

1 ALAN R. SMITH, ESQ.
2 Nevada Bar No. 1449
3 Law Offices of Alan R. Smith
4 505 Ridge Street
5 Reno, Nevada 89501
6 Telephone (775) 786-4579
7 Facsimile (775) 786-3066
8 *Email: mail@asmithlaw.com*

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January 7, 2011

Attorney for Debtor

8 UNITED STATES BANKRUPTCY COURT
9 DISTRICT OF NEVADA

10 —ooOoo—

11 In Re:
12 LAKERIDGE CENTRE OFFICE
13 COMPLEX, L.P., a Nevada limited
14 partnership,

Case No. BK-N-10-53612-GWZ
Chapter 11

Hearing Date: February 14, 2011
Hearing Time: 2:00 p.m.

Debtor.

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18 **DEBTOR'S**
19 **DISCLOSURE STATEMENT**
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1 **1. INTRODUCTION**

2 This Disclosure Statement (hereinafter the “Disclosure Statement”) is provided to
3 creditors by the connection with the solicitation of acceptances of the Debtor’s Plan of
4 Reorganization (the “Plan”), filed on **January 7, 2011**, or any subsequent amended plan of
5 reorganization. The Debtor’s reorganization case is under Chapter 11 of the United States
6 Code, and was initiated on **September 8, 2010**, in the United States Bankruptcy Court for
7 the District of Nevada, as **Case No. BK-N-10-53612-GWZ**.

8 **1.1 Purpose of the Disclosure Statement**

9 The purpose of this Disclosure Statement is to ensure that claimants have adequate
10 information to enable each class to make an informed judgment about the Plan. The assets
11 and liabilities of the Debtor are summarized herein. To the extent the information contained
12 in this Disclosure Statement may be inconsistent with the Debtor’s Statement of Financial
13 Affairs and Schedule of Assets and Liabilities filed on September 8, 2010, or subsequent
14 amendments thereto, this Disclosure Statement shall supersede such Statements and
15 Schedules (as may be amended).

16 This Disclosure Statement describes the business background and operating history
17 of the Debtor before the filing of the case. It also summarizes certain significant events that
18 have taken place during the case and describes the terms of the Plan, which divides creditor
19 claims and the interests of shareholders into classes and provides for the satisfaction of
20 allowed claims and interests.

21 The Court will set a time and date as the last day to file acceptances or rejections of
22 the Plan. Thereafter, a hearing on confirmation of the Plan will be held in the United States
23 Bankruptcy Court for the District of Nevada, located at the U.S. Federal Building &
24 Courthouse, 300 Booth Street, Reno, Nevada. Creditors may vote on the Plan by filling out
25 and mailing a special form of ballot. The form of ballot and special instructions for voting
26 will be forthcoming upon approval of the Disclosure Statement by the Court. Creditors are
27 urged to carefully read the contents of this Disclosure Statement before making a decision
28 to accept or reject the Plan.

1 **1.2 Acceptance and Confirmation**

2 In order for the Debtor’s Plan to be confirmed, each impaired class of claims or
3 interests must accept the Plan, except as set forth below. In order for the Plan to be deemed
4 accepted, a majority in number and two-thirds in dollar amount of the claims of each class
5 of creditors impaired under the Plan of those that actually vote, must vote for acceptance of
6 the Plan. Holders of claims who fail to vote are not counted as either accepting or rejecting
7 the Plan.

8 Classes of claims that are not “impaired” under a Plan are deemed to have accepted
9 the Plan. Acceptances of the Plan are being solicited only from those persons who hold
10 claims or interests in impaired classes. A class is “impaired” if the legal, equitable or
11 contractual rights attaching to the claims or interests of that class are modified, other than by
12 curing defaults and reinstating maturities, or by payment in full in cash.

13 **1.3 Confirmation Without Acceptance By All Impaired Classes**

14 The Bankruptcy Code contains provisions for confirmation of a Plan even if the Plan
15 is not accepted by all impaired classes, as long as at least one impaired class of claims has
16 accepted the Plan. These “cram-down” provisions for confirmation of a Plan, despite the
17 non-acceptance of one or more impaired classes of claims or interest, are set forth in
18 § 1129(b) of the Bankruptcy Code.

19 If a class of unsecured claims rejects the Plan, it may still be confirmed so long as the
20 Plan provides that (i) each holder of a claim included in the rejecting class receive or retain
21 on account of that claim property which has a value, as of the Effective Date, equal to the
22 allowed amount of such claim; or that (ii) the holder of any claim or interest that is junior to
23 the claims of such class will not receive or retain on account of such junior claim or interest
24 any property at all.

