI and Reorganized Spartan Gaming on and  
4 after the Effective Date and Substantial Consummation Date.

5 **1. Effect of the Chapter 11 Case.**

6 If the Chapter 11 Case continues for a prolonged amount of time, the proceedings could  
7 adversely affect Debtors' business and operations. The longer the Chapter 11 Case continues,  
8 the more likely it is that Debtors' patrons, suppliers, and agents will lose confidence in Debtors'  
9 ability to successfully reorganize its business and will seek to establish alternative commercial  
10 relationships. Consequently, Debtors might lose valuable and patronage contracts in the course  
11 of the Chapter 11 Case.

12 So long as the Chapter 11 Case continues, Debtors' senior management will be required  
13 to spend a significant amount of time and effort dealing with Debtors' reorganization instead of  
14 focusing exclusively on business operations. Prolonged continuation of the Chapter 11 Case will  
15 also make it more difficult to attract and retain management and other key personnel necessary to  
16 the success and growth of Debtors' business. Debtors do not have employment agreements with  
17 their executive officers. If Debtors lose any of these executives, Debtors' operations could be  
18 adversely affected. In addition, Debtors compete with other potential employers for employees,  
19 and Debtors may not succeed in hiring and retaining the executives and other employees that  
20 Debtors need. An inability to hire quality employees could have a material adverse effect on  
21 Debtors' business, financial condition, and results of operations.

22 Furthermore, so long as the Chapter 11 Case continues, Debtors will be required to incur  
23 substantial costs for professional fees and other expenses associated with the Chapter 11  
24 proceedings. While cash flow projections indicate that there will be sufficient cash flow to meet  
25 all ordinary demands and to pay the professional fees and expenses, prolonged continuation of  
26 the Chapter 11 Case may require Debtors to seek financing. It may not be possible to obtain  
27 financing during or after the Chapter 11 Case on commercially reasonable terms or at all. If  
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1 Debtors require financing during the Chapter 11 Case and are unable to obtain it on reasonable  
2 terms or at all, Debtors' chances of a successful reorganization may be seriously jeopardized.

3 **2. The Volatility and Disruption of the Capital and Credit Markets and**  
4 **Adverse Changes in the Global Economy Have Negatively Impacted Debtors'**  
5 **Ability to Access Financing.**

6 Due to the existing uncertainty in the capital and credit markets and current adverse  
7 changes in the global economy, Debtors' access to capital may not be available on terms feasible  
8 to Debtors, or on any terms whatsoever. As discussed in Section VI.E, Debtors' inability to  
9 obtain take-out financing for the USB Loan coupled with USB's refusal to extend the USB  
10 Loan's maturity, necessitated the commencement of the Chapter 11 Case. There is no assurance  
11 that Reorganized Debtors will be able to obtain additional financing as may be necessary after  
12 emerging from bankruptcy.

13 **3. The Gaming Industry has been Adversely Affected By the Economic**  
14 **Downturn.**

15 The demand for gaming is highly sensitive to consumers' disposable incomes, and a  
16 general decline in economic conditions, including businesses downsizing their workforces, may  
17 lead to JNI's potential customers having less discretionary income with which to wager. Many  
18 of JNI's customers have also experienced significant reductions in their savings as a result of  
19 recent investment losses. These developments have led and may continue to lead to a reduction  
20 in JNI's revenues and have materially adversely affected JNI's operating results as Debtors have  
21 fewer customers and the customers spend less than they historically have. While there have been  
22 governmental responses to these economic hardships, there can be no assurance that this will  
23 restore the economy, consumer confidence, and spending to the point where it favorably impacts  
24 the Nevada gaming industry.

25 **4. JNI May Experience a Loss of Market Share.**

26 The gaming industry is highly competitive. There is substantial competition for gaming  
27 customers with other locals' casinos in the vicinity of Jerry's Nugget. If JNI's competitors  
28 operate more successfully, other locals' casino properties are enhanced or expanded, or if

1 additional competitors are established in and around the vicinity of Jerry's Nugget, JNI may lose  
2 market share.

3 In Las Vegas, it is generally recognized that the marketplace has too much capacity in  
4 both gaming floor footage and related amenities. There is no assurance that this over-capacity  
5 will not continue to exist or worsen as development such as the Echelon come back on-line after  
6 having been halted due to the recession.

7 **5. Changes to Applicable Tax Laws Could Have a Material Adverse Effect on**  
8 **Debtors' Financial Condition.**

9 Debtors pay substantial taxes and fees in connection with their operations as Jerry's  
10 Nugget and the ownership of the Spartan Gaming Property. From time to time, federal, state,  
11 and local legislators and other government officials have proposed and adopted changes in tax  
12 laws, or in the administration of those laws affecting the gaming industry. It is not possible to  
13 determine the likelihood of changes in tax laws or in the administration of those laws. If  
14 adopted, changes to applicable tax laws could have a material adverse effect on Debtors'  
15 business, financial condition, and results of operations. Due to the continued pressures on the  
16 state legislatures to address shortfalls in their budgets associated with the current recession, there  
17 may be more support to look to increased taxation of casinos. Any increase in taxes would likely  
18 negatively impact Debtors' future profitability.

19 Debtors are subject to a variety of other rules and regulations, including zoning,  
20 environmental, construction and land-use laws, regulations, and permits that govern the serving  
21 of alcoholic beverages. Any changes to these laws could have a material adverse effect on  
22 Debtors' business, financial condition, and results of operations.

23 From time to time, legislators and special interest groups have proposed legislation that  
24 would expand or restrict gaming operations in Nevada. Any such change to the regulatory  
25 environment or the adoption of new federal, state, or local government legislation could have a  
26 material adverse effect on Debtors' business.

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**6. JNI’s Gaming Operations May Be Adversely Impacted If General Economic Conditions Begin to Decline Again.**

Jerry’s Nugget uses significant amounts of electricity, natural gas, and other forms of energy. While no shortages of energy have been experienced, the substantial increases in the cost of electricity, natural gas, and gasoline in the United States in general, and in southern Nevada in particular, may negatively affect Debtors’ operating results. In addition, further energy price increases in such areas could result in a decline in disposable income of potential customers and a corresponding decrease in visitation and spending at Jerry’s Nugget. Gaming industry revenues are sensitive to general economic conditions and are influenced by consumer confidence in the economy and other factors. An extended period of reduced discretionary spending could significantly harm JNI’s operations and JNI may not be able to lower their costs rapidly enough, or at all, to offset a decrease in revenues.

**7. Evolving Gaming Technology.**

Gaming technology, devices, and information systems are constantly evolving and improving. Debtors may be unable to obtain slot machines or related technology from Debtors’ third-party supplier on a timely, cost-effective basis.

Debtors primarily rely on a limited number of gaming manufacturers and suppliers for their supply of slot machines and related technology. There is no assurance that Debtors can obtain slot machines or related technology on a cost-effective basis. As a result, Debtors may be forced to incur significant unanticipated costs to secure alternative third-party suppliers or adjust JNI’s operations.

**XI.  
CERTAIN GAMING LAW CONSIDERATIONS**

**A. Introduction.**

As the owner and operator of Jerry’s Nugget, JNI is subject to extensive regulation by the Gaming Authorities. Licensing will be required for Jeremy Stamis, Joseph Stamis, and potentially other Persons who will be associated with Reorganized JNI.

Additionally, while the regulatory requirements discussed herein would be substantially applicable to Reorganized JNI, no assurances can be provided as to the specific form of approval

1 that the Gaming Authorities may adopt or license conditions that they may impose in the  
2 licensing process for the restructuring of JNI or any of the Persons associated therewith.

3 This summary is provided only as background information for Persons voting on the Plan  
4 to make an informed voting decision. All parties-in-interest that may be subject to the  
5 investigatory and licensing process are strongly urged to retain their own Nevada gaming law  
6 counsel with regard to their particular circumstances and the investigatory and licensing process.  
7 It should be noted that gaming laws and regulations are often complex and have been interpreted  
8 in ways that may not be apparent from an initial reading of them.

9 **B. Background on Nevada Gaming Regulations.**

10 The acquisition, ownership, and operation of casino gaming facilities in Nevada are  
11 subject to the Nevada Gaming Control Act and regulations promulgated thereunder (the "Nevada  
12 Act") together with various local regulations. Specifically, JNI's gaming operation is subject to  
13 the licensing and regulatory control of the Nevada Gaming Commission, the Nevada State  
14 Gaming Control Board, and the North Las Vegas City Council (collectively, the "Gaming  
15 Authorities"). Liquor licensing is governed by laws in the City of North Las Vegas, Nevada,  
16 where Debtors' business is being conducted. Changes in laws, regulations, and procedures could  
17 adversely affect the gaming and liquor operations of JNI and Reorganized JNI.

18 The laws, regulations, and supervisory procedures of the Gaming Authorities are based  
19 upon declarations of public policy concerning, among other things:

- 20 • the prevention of unsavory or unsuitable persons from having a direct or indirect  
21 involvement with gaming at any time or in any capacity;
- 22 • the establishment and maintenance of responsible accounting practices and  
23 procedures;
- 24 • the prevention of cheating and fraudulent practices;
- 25 • the maintenance of effective controls over the financial practices of casino  
26 licensees, including the establishment of minimum procedures for internal fiscal affairs and the  
27 safeguarding of assets and revenues, providing reliable recordkeeping, and requiring the filing of  
28 periodic reports with the Gaming Authorities; and

- providing a source of state and local revenues through taxation and licensing fees.

The Gaming Authorities may investigate any individual who has a material relationship or material involvement with a gaming licensee in order to determine whether such individual is suitable or should be licensed as a business associate of the licensee. The Gaming Authorities require “persons”<sup>27</sup> who seek to own or operate a gaming establishment or hold an ownership interest in these entities or in related holding companies to obtain gaming licenses prior to the consummation of such transaction and also require the company’s officers, directors, key employees (as defined by law), and other individuals capable of exercising significant influence over the activities of the licensees to demonstrate their suitability to be affiliated with such gaming enterprise.

A “finding of suitability” is comparable to licensing, and both require submission of detailed personal and financial information, followed by a thorough investigation. Changes in licensed positions must be reported to the Gaming Authorities. In addition to their authority to deny an application for a finding of suitability or licensure, the Gaming Authorities have jurisdiction to disapprove a change in corporate position. The burden of proving suitability is on the applicant and the investigation, which can be costly and time consuming, must be paid for by each applicant.

