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February 15, 2012

5 Attorney for Debtor
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8 UNITED STATES BANKRUPTCY COURT
9 DISTRICT OF NEVADA

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11 In Re:
12 NORTHWEST PARTNERS,
dba AUSTIN CREST APTS.,
13 a Nevada Limited Partnership,
14 Debtor.

Case No. BK-N-11-53528-BTB
Chapter 11

Hearing Date: April 26, 2012
Hearing Time: 2:00 p.m.

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17 **DEBTOR'S**
18 **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”¹), filed on **February 15, 2012**, or any subsequent amended plan
5 of reorganization. The Debtor’s reorganization case is under Chapter 11 of the United States
6 Code, and was initiated on **November 17, 2011**, in the United States Bankruptcy Court for
7 the District of Nevada, as **Case No. BK-N-11-53528-BTB**. The Plan provides for the
8 treatment of claims of creditors and interest of the equity security holders².

9 The objective of a Chapter 11 bankruptcy case is to obtain Bankruptcy Court approval
10 of a plan of reorganization. This process is referred to as confirmation of a plan. A plan
11 describes in detail (and in language appropriate for a legal contract) the means for satisfying
12 the claims against, and equity interests in, a Debtor. After a plan has been filed, the holders
13 of such claims and equity securities that are “impaired” (a term defined in Bankruptcy Code
14 Section 1124 and discussed in detail below) are permitted to vote to accept or reject the plan.
15 Before a Debtor or other plan proponent can solicit acceptances of a plan, Bankruptcy Code
16 Section 1125 requires the Debtor or other plan proponent(s) to prepare a disclosure statement
17 containing adequate information of a kind, and in sufficient detail, to enable those parties
18 entitled to vote on the plan to make an informed judgment about the plan and whether they
19 should accept or reject the plan.

20 **1.1 Purpose of the Disclosure Statement**

21 The purpose of this Disclosure Statement is to ensure that claimants have adequate
22 information to enable each class to make an informed judgment about the Plan. The assets
23

24 ¹ Capitalized terms not otherwise defined herein will have the same meaning as are
25 ascribed to such terms in the Plan which is filed contemporaneously herewith.

26 ² An equity security of the Debtor as the term is defined in Section 101(16) of the
27 Bankruptcy Code includes any ownership interest in the Debtor, including membership
28 interests.

1 and liabilities of the Debtor are summarized herein. To the extent the information contained
2 in this Disclosure Statement may be inconsistent with the Debtor's Statement of Financial
3 Affairs and (Amended) Schedule of Assets and Liabilities filed on November 17, 2011, or
4 subsequent amendments thereto, this Disclosure Statement shall supersede such Statements
5 and Schedules (as may have been amended).

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

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

19 **1.2 Acceptance and Confirmation**

20 In order for the Debtor's Plan to be confirmed, each impaired class of claims or
21 interests must accept the Plan, except as set forth below. In order for the Plan to be deemed
22 accepted, a majority in number and two-thirds in dollar amount of the claims of each class
23 of creditors impaired under the Plan of those that actually vote, must vote for acceptance of
24 the Plan. Holders of claims who fail to vote are not counted as either accepting or rejecting
25 the Plan.

26 Classes of claims that are not "impaired" under a Plan are deemed to have accepted
27 the Plan. Acceptances of the Plan are being solicited only from those persons who hold
28 claims or interests in impaired classes. A class is "impaired" if the legal, equitable or

1 contractual rights attaching to the claims or interests of that class are modified, other than by
2 curing defaults and reinstating maturities, or by payment in full in cash.

3 **1.3 Confirmation Without Acceptance By All Impaired Classes**

4 The Bankruptcy Code contains provisions for confirmation of a Plan even if the Plan
5 is not accepted by all impaired classes, as long as at least one impaired class of claims has
6 accepted the Plan. These “cram-down” provisions for confirmation of a Plan, despite the
7 non-acceptance of one or more impaired classes of claims or interest, are set forth in
8 § 1129(b) of the Bankruptcy Code.

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

15 If a class of secured claims rejects the Plan, it may still be confirmed so long as the
16 Plan provides (i) the holders of such claims retain the lien securing such claim; (ii) the
17 holders of such claims receive on account of such claims deferred cash payments totaling at
18 least the allowed amount of such claims, of a value, as of the Effective Date of the Plan, of
19 at least the value of such claimant’s interest in the estate’s interest in such property; (iii) for
20 the sale of the property in accordance with § 1129(b)(2)(A)(ii); or (iv) for the realization by
21 such claimants of the indubitable equivalent of the claim.