25 If a class of secured claims rejects the Plan, it may still be confirmed so long as the
26 Plan provides (i) the holders of such claims retain the lien securing such claim; (ii) the
27 holders of such claims receive on account of such claims deferred cash payments totaling at
28 least the allowed amount of such claims, of a value, as of the Effective Date of the Plan, of

1 at least the value of such claimant's interest in the estate's interest in such property; (iii) for
2 the sale of the property in accordance with § 1129(b)(2)(A)(ii); or (iv) for the realization by
3 such claimants of the indubitable equivalent of the claim.

4 **1.4 Disclaimer**

5 No representations concerning the Debtor is authorized by the Debtor except as set
6 forth in this Disclosure Statement. Any representations or inducements made to secure your
7 acceptance or rejection of the Plan other than as contained herein have not been authorized
8 and should not be relied upon by you in making your decision, and such additional
9 representations and inducements should be reported to counsel for the Debtor, who in turn
10 should deliver such information to the Court for such action as may be deemed appropriate.
11 The information contained herein has not been subjected to a certified audit. The records
12 kept by the Debtor and other information relied on herein are dependent upon investigations
13 and accounting performed by the Debtor and others employed by the Debtor. The Debtor is
14 unable to warrant that the information contained herein is without inaccuracy, although a
15 great effort has been made to be accurate, and the Debtor believes that the information
16 contained herein is, in fact, accurate.

17 **2. INFORMATION REGARDING THE CHAPTER 11 ESTATE**

18 **2.1 History of the Debtor and Events Leading to the Filing of the Chapter 11**
19 **Case**

20 LAKERIDGE CENTRE OFFICE COMPLEX, L.P. (hereinafter "LCOC") is a Nevada
21 limited partnership formed on December 18, 1989. Its current general partner is Nathan L.
22 Topol, and Tami Topol, BJ Topol, Byron Topol Trust, Samantha Topol and David Topol, are
23 limited partners.

24 In 1998, LCOC purchased property identified as APN 042-021-18 consisting of 2.80
25 acres of vacant land. In 1999, LCOC purchased property identified as APN 042-021-19
26 consisting of 3.33 acres of vacant land and APN 042-017-02 consisting of 3.37 acres of
27 vacant land located at the Southwest corner of Plumas Street and McCarran Boulevard,
28 Reno, Nevada.

1 In approximately 1999, LCOC finalized construction of an office building upon APN
 2 042-021-18 (the "Office Property"). The Office Property is more particularly described in
 3 Section 4.1 below. The Office Property is currently 100% occupied with commercial tenants.
 4 At the time of filing the Bankruptcy Case, payments on the secured obligation to the secured
 5 lender were current.

6 LCOC originally intended to develop what is referred to herein as the Unimproved
 7 Property (APN 042-021-19, and APN 042-170-02). For various reasons, the Unimproved
 8 Property was not developed by the Debtor.

9 By reason of the Debtor's default in payment, First Independent Bank commenced
 10 foreclosure upon the Unimproved Property. This Chapter 11 stayed the foreclosure. The
 11 Debtor intends to reorganize its secured and unsecured debts under the Plan.

12 **2.2 Ownership of the Debtor**

13 LCOC is a Nevada limited partnership formed on December 18, 1989. Its current
 14 general partner is Nathan L. Topol, and Tami Topol, BJ Topol, Byron Topol Trust, Samantha
 15 Topol and David Topol, are limited partners.

16 **2.3 Co-Debtors**

17 There are personal guarantees for all of the secured loans made to LCOC, as follows:

18 Lender	Approx. Loan Amt.	Guarantor
19 Berkadia Commercial Mortgage LLC	\$6,169,658.00	Nathan L. Topol
20 First Independent Bank	\$5,087,231.00	Nathan L. Topol

22 **3. DEVELOPMENTS DURING THE COURSE OF THIS CHAPTER 11 CASE**

23 **3.1 Meeting of Creditors**

24 The United States Trustee conducted a meeting of creditors pursuant to 11 U.S.C.
 25 § 341 on October 18, 2010. The Debtor appeared through its representative, Nathan L.
 26 Topol.

27 **3.2 Schedules and Statement of Affairs**

28 The Debtor filed its schedule of assets and liabilities and statement of financial affairs

1 on September 8, 2010. Those schedules and statements may be viewed online at
2 www.nvb.uscourts.gov or may be obtained from the Bankruptcy Clerk for a fee.

3 **3.3 Monthly Operating Reports**

4 Monthly operating reports reflecting the Debtor's ongoing financial status are filed
5 with the United States Bankruptcy Court and can be viewed online at www.nvb.uscourts.gov.