If the Gaming Authorities were to find an officer, director, or key employee unsuitable for licensing or unsuitable to continue having a relationship with the licensee, the licensee would have to sever all relationships with that person. In addition, the Nevada Gaming Commission may require a key employee of the licensee to file appropriate applications within the time limits prescribed by law (30 days) and refusal shall be deemed grounds for denial of an applicant, which can require termination of such employee. Determinations of suitability and licensing are not subject to judicial review in Nevada.

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<sup>27</sup> As a legal matter, the definition of “person” in Nevada means a natural person, any form of business or social organization and any other nongovernmental legal entity, including a corporation, partnership, association, trust or unincorporated organization, as well as parent companies and persons that comprise the same. The term, however, does not include a government, governmental agency, or political subdivision of a government.

1 If it were determined that the licensee had violated the Nevada Act, the gaming licenses  
2 and approvals previously granted could be limited, conditioned, suspended, or revoked, subject  
3 to compliance with certain statutory and regulatory procedures. In addition, such persons could  
4 be subject to substantial fines for each separate violation of the Nevada Act. In the event the  
5 licenses were revoked, as discussed below, the Nevada Gaming Commission could recommend  
6 that the appropriate court appoint a “supervisor” to operate the gaming properties.

7 Any acquisition of a licensed entity, including the assignment or transfer of its operating  
8 assets to a successor entity that intends to obtain a gaming license, will require similar review,  
9 approval, and licensing by the Gaming Authorities. Though an expedited investigative review of  
10 applicants is possible under some circumstances, the Nevada Act prohibits contracts which  
11 require the issuance of a new gaming license, if the agreement provides for a closing date sooner  
12 than ninety (90) days.

13 The placing of an investigatory item on an agenda for final approval is solely in the  
14 discretion of the Gaming Authorities and will not occur until the applicants have submitted all  
15 information requested by the Gaming Authorities and their investigation has concluded. As a  
16 general rule, the licensing process will not commence until all applications relating to a specific  
17 transaction have been submitted to the Gaming Authorities and are deemed complete.

18 In the licensing context, Nevada distinguishes between privately-owned and publicly-  
19 traded gaming companies. In a privately-owned company, such as JNII, except for approved  
20 institutional investors, all persons who hold any equity interest must be licensed prior to  
21 receiving that interest; provided, however, that persons owning 5% or less of the equity securities  
22 must register with the Gaming Authorities confirming jurisdiction, but may be granted a waiver  
23 from licensing if they submit an affirmative statement that they have no intent to exercise control  
24 over the licensee other than to vote their shares in the ordinary course. Furthermore, the grant of  
25 an option to acquire an equity interest, including the issuance of warrants convertible to an equity  
26 interest, must receive prior administrative approval from the Chairman of the Nevada State  
27 Gaming Control Board.

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1 The purported sale, assignment, transfer, pledge, exercise of an option to purchase, or  
2 other disposition of any security issued by a corporation, other than a publicly-traded  
3 corporation, which holds a Nevada gaming license is void unless approved in advance by the  
4 Nevada Gaming Commission.

5 Under private ownership, if at any time the Nevada Gaming Commission finds that an  
6 owner of an equity interest is unsuitable to continue to have an involvement in gaming, such  
7 owner must dispose of the security and the gaming licensee must abide by certain restrictions on  
8 its involvement with that person, as discussed below.

9 If any stockholder or other person who is required to apply for licensing or suitability is  
10 found unsuitable by the Nevada Gaming Commission, it will be grounds for disciplinary action  
11 for the licensee to have any relationship with the denied person, or to:

12 i. pay that person any dividend or interest upon any securities, or any payment or  
13 distribution of any kind;

14 ii. allow that person to exercise, directly or indirectly, any voting right conferred  
15 through securities held by that person;

16 ii. pay remuneration to that person for services rendered or otherwise; or

17 iv. make any other payment or distribution of any kind, in respect of any such  
18 security or interest by way of, or pursuant to payment of principal, redemption, conversion,  
19 exchange, or liquidation or any other transaction.

20 A licensee may be required to disclose to the Nevada State Gaming Control Board and  
21 the Nevada Gaming Commission the identities of all holders of its debt securities. If it finds that  
22 the public interest will be served, the Nevada Gaming Commission may, in its absolute  
23 discretion, require the lender or holder of an evidence of indebtedness issued by the registered  
24 corporation to file an application within thirty (30) days after being requested to do so.

25 If the Nevada Gaming Commission finds that a holder of an equity interest or an  
26 evidence of indebtedness is unsuitable to continue ownership, involvement, or any relationship  
27 with the licensee or affiliated company, that person must immediately offer the equity interest or  
28 evidence of indebtedness, as the case may be, to the issuing corporation for purchase. While

1 there is ambiguity between NRS 463.510(2) and NRS 463.173, under NRS 463.510(2), the  
2 corporation must purchase the equity interest so offered, for cash at fair market value, within ten  
3 (10) days after the date of the offer, or within such time and under such terms and conditions as  
4 the Nevada Gaming Commission may impose. Conversely, NRS 463.173 provides that the  
5 denied person shall not retain his/her interest beyond the period prescribed by the Nevada  
6 Gaming Commission and shall not accept more for his/her interest than the person paid for it or  
7 the market value on the date of denial of the license or finding of unsuitability. The licensee may  
8 further be required to retire or restructure the indebtedness provided by a denied applicant within  
9 the time frame and under such terms as the Nevada Gaming Commission may require.

10 The Nevada Gaming Commission could request that a state court appoint a supervisor to  
11 operate any non-restricted<sup>28</sup> gaming establishment operated by a licensee, if the licenses held by  
12 the licensee are revoked, suspended, or otherwise lapse.<sup>29</sup> In such extraordinary circumstances,  
13 earnings generated by gaming operations during a supervisor's appointment (except for  
14 reasonable rental value) could be forfeited to the State of Nevada. The occurrence of any of  
15 these events could have a material adverse effect on a licensee's business, financial condition,  
16 and results of operations. Any acquirer of Reorganized JNI would be subject to the same  
17 regulations.

18 License fees and taxes, computed in various ways depending on the type of gaming  
19 activity involved, are payable to the State of Nevada and to the counties and cities in which the  
20 Nevada licensee's operations are conducted.<sup>30</sup> Any taxes administered by Gaming Authorities  
21 that are not paid by Debtors, as well as unpaid gaming winnings, could be assessed on  
22 Reorganized JNI.

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25 <sup>28</sup> A non-restricted gaming establishment is any gaming establishment that has more than fifteen (15) slot machines.

26 <sup>29</sup> While gaming licenses are subject to a renewal process, this is merely a routine administrative matter and does not normally involve new licensing investigations in Nevada.

27 <sup>30</sup> Depending upon the particular fee or tax involved, they are payable monthly, quarterly, or annually and are based  
28 upon a percentage of the gross revenues received, the number of gaming devices operated or the number of table games operated.



1 Changes in control of Reorganized JNI through merger, consolidation, stock or asset  
2 acquisitions, management, or consulting agreements, or any act or conduct by a person whereby  
3 that person obtains control (including foreclosure on pledged shares) may not occur without the  
4 prior approval of the Nevada Gaming Commission. As such, the restructuring and the changes  
5 in ownership and control as provided in the Plan will require prior approval and licensing<sup>31</sup> by  
6 the Gaming Authorities.

7 Entities seeking to acquire control or ownership of a licensed corporation must meet a  
8 variety of stringent standards of the Nevada Act. Whether any acquisition is approved by the  
9 Gaming Authorities is completely discretionary with them and is based on a variety of factors,  
10 including the financial resources of the licensee, the personal suitability of its owners, and in  
11 some instances, the impact on the marketplace. The transfer of any gaming devices from the  
12 entities that currently own them will also require administrative approvals by the Gaming  
13 Authorities.

14 Furthermore, while Nevada gaming law permits foreclosure on gaming equipment  
15 collateral without prior approval of the Gaming Authorities, it is unlawful for any person to sell  
16 or distribute any gaming device without procuring all requisite licenses after such foreclosure.  
17 However, in cases of foreclosure of a lien in which gaming devices are security, the Gaming  
18 Authorities may authorize the disposition without requiring a distributors license. However,  
19 there is no certainty that such authorization would be granted.

20 It is anticipated that various transactions contemplated under the Plan will require  
21 approvals from the Gaming Authorities, including the issuance of 100% of Reorganized JNI's  
22 stock to the Stamis Trusts on the Substantial Consummation Date.

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25 <sup>31</sup> Similarly, a Chapter 7 trustee's ability to foreclose upon pledged shares and other gaming collateral comprising  
26 gaming businesses is limited. Regulations of the Nevada Gaming Commission provide that no person may acquire  
27 an interest in a gaming licensee or enforce a security interest in the stock of a corporation which is the holder of a  
28 gaming license or which owns stock in such a corporation without the prior approval of the Nevada Gaming  
Commission. As such, were a Chapter 7 trustee appointed (as discussed below), neither the trustee nor any other  
holder, would be permitted to operate or manage any gaming business or assets unless such person has been  
licensed.

1 Nevada state gaming laws and regulations can be reviewed at the website of the Nevada  
2 Gaming Commission (<http://gaming.nv.gov/>). Clark County gaming and liquor laws and  
3 regulations can be reviewed at Clark County's website (<http://www.clarkcountynv.gov/>).

4 **XII.**  
5 **CERTAIN FEDERAL INCOME TAX CONSEQUENCES**

6 **A. Introduction.**

7 The following discussion summarizes certain U.S. federal income tax consequences of  
8 the implementation of the Plan to the Debtors and certain Holders of Claims. The following  
9 summary does not address the U.S. federal income tax consequences to Holders whose Claims  
10 are unimpaired or otherwise entitled to payment in full in Cash under the Plan. The following  
11 summary is based on the Internal Revenue Code of 1986, as amended (the "IRC"), the U.S.  
12 Department of the Treasury ("Treasury") regulations promulgated thereunder, judicial decisions,  
13 and published administrative rules and pronouncements of the Internal Revenue Service (the  
14 "IRS"), all as in effect on the date hereof and all of which are subject to change. Changes in  
15 such rules or new interpretations thereof may have a retroactive effect and could significantly  
16 affect the tax consequences described below.

17 The U.S. federal income tax consequences of the Plan are complex and are subject to  
18 substantial uncertainties due to the lack of definitive judicial and administrative authority in a  
19 number of areas. No assurance can be given that legislative or administrative changes or court  
20 decisions will not be forthcoming which would require significant modification of the statements  
21 in this section. Debtors have not requested a ruling from the IRS or an opinion of counsel with  
22 respect to any tax aspects of the Plan. Therefore, no assurance can be given as to the position the  
23 IRS will take on the tax consequences of the transactions that are to occur in connection with the  
24 Plan.

25 This summary does not address foreign, state, or local tax consequences of the Plan, nor  
26 does it address the U.S. federal income tax consequences of the Plan to the particular  
27 circumstances of any Holder or to Holders subject to special income tax rules (such as regulated  
28 investment companies, insurance companies, financial institutions, small business investment

1 companies, broker-dealers, tax-exempt organizations (including pension funds), persons holding  
2 a Claim as part of an integrated constructive sale or straddle or part of a conversion transaction,  
3 and investors in pass-through entities). In addition, the summary does not include a summary of  
4 the consequences to Holders of Claims who are not “U.S. Persons” (as defined in the IRC) or  
5 who are tax-exempt Holders. However, there may be some potentially significant consequences  
6 to non-U.S. Persons which are not discussed below, and such non-U.S. Persons are encouraged  
7 to carefully consider their particular tax consequences with their own tax advisers.

8 This discussion assumes that the various debt and other arrangements to which each  
9 Debtor is a party will be respected for federal income tax purposes in accordance with their form.  
10 The following discussion is a general summary of certain U.S. federal income tax aspects of the  
11 Plan and should not be relied upon for purposes of determining the specific tax consequences of  
12 the Plan with respect to a particular Holder of a Claim.

13 EACH HOLDER OF A CLAIM OR EQUITY SECURITY AFFECTED BY THE PLAN  
14 SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE SPECIFIC TAX  
15 CONSEQUENCES OF THE PLAN WITH RESPECT TO THAT HOLDER’S CLAIM OR  
16 EQUITY SECURITY, INCLUDING UNDER ANY APPLICABLE STATE, LOCAL, OR  
17 FOREIGN LAW.

18 ***IRS CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH IRS CIRCULAR***  
19 ***230, HOLDERS OF CLAIMS AND EQUITY SECURITIES ARE HEREBY NOTIFIED***  
20 ***THAT: (i) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR***  
21 ***REFERRED TO IN THIS NOTEHOLDER DISCLOSURE STATEMENT IS NOT***  
22 ***INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY HOLDERS OF***  
23 ***CLAIMS AND EQUITY SECURITIES FOR THE PURPOSE OF AVOIDING PENALTIES***  
24 ***THAT MAY BE IMPOSED ON THEM UNDER THE TAX CODE; (ii) SUCH DISCUSSION***  
25 ***IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE***  
26 ***PROponents OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND***  
27 ***(C) HOLDERS OF CLAIMS AND EQUITY SECURITIES SHOULD SEEK ADVICE***

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1 ***BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX***  
2 ***ADVISOR.***

3 **B. Tax Consequences to Debtors.**

4 Set forth below, in this Section is a discussion of certain tax consequences to Debtors in  
5 connection with the effectuation of the Plan.

6 **1. Overview of Transaction Steps.**

7 JNI is a C corporation for federal income tax purposes, and Spartan Gaming is a  
8 partnership for federal tax purposes. The Plan involves, in part, that the Stamis Trusts will  
9 contribute \$400,000 (referred to in this tax section as the “Trust Contribution”), which Cash will  
10 be used by Reorganized Debtors to fund various distributions under the Plan. The \$400,000 will  
11 be tendered into escrow or Gordon Silver’s trust account prior to the Confirmation Hearing. In  
12 exchange for the Trust Contribution by the Stamis Trusts to Reorganized Debtors, the Stamis  
13 Trusts will receive 100% of the shares of Reorganized JNI and will receive 100% of the  
14 membership interests in Reorganized Spartan Gaming. The USB Loan Documents will be  
15 amended, the CM Loan Documents will be amended, and the CRE Loan Documents will be  
16 amended. Additionally, various other Claims will be paid or modified as provided in the Plan.  
17 From Debtors’ perspective, the transaction may be characterized as an exchange of shares of JNI  
18 for shares of Reorganized JNI and as an exchange of membership interests in Spartan Gaming  
19 for membership interests in Reorganized Spartan Gaming. The tax consequences in connection  
20 with the contribution and exchange are described below under Section XII.C.

21 **2. JNI Gain and Loss and Cancellation of Indebtedness Income.**

22 **a. COD Income—General Rule.**

23 Debtors are likely to have cancellation of indebtedness (“COD”) income when they  
24 emerge from bankruptcy. For the purposes of this Section, it is assumed that the USB Claim, the  
25 CM Claim, and the CRE Claim will be treated as recourse debt. In general, a debtor realizes  
26 COD income upon satisfaction of its outstanding indebtedness for total consideration less than  
27 the amount of such indebtedness. The amount of consideration paid to a creditor generally  
28 equals the sum of: (i) Cash; (ii) the fair market value of any property (other than debt); and (iii)

1 the issue price of any new indebtedness of the debtor issued, in each case, given in satisfaction of  
2 such indebtedness.

3 In the event of a modification of existing debt, if the modification of the existing debt is  
4 significant under the Treasury regulations, the modification is deemed to be an exchange of new  
5 debt (i.e., the modified debt) for the old debt that can give rise to COD income. As with old  
6 debt, the modified debt is treated as satisfying the old debt with the modified debt, which is  
7 referred to as new debt for the purposes of this Section. There is COD income to the extent that  
8 the “issue price” (which is generally either the face amount or value) of the new debt is less than  
9 the amount of the debt replaced, and may also create original issue discount (“OID”). OID  
10 occurs if the issue price of a debt is more than a *de minimis* amount less than the total amount of  
11 payments (other than qualified stated interest) to be made on the obligation. The COD income  
12 equals to the amount by which its debt obligations exceeded the money or other property  
13 received by its creditors.

14 Applying these rules to the current transactions, the amount of COD income realized by  
15 JNI will equal the excess of the adjusted issue price of the Claims immediately prior to the time  
16 such Claims are exchanged (including any debt that is cancelled without payment and any  
17 accrued but unpaid interest) over the sum of the issue price of the USB Amended and Restated  
18 Note and the CRE Amended and Restated Note (all references to the CRE Amended and  
19 Restated Note shall also refer to the 1111(b) Amended and Restated Note in this tax section,  
20 unless otherwise specifically referenced herein) and the amount of any Cash paid. Next,  
21 applying these rules to Spartan Gaming, the amount of COD income realized by Spartan Gaming  
22 will equal the excess of the adjusted issue price of the CM Claim immediately prior to the time  
23 such Claim is exchanged (including any debt that is cancelled without payment and any accrued  
24 but unpaid interest) over the sum of the issue price of the CM Amended and Restated Note and  
25 the amount of any Cash paid. The concept of adjusted issue price is discussed below in Section  
26 XII.B.2.b.

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1           b.       COD Income—Issue Price and Adjusted Issue Price.

2           The computation of the amount of COD income to be recognized by JNI with respect to  
3 the modification to the USB Secured Note and CRE Secured Note and by Spartan Gaming with  
4 respect to the modification to the CM Secured Note depends on the adjusted issue price of the  
5 debt represented by such claims immediately prior to their cancellation. These concepts are  
6 related to the OID rules of the IRC, and these rules are discussed in some detail due to the fact  
7 that such rules are relevant in determining the tax consequences to the Holders of Allowed USB  
8 Claim, Allowed CRE Claim and Allowed CM Claim in connection with the modifications of  
9 various loan documents.

10           Under the OID rules, the “issue price” of debt depends on how the debt is issued. The  
11 issue price of debt issued for Cash is the price at which a substantial amount of the debt is sold.  
12 The issue price of a publicly traded debt instrument issued for property is the fair market value of  
13 the debt instrument determined as of the issue date. If a debt instrument that is not publicly  
14 traded is issued for publicly traded property, the issue price of the debt instrument is equal to its  
15 fair market value determined with respect to the trading prices of the publicly traded property.  
16 The issue price of a debt instrument that is not publicly traded and that is issued in exchange for  
17 property that is not publicly traded is the stated principal amount of such debt instrument as long  
18 as the instrument provides for adequate interest (i.e., interest at least equal to certain rates  
19 published monthly by the IRS).

20           A debt instrument is considered publicly traded if it is traded on an “established securities  
21 market” at any time during the 60-day period ending 30 days after the Substantial Consummation  
22 Date. In general, a debt instrument (or the property exchanged therefor) will be treated as traded  
23 on an established securities market if: (i) it is listed on (a) a qualifying national securities  
24 exchange, (b) certain qualifying interdealer quotation systems, or (c) certain qualifying foreign  
25 securities exchanges; (ii) it appears on a system of general circulation (including a computer  
26 listing disseminated to subscribing brokers, dealers or traders) that provides a reasonable basis to  
27 determine fair market value by disseminating either recent price quotations or actual prices of  
28 recent sales transactions; or (iii) the price quotations are readily available from dealers, brokers

1 or traders. In general, an issuer's determination of issue price is binding on all holders of the  
2 relevant debt, other than a holder that explicitly discloses its inconsistent treatment in a statement  
3 attached to its timely filed tax return for the taxable year in which it is issued the debt. While a  
4 complete analysis has not been completed at this point in time, it does not appear that the USB  
5 Secured Note, the CRE Secured Note or the CM Secured Note will be considered to be publicly  
6 traded for U.S. federal income tax purposes.

7 The adjusted issue price of debt is the issue price of the debt as adjusted for OID.  
8 Generally, a debt instrument is treated as having OID if its "stated redemption price at maturity"  
9 exceeds its "issue price" by more than a *de minimis* amount. A debt instrument's stated  
10 redemption price at maturity includes all principal and interest payable over the term of the debt,  
11 other than qualified stated interest. Stated interest is "qualified stated interest" if it is payable in  
12 Cash at least annually. With respect to the USB Secured Note, the CRE Secured Note and the  
13 CM Secured Note which were issued without OID, the adjusted issue price of that debt should be  
14 the stated principal amount of such notes. With respect to the Amended and Restated Notes  
15 (other than the 1111(b) Amended and Restated Note), the adjusted issue price of that debt should  
16 be the stated principal amount of such notes.

17 c. Exceptions to COD Income Inclusion Relating to JNI.

18 JNI will be able to take advantage of two exceptions of being required to realize COD  
19 income. First, COD income is not realized to the extent that the payment of the tax liability  
20 would have given rise to a deduction. Thus, JNI will not be required to recognize COD income  
21 with respect to accrued but unpaid interest to the extent that it has not deducted such interest.