6 **3.4 Employment of General Counsel**

7 Pursuant to an order entered on November 19, 2010, Alan R. Smith, Esq. was
8 employed as counsel for the Debtor.

9 **3.5 Creditors Committee**

10 There has been no appointment in this case of a creditor's committee pursuant to 11
11 U.S.C. § 1102.

12 **3.6 Motion For Relief From Stay by First Independent Bank**

13 On November 30, 2010, the Bankruptcy Court conducted a hearing on a Motion For
14 Relief From The Automatic Stay Of First Independent Bank of Nevada ("FIB") [Dkt. 23].
15 The Court denied relief from the automatic stay at that time, and continued the hearing to
16 February 14, 2011, to immediately follow the hearing on approval of Debtor's Disclosure
17 Statement.

18 **4. DESCRIPTION OF ASSETS**

19 **4.1 Office Property**

20 The Office Property is located at 6005 Plumas Street, Reno, Nevada, upon 2.8 acres
21 of land. The building on the Office Property is 37,410 square feet, containing four separate
22 offices. The Office Property is 100% occupied. The Debtor estimates the value of the Office
23 Property at \$6,500,000, however there has been no recent appraisal.

24 **4.2 Unimproved Property**

25 The Unimproved Property is comprised of one parcel containing 3.37 acres (APN
26 042-021-19), and one parcel containing 3.33 acres (APN 042-170-02), for a total of 6.7 acres.
27 The Unimproved Property is located contiguous and Southwest of the Office Property, and
28 contiguous to the Lakeridge Golf Course.

1 **4.3 Bank Account**

2 The Debtor currently (as of January 7, 2011) has a balance of \$5,650.00 in its DIP
3 bank account.

4 **5. DESCRIPTION OF DEBTS**

5 **5.1 Administrative Claims**

6 (A) Attorneys Fees/Law Offices of Alan R. Smith. The Debtor will be
7 obligated to pay attorneys fees and costs owed to the Law Offices of Alan R. Smith, subject
8 to Court approval. Debtor estimates that attorneys fees to the Law Offices of Alan R. Smith
9 will be incurred prior to Plan confirmation, but is unable to project the final balance at this
10 time. It is anticipated that such attorney’s fees will be paid by the Debtor’s equity owners.

11 (B) U.S. Trustee Fees. All fees required to be paid to the United States
12 Trustee will be paid in full upon the Effective Date of the Debtor’s Plan. U.S. Trustee fees
13 due in this case have been paid.

14 **5.2 Priority Claims**

15 The Debtor does not have any priority claims scheduled against it.

16 **5.3 Secured Claims**

17 The Debtor has scheduled against it the following secured claims:

Creditor	Nature of Lien	Est. Amount of Secured Claim
Berkadia Commercial Mortgage LLC	Deed of Trust against Office Property	\$6,169,658.00 (estimated)
First Independent Bank	Deed of Trust against Unimproved Property	\$5,087,231.00 (estimated)
Washoe County Treasurer	Statutory first priority lien against Unimproved Property	\$33,689.29 (estimated)
TOTAL SECURED CLAIMS:		\$11,290,578.29

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1 **5.4 Unsecured Claims**

2 The Debtor has scheduled against it the following unsecured claims. Insofar as the
3 claims deadline has not yet expired¹, additional claims or superceded claims amounts may
4 be filed against the Debtor.

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Creditor	Basis of Claim	Est. Amount of Claim
Jones Vargas	Goods/Services	\$6,860.00
Morris Peterson	Goods/Services	\$12,627.00
Topol, Nathan L.	Entitlement Expenses for Tentative Map and Special Use Permits, etc.	\$867,685.00
Ward Young	Goods/Services	\$23,919.00
TOTAL UNSECURED CLAIMS		\$911,091.00

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13 **5.5 Claims Deadline**

14 In accordance with the Bankruptcy Court's Notice of Chapter 11 Bankruptcy Case,
15 Meeting of Creditors, & Deadlines filed on September 8, 2010, the deadline for filing a proof
16 of claim in this action is January 14, 2011, and April 16, 2011 for governmental agencies.

17 **6. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

18 The Debtor is a party to four (4) leases of commercial space at its Office Property.
19 The Debtor intends to assume all leases under its Plan.

20 **7. DESCRIPTION OF PENDING AND COMPLETED LITIGATION**

21 Prior to the filing of the petition, the Debtor was not involved in any pending
22 litigation, nor is it anticipated that it will be involved in any post-petition litigation.

23 **8. SUMMARY OF PLAN OF REORGANIZATION**

24 **THE FOLLOWING IS A BRIEF SUMMARY OF THE PLAN OF**
25 **REORGANIZATION WHICH IS FILED CONCURRENTLY HEREWITH (the**
26 **"Plan"), AND SHOULD NOT BE RELIED UPON FOR VOTING PURPOSES. THE**
27

28 ¹ The last day to file general unsecured proofs of claim is January 14, 2011.

1 SUMMARY IS NOT COMPLETE, AND CREDITORS ARE URGED TO READ THE
2 PLAN IN FULL. A COPY OF THE PLAN OF REORGANIZATION WILL BE
3 PROVIDED TO ALL CREDITORS. TO THE EXTENT THE FOLLOWING
4 SUMMARY INCLUDES DEFINED TERMS, THOSE DEFINITIONS ARE
5 INCLUDED IN THE PLAN FILED CONCURRENTLY HEREWITH. ALL
6 CAPITALIZED TERMS HEREINAFTER HAVE THE MEANINGS SET FORTH IN
7 THE PLAN.

8 **8.1 Classification and Treatment of Claims**

9 Pursuant to Section 1122 of the Bankruptcy Code, set forth below is a designation of
10 classes of Claims and Interests. Administrative Claims and Priority Claims of the kinds
11 specified in Sections 507(a)(1) and 507(a)(8) of the Bankruptcy Code have not been
12 classified and are excluded from the following classes in accordance with Section 1123(a)(1)
13 of the Bankruptcy Code.

14 Class 1: The Allowed Secured Claim of Berkadia Commercial Mortgage LLC
15 (“Berkadia”) as evidenced by the first deed of trust upon the Office
Property.

16 Class 2: The Berkadia Deficiency claim, as defined in Section 8.2 below.

17 Class 3: The Allowed Secured Claim of First Independent Bank (“FIB”) as
18 evidenced by a first deed of trust upon the Unimproved Property.

19 Class 4: The FIB Deficiency claim, as defined in Section 8.2 below.

20 Class 5: The Allowed Secured Claim of the Washoe County Treasurer.

21 Class 6: Allowed Claims of **unsecured creditors** of the Debtor not entitled to
22 priority under § 507 of the Bankruptcy Code and not otherwise
included in any other class hereof, including, without limitation, claims
which may arise out of the rejection of executory contracts.

23 Class 7: The partners of the Debtor.

24 **Unimpaired Classes**

25 The Class 7 creditors are unimpaired under the Plan.

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1 **8.2 Treatment of Claims and Interests**

2 Each creditor class shall be treated as follows:

3 **Class 1 (Berkadia Secured Claim):**

4 The Berkadia Secured Claim shall be treated under the Plan as follows:

5 **(A) Amount of the Berkadia Secured Claim**

6 The amount of the Berkadia Secured Claim shall be equal to the balance owed on the
7 Berkadia Note as of the Confirmation Date, unless the Bankruptcy Court determines the
8 Allowed Secured Claim to be a lesser amount based upon evidence presented on or before
9 the Confirmation Date (the "Berkadia Secured Claim").

10 **(B) Retention of Security Interest in Property and Rents**

11 Berkadia shall retain its security interest in the Property and Rents as evidenced
12 by the Berkadia Deed of Trust in order to secure the Berkadia Note.

13 **(C) Payment of the Berkadia Secured Claim**

14 The Berkadia Secured Claim shall bear interest at the rate of 4.00% per annum
15 from and after the Effective Date, or in the event of objection by Berkadia, such other rate
16 as the Court shall determine is appropriate after considering the evidence at the Confirmation
17 Hearing (the "Berkadia Interest Rate"). On or before the 15th day of each and every month,
18 commencing on the 15th day of the next month following the Effective Date, the Debtor shall
19 distribute to Berkadia the normal monthly payment based upon the amount of the Berkadia
20 Secured Claim, the Berkadia Interest Rate and a 30-year amortization.

21 **(D) Payment of the Balance Due on the Berkadia Secured Claim**

22 The balance on the Berkadia Secured Claim, together with any and all accrued
23 interest, fees and costs due thereunder, shall be paid on or before ten (10) years following the
24 Effective Date, or such other earlier date as may be proposed by the Debtor and approved by
25 the Court prior to or at the Confirmation Hearing (the "Berkadia Due Date").

26 **(E) Loan Documents Remain In Effect**

27 The Berkadia Note and the Berkadia Deed of Trust shall remain in full force
28 and effect, except as modified by or otherwise inconsistent with this Plan, in which event the

1 terms of this Plan shall supercede.

2 **(F) Plan Default**

3 In the event of a default by the Debtor under the Plan, and in the event Debtor
4 fails to cure such default within fifteen (15) business days after delivery of notice to the
5 Debtor and to Debtor's counsel, Berkadia shall be entitled to enforce all of the terms of the
6 Berkadia Deed of Trust and the Berkadia Note, in addition to all rights available under
7 Nevada law, including, without limitation, foreclosure on the Property and the opportunity
8 to credit bid the entire amount of the Berkadia Note at any foreclosure sale.

9 **(G) Effect of 1111(b)(2) Election**

10 In the event Berkadia shall timely elect treatment under Section 1111(b)(2) of
11 the Bankruptcy Code, and the Bankruptcy Court shall determine that Berkadia is entitled to
12 make such election, then the following shall be applicable:

- 13 (i) The identification of Class 2 (Section 8.1) and the treatment of
14 Class 2 (Section 8.2 below) shall be deleted from the Plan.
- 15 (ii) Payments shall be made as set forth above, however on the
16 Berkadia Due Date as set forth in Section 8.1(D) above, the total
17 of all payments made to the Class 1 claim shall equal the
18 Berkadia Note Balance.