22 Second, a debtor is not required to include any COD income in gross income if the debtor  
23 is under the jurisdiction of a court in a bankruptcy case and the discharge of debt occurs pursuant  
24 to that proceeding ("Bankruptcy Exception"). As a consequence of such exclusion, a debtor in  
25 bankruptcy that recognizes COD income must reduce its tax attributes by the amount of COD  
26 income that it excluded from gross income under IRS section 108. Such COD income will  
27 reduce certain tax attributes of the debtor generally in the following order: (i) net operating  
28

1 losses (“NOLs”); (ii) general business credits; (iii) tax credits; (iv) capital loss carryovers; (v) tax  
2 basis in assets; (vi) passive loss and credit carryovers; and (vii) foreign tax credits. The  
3 reduction to basis is made after the determination of tax for the taxable year in which the  
4 discharge of indebtedness occurs. Any attribute reduction of tax attributes will be applied as of  
5 the first day following the taxable year in which COD income is recognized. However, JNI may  
6 elect first to reduce the basis of its depreciable assets pursuant to IRC section 108(b)(5). The  
7 amount of COD income cannot be known with certainty until after the Effective Date.  
8

9 d. Limitation of Net Operating Loss Carryovers and Other Tax Attributes  
10 Relating to JNI.

11 Under IRC section 382, if a corporation, such as JNI, undergoes an “ownership change,”  
12 the corporation’s ability to use its losses that relate to a period prior to such change in ownership  
13 to offset future taxable income is generally subject to an annual limitation (the “Annual  
14 Limitation”). The amount of any NOL carryovers that will be available to Reorganized JNI as of  
15 the Effective Date is based on a number of factors, including the following: (i) the amount of tax  
16 losses incurred by JNI in prior years; and (ii) the amount of COD income incurred by JNI in  
17 connection with the Plan. Reorganized JNI’s subsequent utilization of any losses, NOL  
18 carryovers, and certain other tax attributes may be restricted as a result of and upon the Effective  
19 Date. Following the Effective Date, any NOLs, tax credit carryovers and certain other tax  
20 attributes allocable to periods prior to the Effective Date (collectively, “Pre-Change Losses”)  
21 may be subject to limitation under IRC section 382 as a result of an “ownership change.” The  
22 issuance of the shares to the Stamis Trusts pursuant to the Plan results in an “ownership change”  
23 of Reorganized JNI for these purposes. Accordingly, the use by JNI of its NOL carryovers  
24 would be subject to limitation unless an exception to the general rules of IRC section 382  
25 applies. At this point in time, JNI does not anticipate on having any significant NOL carryovers.  
26  
27  
28



1 e. COD Income with Respect to Spartan Gaming.

2 Under IRC section 108(d)(6), when an entity (such as Spartan Gaming) that is taxed as a  
3 partnership realizes COD income, its partners (in this case, the members of Spartan Gaming) are  
4 treated as receiving their allocable share of such COD income, and the Bankruptcy Exception  
5 (and related attribute reduction) is applied at the partner level (in this case the member level)  
6 rather than the entity level. Accordingly, any COD income realized by Spartan Gaming upon the  
7 modification of CM Secured Note shall be allocated to the members of Spartan Gaming.  
8 Regarding the members of Spartan Gaming, if solvent, will generally be required to recognize  
9 their allocable shares of the COD income of Spartan Gaming as a result of the implementation of  
10 the Plan unless an exception to recognizing COD income applies to such members.

11 **C. Tax Consequences to Certain Holders of Claims.**

12 **1. Consequences to Holders of the Allowed USB Claim and Allowed CRE**  
13 **Claim.**

14 In connection with the Holders of the Allowed USB Claim and the Allowed CRE Claim  
15 having modified their existing loan by way of the terms of the Plan and the receipt of the USB  
16 Amended and Restated Note and the CRE Amended and Restated Note, respectively, if the terms  
17 of the USB Amended and Restated Note and the CRE Amended and Restated Note differ  
18 significantly (as described in Treasury regulations section 1.1001-3) from the terms of the  
19 Allowed USB Claim and Allowed CRE Claim, respectively, the substitution may be  
20 characterized as an exchange of debt instruments for U.S. federal income tax purposes. If an  
21 exchange of debt instruments is deemed to occur, the U.S. federal income tax consequences to  
22 the Holders of the Allowed USB Claim and the Allowed CRE Claim depends on whether: (i) the  
23 Allowed USB Claim and the Allowed CRE Claim, as well as the USB Amended and Restated  
24 Notes and the CRE Amended and Restated Notes qualify as “securities” for purposes of the  
25 reorganization provisions of the IRC; and (ii) Debtors’ restructuring qualifies as a tax-free  
26 reorganization. In this case, the restructuring constitutes a taxable transaction, not a tax-free  
27 reorganization.  
28

1 Each Holder of the Allowed USB Claim and the Allowed CRE Claim shall be treated as  
2 exchanging its respective Allowed Claim for its respective receipt of the USB Amended and  
3 Restated Note and CRE Amended and Restated Note in a taxable exchange under IRC section  
4 1001. Accordingly, each Holder of Allowed USB Claim and Allowed CRE Claim should  
5 recognize gain or loss equal to the difference between its adjusted tax basis in its respective  
6 Allowed Claim (other than any tax basis attributable to accrued but unpaid interest) and the fair  
7 market value of the assets that it is deemed to receive (other than any such amounts treated as  
8 received with respect to a claim for accrued but unpaid interest).

9 In connection with the USB Claim and the CRE Claim, such gain or loss should be  
10 capital in nature so long as such Claim was held as a capital asset (subject to the “market  
11 discount” rules described below) and should be long-term capital gain or loss if the Holder has a  
12 holding period for the applicable Claim of more than one year. A Holder of the Allowed USB  
13 Claim and a Holder of the Allowed CRE Claim may recognize ordinary income to the extent that  
14 the property received is treated as received in satisfaction of accrued but untaxed interest on such  
15 Allowed Claim. A Holder’s tax basis in the Amended and Restated USB Note and a Holders’  
16 basis in the Amended and Restated CRE Note should equal the fair market value of the  
17 applicable notes as of the Effective Date and the holding period in such assets should commence  
18 on the day following the Effective Date.

19 **2. Consequences to the Holder of the Allowed CM Claim.**

20 If the terms of the CM Amended and Restated Note differ significantly (as described in  
21 the Treasury regulations under 1.001-3) from the terms of the CM Loan Documents, exchanging  
22 its Allowed CM Claim for the CM Amended and Restated Note in a taxable exchange under IRC  
23 section 1001. Accordingly, the Holder of the Allowed CM Claim should recognize gain or loss  
24 equal to the difference between its adjusted tax basis in its Claim (other than any tax basis  
25 attributable to accrued but unpaid interest) and the fair market value of the assets that it is  
26 deemed to receive (other than any such amounts treated as received with respect to a claim for  
27 accrued but unpaid interest).

28

1           Such gain or loss should be capital in nature so long as such Claim was held as a capital  
2 asset (subject to the “market discount” rules described below) and should be long-term capital  
3 gain or loss if the Holder has a holding period for the applicable Claim of more than one year.  
4 The Holder of the Allowed CM Claim may recognize ordinary income to the extent that the  
5 property received is treated as received in satisfaction of accrued but untaxed interest on such  
6 Allowed Claim. A Holder’s tax basis in the CM Amended and Restated Note should equal its  
7 fair market value as of the Effective Date and the holding period in such assets should commence  
8 on the day following the Effective Date.

9           **3. Allowed Slot Contract Claims.**

10           Each Allowed Slot Contract Claim will receive a Cure payment and will be Reinstated as  
11 provided in the Plan. If a Holder receives Cash in satisfaction of its Claim, such Holder will  
12 generally recognize income, gain, or loss for U.S. federal income tax purposes in an amount  
13 equal to the difference between: (i) the amount of Cash or the fair market value of any property  
14 received; and (ii) the Holder’s adjusted tax basis in the Claim. The character of such gain or loss  
15 as capital gain or loss or as ordinary income or loss will be determined by a number of factors,  
16 including: (i) the tax status of the Holder; (ii) the nature of the Claim in such Holder’s hands; (iii)  
17 whether the Claim constitutes a capital asset in the hands of the Holder; (iv) whether the Claim  
18 was purchased at a discount; and (v) whether and to what extent the Holder has previously  
19 claimed a bad debt deduction with respect to its Claim. If an Allowed Slot Contract Claim is  
20 Reinstated, the Holder of such Claim should not recognize gain or loss except to the extent that  
21 the collateral securing such Claim is changed, and that the change in collateral constitutes a  
22 “significant modification” of the Allowed Slot Contract Claim within the meaning of Treasury  
23 regulations promulgated under IRC section 1001. In this case, the collateral securing any  
24 Allowed Slot Contract Claim should not result in a significant modification.

25           **4. Priority Unsecured Claims.**

26           A Holder of Priority Unsecured Claim will receive Cash payments over various periods  
27 of time with interest accruing at a rate of three percent (3%) per annum to be determined under  
28 the Plan. The federal income tax treatment of a receipt of payments of a Holder of a Priority

1 Unsecured Claim will depend upon the nature of the Claim. The character of such loss as capital  
2 or ordinary in nature will be determined by a number of factors, including: (i) the tax status of  
3 the Holder; (ii) the nature of the Claim in such Holder's hands; (iii) whether the Claim  
4 constitutes a capital asset in the hands of the Holder; and (iv) whether and to what extent the  
5 Holder has previously claimed a bad debt deduction with respect to its Claim. The deductibility  
6 of any loss for U.S. federal income tax purposes may be subject to certain limitations.

7 In general, the receipt of Cash in satisfaction of a Priority Unsecured Claim may be  
8 treated as a taxable exchange under IRC section 1001, except to the extent that any amount  
9 received by a Holder of a surrendered claim under the Plan is attributable to accrued but unpaid  
10 interest (as discussed below). Such Holder will generally recognize loss for U.S. federal income  
11 tax purposes in an amount equal to the difference between the amount of Cash plus the fair  
12 market value of the obligation and the Holder's adjusted tax basis in the Claim.