19 **Class 2 (Berkadia Deficiency Claim):**

20 In the event Berkadia does not assert an unsecured deficiency claim, Berkadia's entire
21 claim shall be treated as set forth in Class 1 above, and the Class 2 identification and
22 treatment shall not be applicable. If Berkadia asserts an unsecured deficiency claim, and the
23 Court determines that such unsecured deficiency claim is an Allowed Claim (the "Berkadia
24 Deficiency Claim"), such claim shall be treated under the Plan as follows:

25 **(A) Determination of Appreciated Value**

26 Based upon the expert testimony to be presented at the Confirmation Hearing,
27 the Debtor believes the Property will appreciate in value following the Confirmation Date.
28 The Debtor will provide an appraisal from an MAI certified appraiser 60 days prior to each

1 anniversary date (“Anniversary Date”) of the Effective Date. The appraised value on each
2 anniversary date shall be defined as the “Appreciated Value.” In no event shall Appreciated
3 Value exceed the balance owed on the Berkadia Note on the Confirmation Date less the
4 Berkadia Secured Claim. In the event Berkadia disagrees with the appraisal obtained by the
5 Debtor, Berkadia may obtain its own appraisal. Thereafter, if the parties are unable to agree,
6 the Bankruptcy Court shall determine the Appreciated Value, and jurisdiction is reserved in
7 the Bankruptcy Court to do so.

8 **(B) Monthly Payments on Appreciated Value**

9 Following each anniversary date of the Effective Date, the Debtor shall make
10 monthly payments to Berkadia based upon a principal balance equal to the difference
11 between the Appreciated Value and the Value As Of Confirmation Date, the Berkadia
12 Interest Rate, and a 30-year amortized mortgage term, with the balance all due on the
13 Berkadia Due Date (the “Monthly Payments On Deficiency Claim”).

14 **(C) Final Payment of Deficiency Claim**

15 On the Berkadia Due Date, the Debtor shall pay the full Appreciated Value to
16 Berkadia as set forth in sub-section (A) above.

17 **Class 3 (FIB Secured Claim):**

18 The FIB Secured Claim shall be treated under the Plan as follows:

19 **(A) Amount of the FIB Secured Claim**

20 The amount of the FIB Secured Claim shall be equal to the balance owed on the FIB
21 Note as of the Confirmation Date, unless the Bankruptcy Court determines the Allowed
22 Secured Claim to be a lesser amount based upon evidence presented on or before the
23 Confirmation Date (the “FIB Secured Claim”).

24 **(B) Retention of Security Interest in Property and Rents**

25 FIB shall retain its security interest in the Property and Rents as evidenced by
26 the FIB Deed of Trust in order to secure the FIB Note.

27 **(C) Payment of the Berkadia Secured Claim**

28 The FIB Secured Claim shall bear interest at the rate of 4.00% per annum from

1 and after the Effective Date, or in the event an objection is raised by FIB, such other rate as
2 the Court shall determine is appropriate after considering the evidence at the Confirmation
3 Hearing (the "FIB Interest Rate"). On or before the Closing Date, the Debtor shall pay the
4 entire FIB Secured Claim in full.

5 **(D) Loan Documents Remain In Effect**

6 The FIB Note and the FIB Deed of Trust shall remain in full force and effect,
7 except as modified by or otherwise inconsistent with this Plan, in which event the terms of
8 this Plan shall supercede.

9 **(E) Plan Default**

10 In the event of a default by the Debtor under the Plan, and in the event Debtor
11 fails to cure such default within fifteen (15) business days after delivery of notice to the
12 Debtor and to Debtor's counsel, FIB shall be entitled to enforce all of the terms of the FIB
13 Deed of Trust and the FIB Note, in addition to all rights available under Nevada law,
14 including, without limitation, foreclosure on the Property and the opportunity to credit bid
15 the entire amount of the FIB Note at any foreclosure sale.

16 **Class 4 (FIB Deficiency Claim):**

17 In the event FIB does not assert an unsecured deficiency claim, FIB's entire claim
18 shall be treated as set forth in Class 3 above, and the Class 4 identification and treatment
19 shall not be applicable. If FIB asserts an unsecured deficiency claim, and the Court
20 determines that such unsecured deficiency claim is an Allowed Claim (the "FIB Deficiency
21 Claim"), such claim shall be treated under the Plan as follows:

22 **(A) Retention of Security Interest in Appreciated Value of the**
23 **Unimproved Property**

24 FIB shall retain its security interest in the Unimproved Property, specifically
25 including its appreciation in value, as evidenced by the FIB Note and the FIB Deed of Trust.

26 **(B) Payment of The FIB Deficiency Claim**

27 The FIB Deficiency Claim shall be paid from the sale of the Unimproved
28 Property as described in Section 8.5 below. Such payment shall be prior to distribution to

1 any other class of creditors (other than Class 3) from the proceeds generated from such sale.

2 **Class 5 (Washoe County Treasurer):**

3 The Class 5 creditor shall retain its first priority secured claim against the Unimproved
4 Property allowed by Nevada statutes, and shall be entitled to interest as allowed by Nevada
5 statutes. On the Closing Date, the Class 5 creditor shall be paid the entire amount owed on
6 its claim, including interest and such fees and costs as shall be allowed by Nevada statutes.

7 **Class 6 (Unsecured Claims):**

8 The Allowed Unsecured Claims shall be paid in full, without interest, following the
9 payment of Class 3, 4 and 5, in full, from the sale of the Unimproved Property as described
10 in Section 8.5 below.

11 **Class 7 (Partnership Interests):**

12 The partners shall retain their partnership interests in the Reorganized Debtor, but
13 shall receive no distribution until Classes 1 through 6 are paid in full.

14 **8.3 Treatment of Unclassified Claims**

15 **Administrative Claims**

16 Claims arising during the administration of the Debtor’s Chapter 11 case and entitled
17 to priority under Section 507(a)(1) of the Bankruptcy Code are not classified under the Plan.
18 Holders of such claims shall be paid in full on the latter of the Effective Date, or fifteen (15)
19 days after entry of an order creating an Allowed Administrative Claim, unless holders of an
20 Allowed Administrative Claim agree to alternative treatment. Administrative Claims may
21 be paid by the partners of the Debtor.

22 **Fees to the United States Trustee**

23 All fees required to be paid to the United States Trustee will be paid in full upon the
24 Effective Date of the Debtor’s Plan, and shall remain current until the case is fully
25 administered, closed, converted or dismissed, whichever occurs first. Such fees may be paid
26 by cash contributions by the member of the Debtor.

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1 **Disputed Claims**

2 All payments hereunder to creditors whose claims are not liquidated or are disputed
3 shall be paid into a segregated trust account until such claims are an Allowed Claim, in which
4 case the proceeds shall be disbursed, or such claim shall be disallowed.

5 **8.4 Executory Contracts**

6 All executory contracts of the Debtor are assumed, and shall be maintained current,
7 including, without limitation, the contract with NAI Alliance for management of the Office
8 Property. The Debtor is current on post-petition payments on all assumed executory
9 contracts.

10 **8.5 Means of Implementing and Funding The Plan**

11 **A. Continued Operation of the Office Property**

12 Debtor shall continue to operate the Office Property post-confirmation. The Net
13 Income from operations will be used to make the payments to the Class 1 and 2 creditors.
14 Attached hereto as **Exhibit "B"** is a projection of the Net Income from the Property through
15 December 31, 2015.

16 **B. Office Property To Be Sold Or Refinanced**

17 The Debtor shall undertake one or more of the following actions to assure compliance
18 with the payment provisions to Class 1 and 2 creditors under the Plan:

- 19 a) Based upon the Debtor's assessment of economic conditions, the
20 Office Property will be marketed for sale at any time before the
21 Berkadia Due Date as the Debtor shall deem as appropriate in its
22 business judgment. The Debtor will list the Office Property for
23 sale with a licensed real estate broker. The listing amount will
24 be determined by the Debtor, but shall be in a minimum amount
25 to pay Berkadia in full, in accordance with the Plan, unless
26 otherwise agreed by Berkadia. Unless otherwise agreed by
27 Berkadia, any proposed sale shall be conducted in accordance
28 with the provisions of Section 363(b) of the Bankruptcy Code,

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including notice as required under Federal Rule of Bankruptcy Procedure 2002(a)(2) to all interested parties, including Berkadia and all creditors, and shall provide for and allow Berkadia to credit bid the full amount owed under the Berkadia Note, including accrued interest and reasonable attorney’s fees and costs. Any sale shall net sufficient sums to pay the entire balance owed under the Berkadia Note. Any sale under this provision shall be consummated on or before the Berkadia Due Date. There shall be no county or state transfer taxes associated with any sale under this Plan in accordance with 11 U.S.C. § 1146.

b) The Debtor may obtain new financing for the Office Property at any time the Debtor deems advisable, but not later than the Berkadia Due Date, in a sufficient amount to pay the entire balance owed under the Berkadia Note, unless Berkadia agrees to a reduced payment. Such refinancing shall be on reasonable terms generally available in the lending community, and may be accomplished without seeking approval of the Bankruptcy Court.