#### 13 **5. Allowed General Unsecured Claims.**

14 Pursuant to the Plan, the Holders of General Unsecured Claims will be paid in Cash over  
15 a period of time as provided in the Plan; provided, however, in some cases, a Holder of General  
16 Unsecured Claim may not be paid in full. The receipt of Cash in satisfaction of a General  
17 Unsecured Claim should be treated as a taxable exchange under IRC Section 1001, except to the  
18 extent that any amount received by a Holder of a surrendered claim under the Plan is attributable  
19 to accrued but unpaid interest (as discussed in Section XII.C.6 below). If a Holder receives Cash  
20 in satisfaction of its Claim in an amount that is less than such Holder's Claim, such Holder will  
21 generally recognize loss for U.S. federal income tax purposes in an amount equal to the  
22 difference between the amount of Cash and the Holder's adjusted tax basis in the Claim. The  
23 character of such loss as capital or ordinary in nature will be determined by a number of factors,  
24 including: (i) the tax status of the Holder; (ii) the nature of the Claim in such Holder's hands; (iii)  
25 whether the Claim constitutes a capital asset in the hands of the Holder and (iv) whether and to  
26 what extent the Holder has previously claimed a bad debt deduction with respect to its Claim.  
27 The deductibility of any loss for U.S. federal income tax purposes may be subject to certain  
28 limitations.

1           **6. Accrued Interest.**

2           To the extent that any amount received by a Holder of a surrendered Claim under the  
3 Plan is attributable to accrued but unpaid interest and such amount has not previously been  
4 included in the Holder's gross income, such amount would be taxable to the Holder as ordinary  
5 interest income. Conversely, a Holder of a surrendered Claim may be able to recognize a  
6 deductible loss (or, possibly, a write-off against a reserve for worthless debts) to the extent that  
7 any accrued interest on the debt instruments constituting such Claim was previously included in  
8 the Holder's gross income but was not paid in full by the Debtors. Such loss may be ordinary,  
9 but the tax law is unclear on this point. The extent to which the consideration received by a  
10 Holder of a surrendered Claim will be attributable to accrued interest on the debts constituting  
11 the surrendered Claim is unclear. Certain Treasury regulations generally treat a payment under a  
12 debt instrument first as a payment of accrued and untaxed interest and then as a payment of  
13 principal. Application of this rule to a final payment on a debt instrument being discharged at a  
14 discount in bankruptcy is unclear. Debtor intends to take the position that payments are applied  
15 first to principal.

16           **7. Market Discount.**

17           Under the "market discount" provisions of IRC sections 1276 through 1278, some or all  
18 of any gain realized by a Holder exchanging the debt instruments constituting its Claim may be  
19 treated as ordinary income (instead of capital gain), to the extent of the amount of "market  
20 discount" on the debt constituting the surrendered Claim.

21           In general, a debt instrument is considered to have been acquired with "market discount"  
22 if the Holder's adjusted tax basis in the debt instrument is less than: (i) the sum of all remaining  
23 payments to be made on the debt instrument, excluding "qualified stated interest;" or (ii) in the  
24 case of a debt instrument issued with original issue discount, its adjusted issue price, by at least a  
25 *de minimis* amount (equal to 0.25% of the sum of all remaining payments to be made on the debt  
26 instrument, excluding qualified stated interest, multiplied by the number of remaining whole  
27 years to maturity).

28

1 Any gain recognized by a Holder on the taxable disposition (as discussed above) of a  
2 debt that it acquired with market discount should be treated as ordinary income to the extent of  
3 the market discount that accrued thereon while such debt was considered to be held by the  
4 Holder (unless the Holder elected to include market discount in income as it accrued).

5 **8. Consequences to Holders of Equity Securities in JNI and Spartan Gaming.**

6 Pursuant to the Plan, Holders of JNI Equity Securities and Spartan Gaming Equity  
7 Securities will have such Equity Securities terminated and cancelled without any distribution. A  
8 Holder of such Equity Securities will generally be entitled to a loss equal to the Holder's  
9 adjusted basis in such Equity Securities. Such loss will generally be capital in nature. The  
10 deductibility of capital losses is subject to limitations.

11 **9. Consequences of Holding Amended and Restated Notes.**

12 Holders of Amended and Restated Notes will be required to include qualified stated  
13 interest (stated interest that is required to be paid in Cash at least annually) in income in  
14 accordance with the Holder's regular method of accounting.

15 As discussed in Section XII.B.2. above, a debt instrument will be treated as issued with  
16 OID if its "stated redemption price at maturity" exceeds its "issue price" by more than a *de*  
17 *minimis* amount. The Holders of Amended and Restated Notes will be treated as issued with  
18 OID if such debt is treated as being publicly traded and the public trading price is less than the  
19 stated redemption price of the Amended and Restated Note by more than a *de minimis* amount.  
20 Holders of debt instruments with OID are generally required to include any OID in income over  
21 the term of the debt in accordance with a constant yield-to-maturity method, regardless of  
22 whether the Holder is a cash or accrual method taxpayer, and regardless of whether and when the  
23 Holder receives Cash payments of interest on the debt (other than Cash attributable to qualified  
24 stated interest). Accordingly, a Holder of such debt instrument could be treated as receiving  
25 interest income in advance of a corresponding receipt of Cash. Any OID that a Holder includes  
26 in income will increase the Holder's tax basis in its debt. A Holder of debt with OID will not be  
27 separately taxed on the receipt of any Cash payments with respect to previously taxed OID, but  
28 will reduce its tax basis in such debt by the amount of such payments.

1 Unless a non-recognition provision applies, a Holder generally will recognize gain or loss  
2 upon the sale, exchange or redemption of an Amended and Restated Note equal to the difference,  
3 if any, between the Holder's adjusted tax basis in the Amended and Restated Note and the  
4 amount realized on the sale, exchange or redemption. For this purpose, a Holder's adjusted tax  
5 basis generally will equal the Holder's initial tax basis, increased by the amount of any OID  
6 accrued up through the date of the sale, exchange, or redemption, and decreased by the amount  
7 of any Cash payments (other than qualified stated interest). Subject to the market discount rules  
8 discussed in Section XII.C.6. above, any gain or loss generally will be capital gain or loss, and  
9 generally should be long-term if the Holder's holding period in its debt is more than one year at  
10 that time.

11 **10. Consequences of Holding Reorganized JNI and Reorganized Spartan**  
12 **Gaming Equity Securities.**

13 As of the Effective Date, the Stamis Trusts will contribute Cash to Reorganized JNI and  
14 Reorganized Spartan Gaming in exchange for shares in Reorganized JNI and membership  
15 interests Reorganized Spartan Gaming, which may be treated as contributing Cash for the  
16 transfer of stock from holders of JNI Equity Securities and Spartan Gaming Equity, or will be  
17 treated as having acquired shares in Reorganized JNI and membership interests Reorganized  
18 Spartan Gaming in exchange for its Cash contribution to Reorganized JNI and Reorganized  
19 Spartan Gaming. However, there is uncertainty in the foregoing analysis due to the fact that  
20 there is no transfer from the current holders of JNI Equity Securities and Spartan Gaming Equity  
21 Securities to the Stamis Trusts and that the acquisition of Reorganized JNI's shares and  
22 membership interests Reorganized Spartan Gaming may be recharacterized.

23 Reorganized JNI is expected to continue to be treated as a C corporation. Reorganized  
24 JNI will be taxable as a C corporation and therefore taxable on its income; neither its income nor  
25 its deductions will pass through to holders of its equity interests. Any distributions on such  
26 shares of Reorganized JNI will be treated first as dividends to the extent of Reorganized JNI's  
27 current or accumulated earnings and profits, second as a return of capital to the extent of the  
28

1 Holder's adjusted tax basis in the shares, and then as capital gains.

2 Any gain or loss recognized by a holder on the sale, exchange, or other disposition of  
3 shares of Reorganized JNI generally should be capital gain or loss in an amount equal to the  
4 difference, if any, between the amount realized by the Holder and the Holder's adjusted tax basis  
5 in such shares immediately before the sale, exchange or other disposition. Any such gain or loss  
6 generally should be long-term if the Holder's holding period for its shares is more than one year  
7 at that time. The use of capital losses to offset taxable income is subject to limitations.

8  
9 On the other hand, Reorganized Spartan Gaming is expected to be treated as a partnership  
10 for federal income tax purposes. As such, it will not itself be subject to tax. Instead,  
11 Reorganized Spartan Gaming will file an annual information return with the IRS, reporting its  
12 taxable income and loss and each partner's allocable share of the taxable income, gain, loss,  
13 deduction and credit resulting from its operations. Each Holder of Reorganized Spartan  
14 Gaming's membership interests must include in income its distributive share of Reorganized  
15 Spartan Gaming's net long-term capital gain and loss, net short-term capital gain or loss, and all  
16 other items of ordinary income, loss, deduction, or credit whether or not it has received a  
17 distribution from Reorganized Spartan Gaming. Thus, a Holder of Reorganized Spartan Gaming  
18 membership interests may incur tax liability without being distributed Cash to pay such tax  
19 liability.

#### 20 **11. Information Reporting and Backup Withholding.**

21 All distributions to Holders of Claims under the Plan are subject to any applicable tax  
22 withholding. Under U.S. federal income tax law, interest, dividends, and other reportable  
23 payments may, under certain circumstances, be subject to "backup withholding" at the then-  
24 applicable withholding rate. Under the IRC's backup withholding rules, a Holder may be subject  
25 to backup withholding at the applicable rate with respect to certain distributions or payments  
26 pursuant to the Plan, unless the Holder: (i) falls within certain exempt categories (which  
27 generally include corporations) and, when required, demonstrates this fact; or (ii) provides a  
28 correct U.S. taxpayer identification number and certifies under penalty of perjury that the Holder



1 is a U.S. Person, the taxpayer identification number is correct and that the Holder is not subject  
2 to backup withholding because of a failure to report all dividend and interest income.

3 Backup withholding is not an additional tax. Amounts withheld under the backup  
4 withholding rules may be credited against a Holder's U.S. federal income tax liability, and a  
5 Holder may obtain a refund of any excess amounts withheld under the backup withholding rules  
6 by filing an appropriate claim for refund with the IRS.

7 ALL HOLDERS OF CLAIMS AND EQUITY SECURITIES SHOULD CONSULT  
8 THEIR TAX ADVISORS TO DETERMINE THE PARTICULAR TAX CONSEQUENCES TO  
9 THEM OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING,  
10 WITHOUT LIMITATION, THE AMOUNT AND TIMING OF ANY INCOME OR LOSS  
11 SUFFERED AS A RESULT OF ANY CANCELLATION OF THE CLAIMS HELD BY SUCH  
12 PERSON, WHETHER SUCH INCOME OR LOSS IS ORDINARY OR CAPITAL, AND THE  
13 TAX EFFECT OF ANY RIGHT TO, AND RECEIPT OF, ANY EQUITY INTERESTS IN  
14 EXCHANGE FOR SUCH CLAIMS.

15 THE ABOVE DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN  
16 U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND IS FOR  
17 INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX  
18 CONSEQUENCES ARE, IN MANY CASES, UNCERTAIN AND MAY VARY DEPENDING  
19 ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, ALL HOLDERS  
20 SHOULD CONSULT THEIR TAX ADVISORS ABOUT THE U.S. FEDERAL, STATE,  
21 LOCAL AND NON-U.S. INCOME TAX AND OTHER TAX CONSEQUENCES OF THE  
22 PLAN.

23 **XIII.**  
24 **CONFIRMATION OF THE PLAN**

25 **A. Confirmation of the Plan.**

26 Pursuant to Section 1128(a) of the Bankruptcy Code, the Bankruptcy Court will hold a  
27 hearing regarding confirmation of the Plan at the United States Bankruptcy Court for the District  
28

1 of Nevada, 300 Las Vegas Boulevard South, Las Vegas, NV 89101, commencing on \_\_\_\_\_,  
2 2013, at \_\_\_\_:\_\_\_\_ a.m. (prevailing Pacific Time).

3 **B. Objections to Confirmation of the Plan.**

4 Section 1128(b) provides that any party-in-interest may object to confirmation of a plan.  
5 Any objections to confirmation of the Plan must be in writing, must state with specificity the  
6 grounds for any such objections, and must be timely filed with the Bankruptcy Court and served  
7 upon counsel for Debtors at the following address:

8 GORDON SILVER  
9 Attn: Talitha Gray Kozlowski, Esq.  
3960 Howard Hughes Parkway, 9th Floor  
10 Las Vegas, Nevada 89169  
(702) 796-5555 Telephone  
11 (702) 369-2666 Facsimile  
Email: tgray@gordonsilver.com

12 For the Plan to be confirmed, the Plan must satisfy the requirements stated in Section  
13 1129. In this regard, the Plan must satisfy, among other things, the following requirements.

14 **C. The Best Interest Test and Feasibility of the Plan.**

15 For the Plan to be confirmed, it must satisfy the requirements discussed below.

16 **1. Best Interest of Creditors.**

17 Pursuant to Section 1129(a)(7) of the Bankruptcy Code, for the Plan to be confirmed, it  
18 must provide Holders of Allowed Claims or Allowed Equity Securities with at least as much  
19 under the Plan as they would receive in a liquidation of Debtors under Chapter 7 of the  
20 Bankruptcy Code (the "Best Interest Test"). The Best Interest Test with respect to each Impaired  
21 Class requires that each Holder of an Allowed Claim or Allowed Equity Interest in such Class  
22 either: (i) accepts the Plan; or (ii) receives or retains under the Plan property of a value, as of the  
23 Effective Date, that is not less than the value such Holder would receive or retain if Debtors were  
24 liquidated under Chapter 7. The Bankruptcy Court will determine whether the value to be  
25 received under the Plan by the Holders of Allowed Claims in each Class of Creditors or Holders  
26 of Allowed Equity Securities equals or exceeds the value that would be allocated to such Holders  
27 in a liquidation under Chapter 7. Debtors believe that the Plan meets the Best Interest Test and  
28

1 provides value which is not less than what would be recovered by each Holder of an Impaired  
2 Claim or Impaired Equity Interest in a Chapter 7 proceeding for each of Debtors.

3 **2. Valuation.**

4 As previously stated, pre-petition, Debtors engaged William Kimmel, Real Estate  
5 Appraiser and Consultant to provide an appraisal of Jerry's Nugget and the Ten Parcels. In his  
6 appraisal, Mr. Kimmel determined that the going concern value of Jerry's Nugget and the Ten  
7 Parcels was \$9.4 Million as of August 27, 2012. Spartan Gaming additionally owns two  
8 residential parcels that were appraised by Integra Realty Resources in June and July 2011 as  
9 having market values of \$45,000 and \$100,000, respectively.

10 **3. Liquidation Analysis.**

11 The Liquidation Analysis attached as **Exhibit "2"** hereto summarizes Debtors' best  
12 estimate of recoveries by Creditors and Holders of Allowed Equity Securities in the event of  
13 liquidation of Debtors as of August 31, 2013.

14 Generally, to determine what Holders of Allowed Claims and Allowed Equity Securities  
15 in each Impaired Class would receive if Debtors were liquidated, the Bankruptcy Court must  
16 determine what funds would be generated from the liquidation of Debtors' Assets and properties  
17 in a Chapter 7 liquidation case for each Debtor, which for unsecured Creditors would consist of  
18 the proceeds from the disposition of the Assets of each of Debtors, augmented by the  
19 unencumbered Cash held by each of Debtors upon the completion of the liquidation, assuming  
20 that the Chapter 7 trustee will continue to operate Debtors' business until the completion of the  
21 liquidation. Such Cash amounts would be reduced by the costs and expenses of the liquidation  
22 and by such additional Administrative Claims and Other Priority Claims as may result from the  
23 termination of Debtors' businesses in each of the Chapter 7 cases and the use of Chapter 7 for the  
24 purpose of liquidation.

25 In a Chapter 7 liquidation, holders of allowed claims receive distributions based on the  
26 liquidation of the non-exempt assets of a debtor. However, there are no exempt assets in the  
27 Chapter 11 Case, and, as such, the distributions would include the same Assets being collected  
28 and liquidated under the Plan, namely the interests of Debtors in the Assets. However, the

1 proceeds from the collection and sale of property of the Estates available for distribution to  
2 Creditors would be first reduced by the satisfaction of any liens and security interests in the  
3 Assets, costs of sale, any commission payable to the Chapter 7 trustee, the trustee's attorneys'  
4 and accounting fees, as well as the administrative costs of the Chapter 7 estate. In a Chapter 7  
5 case, the Chapter 7 trustee would be entitled to seek a sliding-scale commission based upon the  
6 funds distributed by such trustee to secured creditors.

7 JNI is licensed for various forms of gaming operations in Nevada. In the event of a  
8 conversion to Chapter 7, the Chapter 7 trustee and JNI may not be allowed to continue gaming  
9 operations given the change in management which would occur with the appointment of a  
10 Chapter 7 trustee. What may be the most important assumption underlying the Liquidation  
11 Analysis is that JNI continues its gaming operations. Any cessation or interruption of these  
12 operations will have a material impact upon the value of the Assets and the proceeds that will  
13 then be obtained from the liquidation of the Assets.

14 After the satisfaction of any liens and security interests in liquidated proceeds,  
15 Administrative Claims that may arise in Chapter 7 cases or result from the Chapter 11 Case  
16 would be paid in full from the liquidation proceeds before the balance of those proceeds would  
17 be made available to pay Unclassified Claims, Allowed Other Priority Claims, Allowed General  
18 Unsecured Claims, Allowed Intercompany Claims, and Allowed Equity Securities in each  
19 Chapter 7 case.

20 In addition, Debtors are doubtful that a Chapter 7 trustee in each Chapter 7 case would  
21 pursue any Litigation Claims as vigorously as the Reorganized Debtors, or be able to identify the  
22 Litigation Claims that are cost-effective to pursue as prudently as the Reorganized Debtors who  
23 have the benefit of the knowledge and information that they previously obtained.

24 Furthermore, it is unlikely that a Chapter 7 trustee would be able to prosecute an  
25 objection to the Asserted CRE Guaranty Claims as successfully as Debtors. As previously  
26 discussed, the Asserted CRE Guaranty Claims exceed \$40 Million. To the extent that the  
27 Asserted CRE Guaranty Claims are allowed in full, they will constitute more than 85% of the  
28 General Unsecured Claims and thus be entitled to more than 85% of any Distributions tendered

1 to the Holders of Allowed General Unsecured Claims. Thus, under a Chapter 7 liquidation,  
2 Holders of Allowed General Unsecured Claims other than CRE will likely receive a much  
3 smaller Distribution than under Chapter 11, where Debtors will aggressively pursue an objection  
4 to the Asserted CRE Guaranty Claims.

5 The distributions from the liquidation proceeds would be paid Pro Rata according to the  
6 amount of the aggregate Claims held by each Creditor in each Chapter 7 case in accordance with  
7 the distribution scheme of the Bankruptcy Code. Debtors believe that the most likely outcome  
8 under Chapter 7 would be the application of the “absolute priority rule.” Under that rule, no  
9 junior Creditor in a Chapter 7 case may receive any distribution until all senior Creditors are paid  
10 in full, with interest, and no Holder of an Equity Security may receive any distribution until all  
11 Creditors are paid in full.

12 Debtors have determined that Confirmation will provide each Holder of an Allowed  
13 Claim or Equity Security with not less of a recovery than it would receive if each of the Debtors  
14 were liquidated under Chapter 7. In liquidation under Chapter 7, as set forth in the Liquidation  
15 Analysis, the recoveries for Administrative Claims, the USB Claim, the CM Claim, the CRE  
16 Claim, the Slot Contract Claims, the Other Secured Claims, the Other Priority Claims, the  
17 Administrative Convenience Claims, the General Unsecured Claims, and the Intercompany  
18 Claims would vary, but would not exceed the projected recoveries under the Plan. Holders of  
19 Securities in JNI and Spartan Gaming would receive nothing in a Chapter 7 liquidation or under  
20 the Plan. *Thus, Debtors strongly encourage all Holders of Impaired Claims that are*  
21 *authorized to vote on the Plan to submit votes accepting the Plan.*

#### 22 **4. Feasibility.**

23 The Bankruptcy Code requires that in order to confirm the Plan, the Bankruptcy Court  
24 must find that Confirmation is not likely to be followed by liquidation or the need for further  
25 financial reorganization of Debtors (the “Feasibility Test”). For the Plan to meet the Feasibility  
26 Test, the Bankruptcy Court must find that Reorganized JNI and Reorganized Debtors will  
27 possess the resources and working capital necessary to meet their obligations under the Plan.  
28

1 To demonstrate the feasibility of the Plan, Debtors prepared the Financial Projections  
2 attached hereto as **Exhibit “3.”** The Financial Projections demonstrate that Debtors are capable  
3 of satisfying the obligations proposed under the Plan, including the payment of debt service to  
4 the Secured Lenders, as well as the amounts due to Holders of Allowed General Unsecured  
5 Claims.