C. Management of the Property

The Debtor intends to continue to employ NAI Alliance in the normal course of business to manage the Property. However, the Debtor reserves the right to employ such other management company as the Debtor deems advisable following the Confirmation Date.

D. Sale of the Unimproved Property

The Unimproved Property shall be sold to Bordeaux Communities, LLC, for the sum of \$5,500,000.00, under the terms and conditions of the Purchase and Sale Agreement attached to the Plan as Exhibit “A” (the “Sale of Unimproved Property”) and incorporated herein. The principals of Bordeaux Communities are Mark Kubinski, Tami Topol, Sierra

1 Nevada Regional Center, and Tom Powell. Such sale shall close escrow on or before
2 December 31, 2011. The proceeds of such sale shall be used to pay, in order of priority,
3 Class 3, Class 4, Class 5 and Class 6 under the Plan.

4 **E. Disputed Claims**

5 All sums contemplated to be paid under the Plan to creditors whose claims are not
6 liquidated or are disputed shall be paid into a segregated trust account until such claims are
7 an Allowed Claim, in which case the proceeds shall be disbursed, or such claim shall be
8 disallowed.

9 **F. Revesting of Assets in the Debtor**

10 Upon confirmation of the Plan, all property of the estate of the Debtor shall be
11 revested in Lakeridge Centre Office Complex, L.P., pursuant to 11 U.S.C. § 1141(c), which
12 shall retain such property as the Reorganized Debtor free and clear of all claims and interests
13 of the creditors, except as set forth in the Plan.

14 **G. Disbursing Agent**

15 The Debtor will serve as disbursing agent and shall disburse all property to be
16 distributed under the Plan. The disbursing agent may employ or contract with other entities
17 to assist in or to perform the distribution of the property and shall serve without bond.

18 **H. Request for Application of 11 U.S.C. § 1129(b)**

19 The Debtor, as Plan proponent, will request the Court to find that the provisions for
20 dissenting classes provide for fair and equitable treatment of said creditors, and to confirm
21 its Plan notwithstanding the requirements of § 1129(a)(8) as to such classes.

22 **I. Post-Confirmation Management of the Debtor**

23 The Debtor shall be managed post-confirmation by Blackwood Canyon, LLC.

24 **J. Post-Confirmation Litigation**

25 The Debtor does not anticipate any post-confirmation litigation, except for collection
26 matters or evictions that occur in the normal course of the Debtor's business, and the
27 determination of certain claims. The Debtor reserves the right to prosecute any objections
28 to claims.

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K. Post-Confirmation Default

In the event the Debtor becomes delinquent in duty or obligation under the Plan, the affected creditor or creditors may provide written notice of such default to the Debtor and its counsel at the following addresses:

Alan R. Smith, Esq. Lakeridge Centre Office Complex, LP
505 Ridge Street 6100 Plumas Street
Reno, Nevada 89501 Reno, NV 89519

The Debtor shall thereafter have fifteen (15) business days from receipt of said notice in which to cure the default. In the event such default remains uncured, the affected creditor or creditors may bring the matter before the Bankruptcy Court. At any hearing, the Bankruptcy Court may consider the reason for the default and the ability of the Debtor to bring the payment(s) current in a reasonable period of time. The Bankruptcy Court may also consider conversion of the case to a Chapter 7 of the Code or dismissal if the same is in the best interests of creditors.

9. POST-CONFIRMATION FINANCIAL CONDITION OF THE DEBTOR

Following Plan confirmation, the Debtor believes that its post-confirmation financial condition shall be as set forth in the Post-Petition Balance Sheet attached hereto as **Exhibit "A."** The Debtor projects future income and expenses associated with the Office Property as set forth in **Exhibit "B"** hereto.

10. ALTERNATIVES TO THE PLAN

The Debtor believes that the Plan provides its creditors with the earliest and greatest possible value that can be realized on their claims.

Under § 1121 of the Bankruptcy Code, the Debtor has the exclusive right to file a plan of reorganization during the first 120 days after commencement of its Chapter 11 case, or as otherwise extended by the Court. The Plan was filed within such 120 day period. In addition, if the Plan is not accepted, other parties in interest may have an opportunity to file an alternative plan of reorganization.

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1 Alternatively, a liquidation of the Debtor's assets could be conducted as described in
2 Section 11.6 of this Disclosure Statement. For the reasons described in that section, Debtor
3 believes that the distribution to each impaired class under the Plan will be greater and earlier
4 than distributions that might be received in a Chapter 7 liquidation of the Debtor's assets.