6 The Financial Projections are derived from market data for the North Las Vegas gaming  
7 market provided by the Nevada State Gaming Control Board Gaming Commission (the “Gaming  
8 Control Board”), which provides Gaming Revenue Reports on a monthly basis, as well as from  
9 historical data and the Debtors’ current growth as more specifically discussed in Section IV.F.  
10 The Gaming Revenue Report for April 2011 shows total slot machine win of \$16,148,000, and  
11 total gaming win of \$18,957,000. The Gaming Revenue Report for April 2012 shows total slot  
12 machine win of \$24,757,000, and total gaming win of \$26,981,000. The Gaming Revenue  
13 Report for April 2013 shows total slot machine win of \$21,653,000, and total gaming win of  
14 \$23,890,000.<sup>32</sup> Thus, Debtors submit that the market data for North Las Vegas gaming, Debtors’  
15 historical data discussed in Section IV.F, and Debtors’ current growth rates support its Financial  
16 Projections.

17 Beyond the fact that Debtors were able to meet their monthly debt service obligations  
18 pre-petition, the Financial Projections attached hereto as **Exhibit “3”** demonstrate that Debtors  
19 will be able to meet their debt service obligations through the term of the Plan. Additionally,  
20 Debtors anticipate holding more than \$1,600,000 in Cash as of the assumed September 1, 2013  
21 Effective Date, which, together with the \$400,000 contribution, will provide ample funds to pay  
22 the following anticipated Effective Date payments: (i) estimated Administrative Claims of  
23 between \$335,000 and \$475,000; (ii) estimated Cure payments on account of Executory  
24 Contracts and Unexpired Leases of approximately \$125,000; and (iii) estimated Class 7 Allowed  
25 Administrative Convenience Claim payments of approximately \$76,000, for a total of between  
26 approximately \$511,000 and \$576,000. Debtors further direct all Creditors to closely review the

27 \_\_\_\_\_  
28 <sup>32</sup> The gaming revenue reports that the Financial Projections were based upon are available at  
<http://gaming.nv.gov/index.aspx?page=149>.

1 Financial Projections attached hereto as **Exhibit “3,”** which demonstrate Debtors’ projected  
2 revenue, operating expenses, capital expenses, taxes, and the payments contemplated under the  
3 Plan. Debtors submit that the Financial Projections amply demonstrate that Debtors will be able  
4 to satisfy their payment obligations under the Plan.

5 Additionally, as USB is presently oversecured by more than 120%, CM is presently  
6 oversecured, and the CRE Claim is only approximately \$64,500, Debtors are confident that they  
7 will be able to refinance or repay in full these debts on their respective maturity dates of seven  
8 years after the Effective Date for the USB Claim and three and one-half years after the Effective  
9 Date for the CM and CRE Claims. Further supporting Debtors’ ability to pay off or refinance the  
10 USB, CRE, and CM Claims on their respective maturity dates is the fact that since the Petition  
11 Date, Debtors’ operations have meaningfully improved, thereby creating additional equity and  
12 ability to obtain take-out financing, the gaming industry in Las Vegas has experience marked  
13 improvement, and the credit markets are loosening and additional financing is becoming  
14 available. This is evidenced by the fact that Debtors have recently received term sheets for  
15 potential take-out financing while in Chapter 11.

16 Courts within the Ninth Circuit have relied upon similar (or worse) facts than those  
17 presented here to determine the feasibility of plans that contemplate the satisfaction of a “balloon  
18 payment” through a refinancing five, seven, twelve, and even fifteen years into the future. See In  
19 re Rainbow 215, LLC, 2011 WL ----- (Bankr. D. Nev. March 25, 2011) (“Although the court  
20 acknowledges that the current market conditions are less than desirable, it finds that the five-year  
21 period proposed under the Plan is reasonable and sufficient period of time for it to further  
22 establish a consistent history of tenant and market rents, which in turn will facilitate refinancing  
23 Rainbow 215’s Construction Loan) (citing In re Bashas’ Inc., 437 B.R. 874, 915-18 (Bankr. D.  
24 Ariz. 2010) (court determined that the debtor’s plan was feasible where it called for the re-  
25 financing of a \$155 million loan three years from the plan’s effective date), and In re North  
26 Valley Mall, LLC, 432 B.R. 825, 838 (Bankr. C.D. Cal. 2010) (court determined that the  
27 debtor’s plan was feasible where it involved a projected refinance of the loan and balloon  
28 payment at the end of seven years from the plan’s effective date)); In re Linda Vista Cinemas,

1 L.L.C., 442 B.R. at 738 (court determined that the debtor's plan was feasible where it provided  
2 for a balloon payment after seven years); In re Seasons Partners, LLC, 439 B.R. 505, 511 (Bankr.  
3 D. Ariz. 2010) (court determined that the debtor's plan was feasible where it involved a  
4 refinancing of the debt after twelve years); In re Red Mountain Machinery Co., 488 B.R. 1, 9 and  
5 13 (Bankr. D. Ariz. 2011) (court determined that debtor's plan that contemplated a balloon  
6 payment after fifteen years was feasible). Thus, Debtors believe that the Bankruptcy Court will  
7 determine that the Plan is feasible irrespective of the contemplated balloon payments to USB,  
8 CM, and CRE.

9 IT SHOULD BE NOTED THAT THE FINANCIAL PROJECTIONS WERE NOT  
10 PREPARED WITH A VIEW TOWARD COMPLIANCE WITH THE GUIDELINES OF THE  
11 AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, THE PRACTICES  
12 RECOGNIZED TO BE IN ACCORDANCE WITH GENERALLY ACCEPTED  
13 ACCOUNTING PRINCIPLES, OR THE RULES AND REGULATIONS OF THE SEC  
14 REGARDING PROJECTIONS. FURTHERMORE, THE FINANCIAL PROJECTIONS HAVE  
15 NOT BEEN AUDITED BY INDEPENDENT ACCOUNTANTS. ALTHOUGH PRESENTED  
16 WITH NUMERICAL SPECIFICITY, THE FINANCIAL PROJECTIONS ARE BASED UPON  
17 A VARIETY OF ASSUMPTIONS, SOME OF WHICH IN THE PAST HAVE NOT BEEN  
18 ACHIEVED AND WHICH MAY NOT BE REALIZED IN THE FUTURE, AND ARE  
19 SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE  
20 UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE  
21 CONTROL OF DEBTORS. CONSEQUENTLY, THE FINANCIAL PROJECTIONS  
22 SHOULD NOT BE REGARDED AS A REPRESENTATION OR WARRANTY THAT THE  
23 FINANCIAL PROJECTIONS WILL BE REALIZED. ACTUAL RESULTS MAY VARY  
24 MATERIALLY FROM THOSE PRESENTED IN THE FINANCIAL PROJECTIONS.

25 At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan  
26 satisfies the statutory requirements for Confirmation.

27 ...

28 ...



1           **5. Confirmation of the Plan Without Acceptance By All Impaired Classes: the**  
2           **“Cramdown” Alternative.**

3           Section 1129(b) of the Bankruptcy Code provides that a plan of reorganization may be  
4 confirmed even if it has not been accepted by all impaired classes, as long as at least one  
5 impaired class of claims has accepted it. Consequently, the Bankruptcy Court may confirm the  
6 Plan at Debtors’ request notwithstanding the Plan’s rejection by Impaired Classes, as long as at  
7 least one Impaired Class has accepted the Plan and the Plan “does not discriminate unfairly” and  
8 is “fair and equitable” as to each Impaired Class that has not accepted it.

9           A plan will be deemed fair and equitable as to a class of secured claims that rejects the  
10 plan if the plan provides: (i)(a) that the holders of claims in the rejecting class retain the lien  
11 securing those claims, whether the property subject to those liens is retained by the debtor or  
12 transferred to another entity, to the extent of the allowed amount of such claims, and (b) that  
13 each holder of a claim in such class receives on account of that claim deferred cash payments  
14 totaling at least the allowed amount of that claim of a value, as of the effective date of the plan,  
15 at least equal to the value of the holder’s interest in the estate’s interest in such property; (ii) for  
16 the sale, subject to Section 363(k) of the Bankruptcy Code, of any property that is subject to the  
17 liens securing the claims included in the rejecting class, free and clear of the liens, with the liens  
18 to attach to the proceeds of the sale, and the treatment of the liens on such proceeds as described  
19 under clause (i) or (ii) of this paragraph; or (iii) for the realization by such holders of the  
20 indubitable equivalent of such claims.

21           A plan is fair and equitable as to a class of unsecured claims that rejects the plan if the  
22 plan provides: (i) for each holder of a claim included in the rejecting class to receive or retain on  
23 account of such claim property that has a value, as of the effective date of the plan, equal to the  
24 allowed amount of such claim; or (ii) that the holder of any claim or interest that is junior to the  
25 claims of such rejecting class will not receive or retain on account of such junior claim or interest  
26 any property at all.

27           ...  
28           ...

1           **6.      Accepting Impaired Class.**

2           Since at least one Class of Claims is Impaired under the Plan, in order for the Plan to be  
3 confirmed, the Plan must be accepted by at least one Impaired Class of Claims (not including the  
4 acceptance votes of Insiders of Debtors). For an Impaired Class of Claims to accept the Plan,  
5 those representing at least two-thirds in amount and a majority in number of the Allowed Claims  
6 voted in that Class must be cast for acceptance of the Plan.

7           **7.      Voting Procedures.**

8           a.      Submission of Ballots.

9           All Creditors entitled to vote will be sent a ballot, together with instructions for voting,  
10 and a copy of this approved Disclosure Statement which includes a copy of the Plan. You should  
11 read the ballot carefully and follow the instructions contained therein. Please use only the ballot  
12 that was sent with this Disclosure Statement.

13           You should complete your ballot and return it to Debtors’ Counsel as follows:

14   Gordon Silver  
15   Attn: Talitha Gray Kozlowski, Esq.  
16   3960 Howard Hughes Parkway, 9th Floor  
   Las Vegas, NV 89169  
   Fax: (702) 369-2666

17           **TO BE COUNTED, YOUR BALLOT MUST BE RECEIVED AT THE ADDRESS**  
18 **LISTED ABOVE BY 5:00 P.M., PREVAILING PACIFIC TIME, ON \_\_\_\_\_, 2013.**

19           b.      Incomplete Ballots.

20           Unless otherwise ordered by the Bankruptcy Court, ballots which are signed, dated, and  
21 timely received, but on which a vote to accept or reject the Plan has not been indicated, will be  
22 counted as a vote for the Plan. If no Claim amount is stated on a cast ballot, the Claim amount  
23 identified in Debtor’s Schedules will be applied to such cast ballot.

24           c.      Withdrawal of Ballots.

25           You may not withdraw or change your ballot after it is cast unless the Bankruptcy Court  
26 permits you to do so after notice and a hearing to determine whether sufficient cause exists to  
27 permit the withdrawal or change.

28           ...

1 d. Questions and Lost or Damaged Ballots.

2 If you have questions concerning these voting procedures, if your ballot is damaged or  
3 lost, or if you believe you should have received a ballot but did not receive one, you may contact  
4 Debtors' counsel as listed above regarding the submission of ballots.

5 **XIV.**  
6 **ALTERNATIVES TO THE PLAN**

7 Debtors believe that the Plan provides Creditors the best and most complete form of  
8 recovery available. As a result, Debtors believe that the Plan serves the best interests of all  
9 Creditors and parties-in-interest in the Chapter 11 Case.

10 In formulating and developing the Plan, Debtors explored numerous alternatives.  
11 Debtors believe not only that the Plan fairly adjusts the rights of various Classes of Creditors and  
12 enables the Creditors to realize the greatest sum possible under the circumstances, but also that  
13 rejection of the Plan in favor of some theoretical alternative method of reconciling the Claims of  
14 the various Classes would require, at the very least, an extensive and time-consuming negotiation  
15 process and would not result in a better recovery for any Class.

16 Under the Bankruptcy Code, a debtor has an exclusive period of one hundred twenty  
17 (120) days and an additional vote solicitation period of sixty (60) days from the entry of the  
18 order for relief during which time, assuming that no trustee has been appointed by the  
19 Bankruptcy Court, only a debtor may propose a plan of reorganization. After the expiration of  
20 the initial 180-day period and any extensions thereof, the debtor or any other party-in-interest  
21 may propose a different plan, unless the Bankruptcy Court has extended the exclusivity periods.  
22 Pursuant to the Exclusivity Extension Order, Debtors were granted an extension of up to and  
23 including April 10, 2013 to file their Plan. In compliance therewith, Debtors filed their initial  
24 plan of reorganization on April 10, 2013, which has been amended by the Plan.

25 If a plan of reorganization cannot be confirmed, a Chapter 11 case may be converted to a  
26 Chapter 7 case, in which a trustee would be elected or appointed to liquidate the assets of the  
27 debtor for distribution to creditors in accordance with the priorities established by the  
28

1 Bankruptcy Code. For a discussion of the effect that a Chapter 7 liquidation in the Chapter 11  
2 Case would have on recovery by Creditors, see Section XIII.C. and **Exhibit “2.”**

3 As previously stated, Debtors believe that liquidation under Chapter 7 would result in a  
4 substantially reduced recovery of funds by the Estates because of: (i) the risk that Debtors may  
5 cease or lose their business; (ii) additional administrative expenses involved in the appointment  
6 of a trustee for Debtors and attorneys and other professionals to assist such trustee; and (iii)  
7 additional expenses and Claims, some of which would be entitled to priority, which would be  
8 generated during the liquidation and from the rejection of leases and other executory contracts in  
9 connection with a cessation of Debtors’ operations. Accordingly, Debtors believe that Holders  
10 of certain Classes of Claims will receive substantially smaller distributions in Chapter 7  
11 liquidation than under the Plan and therefore encourage all Holders of Impaired Claims that are  
12 entitled to vote on the Plan to cast ballots accepting the Plan.

13 **XV.**  
14 **PREFERENCE AND OTHER AVOIDANCE ACTIONS**

15 A bankruptcy trustee (or the debtor as a debtor-in-possession) may avoid as a preference  
16 a transfer of property made by a debtor to a creditor on account of an antecedent debt while a  
17 debtor was insolvent, where that creditor receives more than it would have received in a  
18 liquidation of the entity under Chapter 7 had the payment not been made, if: (i) the payment was  
19 made within ninety (90) days before the date the bankruptcy case was commenced; or (ii) the  
20 creditor is found to have been an “insider,” as defined in the Bankruptcy Code, within one year  
21 before the commencement of the bankruptcy case. A debtor is presumed to have been insolvent  
22 during the ninety (90) days preceding the commencement of the case.

23 A bankruptcy trustee (or the debtor as a debtor-in-possession) may avoid as a fraudulent  
24 transfer a transfer of property made by a debtor within two years (and under applicable Nevada  
25 law, four years) before the date the bankruptcy case was commenced if the debtor: (i) received  
26 less than reasonably equivalent value in exchange for such transfer; and (ii) was insolvent on the  
27 date of such transfer or became insolvent as a result of such transfer, such transfer left the debtor  
28

1 with an unreasonably small capital, or the debtor intended to incur debts that would be beyond  
2 the debtor's ability to pay as such debts matured.

3 USB and CRE have alleged that Debtors engaged in various insider transactions  
4 involving Debtors' current management. These alleged transactions include:

- 5 • JNI transferring the Spartan Gaming Property to Spartan Gaming and  
6 then encumbering the Spartan Gaming Property with the CM Loan, the  
7 proceeds of which were provided to a third party in exchange for a note  
8 receivable;
- 9 • JNI's current management transferring title to two cars to two officers of  
10 JNI; and
- 11 • JNI tendering payments to "family members" within the one-year period  
12 prior to the Petition Date, including: (i) \$190,000 paid in salary to Angelo  
13 Stamis; (ii) \$50,000 paid in salary to Susan Stamis; and (iii) \$40,000 -  
14 \$42,000 paid to the a former employee and cousin of current management  
15 under a severance agreement.

16 With regard to the transfer of the Spartan Gaming Property, the transfer occurred in  
17 January 2010, more than two and a half years before the Petition Date, at a time when Debtors  
18 were neither insolvent nor had any expectation of needing to seek Chapter 11 relief. Thus,  
19 Debtors do not believe that there is a viable cause of action for avoidance and recovery of the  
20 Spartan Gaming Property under either bankruptcy or state fraudulent transfer law. Irrespective  
21 of the viability of any such fraudulent transfer actions, the Spartan Gaming Property is  
22 encumbered by the CM Deed of Trust. The proceeds from the disposition of the Spartan Gaming  
23 Property must therefore be utilized to repay the CM Claim, thereby benefitting all of Debtors'  
24 creditors as JNI is a co-obligor of the CM Loan. Provided the foregoing, Debtors do not  
25 presently anticipate seeking to avoid the transfer of the Spartan Gaming Property; however,  
26 Debtors note that such cause of action is reserved and will be transferred to Reorganized JNI  
27 under Section 9.2 of the Plan, and is therefore preserved.

28 Similarly, the alleged transfer of the two cars is misleading. As discussed above in  
Section VII.B.5., as part of his compensation as an officer and director of JNI, Jeremy Stamis  
received a 2006 BMW 650i, which had 90,000 miles. Kelly Blue book provides a value of  
\$21,402 if the car is in excellent condition and \$18,202 if it is in fair condition. The second car  
was transferred to Peter DeMangus, a former officer of JNI, more than one year before the

1 Petition Date and in accordance with his employment agreement. Thus, Debtors submit that  
2 such transfers were in the ordinary course of business and do not constitute avoidable transfers.  
3 However, again, Debtors note that such causes of action, to the extent they are even viable, are  
4 reserved and will be transferred to Reorganized JNI under Section 9.2 of the Plan, and are  
5 therefore preserved.

6 Finally, the “numerous payments to family members” referenced by USB were the  
7 salaries paid to Jeremy Stamis, Joseph Stamis, Angelo Stamis, and Susan Stamis in the year  
8 preceding the Petition Date, consistent with their current salaries, and, as previously discussed in  
9 Section VII.B.5, consistent with their anticipated post-Effective Date salaries. Debtors do not  
10 believe that the ordinary course payment of these salaries constitute avoidable transfers.  
11 However, even if they did, Debtors note that such causes of action, to the extent they are even  
12 viable, are reserved and will be transferred to Reorganized JNI under Section 9.2 of the Plan, and  
13 are therefore preserved.

14 While there may be an argument that the payments of \$40,000 - \$42,000 within the year  
15 preceding the Petition Date may be constitute fraudulent transfers, Debtors do not believe that  
16 the transferee has meaningful funds with which to repay the transfers should Debtors prosecute  
17 their avoidance. Debtors note that such cause of action, to the extent viable, is reserved and will  
18 be transferred to Reorganized JNI under Section 9.2 of the Plan, and is therefore preserved.

19 Although Debtors have not fully analyzed various potential preference or other  
20 avoidance actions, it is possible that some pre-Petition transactions may be avoidable. Included  
21 in the list of potential transfers are the funds tendered to Prado, LLC and/or Barcelona  
22 Motorcoach in the four years preceding the Petition Date. However, as the property directly  
23 and/or indirectly owned by these entities is subject to pending foreclosure actions and/or fully  
24 encumbered, there does not appear to presently be a viable source of recovery were there to be  
25 meritorious fraudulent transfer actions prosecuted. Thus, Debtors do not presently intend to  
26 expend estate resources prosecuting avoidance actions that have no meaningful chance of  
27 recovery. However, to the extent such causes of action are viable and present an opportunity for  
28 recovery in the future, the Plan provides that such avoidance actions will be transferred to

1 Reorganized JNI under Section 9.2 of the Plan, and are therefore preserved.

2 Debtors hereby expressly reserve their right to commence any appropriate actions  
3 pursuant to Chapter 5 of the Bankruptcy Code. To the extent that Debtors initiate such actions  
4 and prevail, such funds would become available to Debtors' creditors as provided in the Plan.

5 **XVI.**  
6 **RECOMMENDATION AND CONCLUSION**

7 The Plan provides the best possible recovery for all parties-in-interest. Accordingly,  
8 Debtors recommend that all Creditors who are entitled to vote on the Plan timely submit their  
9 votes to accept the Plan.

10 DATED this 19<sup>th</sup> day of June, 2013.

11 JERRY'S NUGGET, INC.

12 By: /s/ Jeremy Stamis  
13 Jeremy Stamis  
14 Its: President

15 SPARTAN GAMING LLC

16 By: Jeremy Stamis  
17 Jeremy Stamis  
18 Its: Manager

19 **PREPARED AND SUBMITTED BY:**

20 By: /s/ Talitha Gray Kozlowski  
21 GERALD M. GORDON, ESQ.  
22 TALITHA GRAY KOZLOWSKI, ESQ.  
23 TERESA M. PILATOWICZ, ESQ.  
24 3960 Howard Hughes Pkwy., 9th Floor  
25 Las Vegas, Nevada 89109  
26 Attorneys for Debtors  
27  
28