5 **11. CERTAIN RISKS TO BE CONSIDERED**

6 HOLDERS OF CLAIMS AGAINST THE DEBTOR SHOULD READ AND
7 CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE
8 OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE
9 DOCUMENTS ATTACHED OR DELIVERED HERewith AND/OR INCORPORATED
10 HEREIN BY REFERENCE), IN DETERMINING WHETHER OR NOT TO ACCEPT OR
11 REJECT THE DEBTOR'S PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER,
12 BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN
13 CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

14 **11.1 Risk of Non-Confirmation of the Plan**

15 Although the Debtor believes that the Plan will satisfy all requirements necessary for
16 confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court
17 will reach the same conclusion. Moreover, there can be no assurance that modifications to
18 the Plan will not be required for confirmation, or that such modifications would not
19 necessitate the re-solicitation of votes.

20 **11.2 Non-Consensual Confirmation**

21 In the event one or more impaired Classes of Claims does not accept the Plan, the
22 Bankruptcy Court may nevertheless confirm the Plan at the Debtor's request, if all other
23 conditions for confirmation have been met and at least one impaired Class has accepted the
24 Plan (such acceptance being determined without including the vote of any "insider" in such
25 Class) and, as to each impaired Class that has not accepted the Plan "does not discriminate
26 unfairly" and is "fair and equitable" with respect to the rejecting impaired classes. The
27 Debtor believes that the Plan satisfies those requirements.

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1 **11.3 Tax Consequences of the Plan**

2 The Debtor believes that there are no federal income tax consequences peculiar to its
3 Plan. Because the properties are vacant land, and have not been depreciated, the sale or
4 foreclosure of the properties will likely not generate any taxable income. However, the
5 Debtor does not intend to seek a ruling from the Internal Revenue Service prior to the
6 Effective Date with respect to any of the tax aspects of the Plan. EACH HOLDER OF A
7 CLAIM IS STRONGLY URGED TO CONSULT WITH HIS/HER TAX ADVISOR
8 REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX
9 CONSEQUENCES OF THE PLAN.

10 **11.4 Estimated Amounts**

11 The valuations provided on the Debtor's schedules were based on the estimates of the
12 Debtor, and its managing member, based on knowledge of the real estate market. Those
13 estimates are a reflection of the Debtor's best subjective valuation at the time. However, the
14 Debtor intends to seek approval for the employment of an a qualified real estate appraiser to
15 better estimate the current market value of the Debtor's real property. In light of the current
16 wide-range volatility of the commercial real estate market, it is difficult to predict what the
17 values will be at the time of the sale of the Estate assets. Furthermore, the liquidation value
18 of real property is generally far below fair market value, further compounding the ability to
19 accurately determine the value fo the Debtor's real property assets.

20 In light of the volatile real estate market, declining values and the discounted value
21 for a liquidation sale, all creditors and parties in interest should be aware that the amounts
22 received for the sale of the Debtor's real property assets could significantly vary the values
23 listed on the Debtor's schedules and the estimates provided in the Plan and this Disclosure
24 Statement.

25 **11.5 Contested Claims**

26 If the Debtor is unsuccessful in any objection to contested and contingent Claims that
27 have been filed against the Estate, the total liabilities will be greater than expected. The
28 Debtor intends to vigorously oppose the allowance of all Claims that it believes are either

1 entirely or in part without merit. However, if the Debtor's objections are not upheld by the
2 Bankruptcy Court, and these Claims are allowed in amounts in excess of the amounts that
3 have been accrued by the Debtor, the total liabilities of the Estate will be greater than
4 expected, and there will be less cash than expected available for distribution to creditors.

5 **11.6 Liquidation Analysis**

6 Should the Debtor be forced to terminate its business operations or convert its case
7 to Chapter 7 and have a trustee conduct the liquidation of its assets, Debtor estimates that
8 such a liquidation will result in payment only to The Class 1 creditor (to the extent Debtor
9 remains current in loan payments) and the Class 3 and Class 5 creditor (by reason of
10 foreclosure on the Unimproved Property). In such event, there will be no funds for
11 distribution to the Class 6 unsecured creditors. The Debtor believes the value of its assets
12 can only be enhanced by continued operation of the Office Property, and a sale of the
13 Unimproved Property as set forth in the Plan.

14 **DATED** this 7th day of January, 2011.

15 LAW OFFICES OF ALAN R. SMITH

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17 By: /s/ Alan R. Smith
18 ALAN R. SMITH, ESQ.
19 Attorney for Debtor
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EXHIBIT "A"

Post-Petition Balance Sheet

ASSETS:

Cash	\$	0.00
Real Property	\$	12,000,000.00

TOTAL ASSETS: \$ 12,000,000.00

LIABILITIES:

Administrative Claims (Est. Atty. Fees)	\$.00 ²
Priority	\$	0.00
Secured Debts	\$	11,290,578.22
Unsecured Debts	\$	<u>911,091.00</u>

TOTAL LIABILITIES \$ 12,201,669.22

NET ASSETS OVER LIABILITIES <\$ 201,669.22>

² To be paid by Debtor's partners.