22 **1.4 Disclaimer**

23 No representations concerning the Debtor is authorized by the Debtor except as set
24 forth in this Disclosure Statement. Any representations or inducements made to secure your
25 acceptance or rejection of the Plan other than as contained herein have not been authorized
26 and should not be relied upon by you in making your decision, and such additional
27 representations and inducements should be reported to counsel for the Debtor, who in turn
28 should deliver such information to the Court for such action as may be deemed appropriate.

1 The information contained herein has not been subjected to a certified audit. The records
2 kept by the Debtor and other information relied on herein are dependent upon investigations
3 and accounting performed by the Debtor and others employed by the Debtor. The Debtor is
4 unable to warrant that the information contained herein is without inaccuracy, although a
5 great effort has been made to be accurate, and the Debtor believes that the information
6 contained herein is, in fact, accurate.

7
8 **2. INFORMATION REGARDING THE CHAPTER 11 ESTATE**

9 **2.1 History of the Debtor and Events Leading to the Filing of the Chapter 11**
10 **Case**

11 The Debtor constructed the property known as the Austin Crest Apartments located
12 at 1295 Grand Summit Drive, Reno, Nevada, 89503 (the "Property") in 1998. It is a 268 unit
13 residential apartment complex. The Property was constructed as a low income housing
14 project financed by the sale of low income housing tax credits ("LIHTC"). The bonds which
15 financed the project were sold by the Nevada Housing Division. Berkadia Commercial
16 Mortgage ("Berkadia") is the loan servicer. Federal national Mortgage Association ("Fannie
17 Mae") was the guarantor of the bonds.

18 The Debtor successfully operated its business until early 2009, when it began to
19 experience a decline in occupancy generally associated with the decline in the overall
20 national economy and the local economy. As a result, the Debtor became delinquent in its
21 mortgage payments, which ultimately led to a default on the bonds. Fannie Mae, as
22 guarantor paid the bondholders and now is the secured lender on the Property. The Debtor
23 currently owes Fannie Mae approximately \$13,100,000.00.

24 **2.2 Ownership of Debtor and Its Management.**

25 The Debtor is a Nevada limited partnership. The general partners are IDN I, a Nevada
26 corporation, owning .333% of the partnership, Sixcorp, a Nevada corporation, owning .334%
27 of the partnership, and The Santorini Corporation, a Nevada corporation, owning .333% of
28 the partnership. IDN I's sole shareholder is Robert F. Nielsen; Sixcorp's sole shareholder

1 is Community Services Development Corporation. The Santorini Corporation has two
2 shareholders, John J. Gezelin, 80%, and Katherine E. Dohr, 20%. Lehman Housing Tax
3 Credit Fund VI is the limited partner which owns 99% of the partnership.

4 The Property is managed by Manage, inc., which is owned by Robert F. Nielsen. It
5 receives a monthly management fee of 4% of the gross rents collected on the Property.

6 **2.3 Co-Debtors**

7 There are no co-debtors of the loan with Fannie Mae.
8

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

10 **3.1 Meeting of Creditors**

11 The United States Trustee conducted a meeting of creditors pursuant to 11 U.S.C.
12 § 341 on December 12, 2011. The Debtor appeared through Robert F. Nielsen, the principal
13 of one of the general partners.

14 **3.2 Schedules and Statement of Affairs**

15 The Debtor filed its schedule of assets and liabilities and statement of financial affairs
16 on November 17, 2011. Those schedules and statements may be viewed online at
17 www.nvb.uscourts.gov or may be obtained from the Bankruptcy Clerk for a fee.

18 **3.3 Monthly Operating Reports**

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

21 **3.4 Employment of General Counsel**

22 On November 21, 2011, the Debtor filed its Application to Employ Alan R. Smith,
23 Esq., as its counsel in this Chapter 11 case. No objections were filed to the Application. An
24 order approving the application was entered by the Court on December 23, 2011.

25 **3.5 Creditors Committee**

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

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1 **3.6 Use of Cash Collateral**

2 On November 21, 2011, the Debtor filed its Motion For Use of Cash Collateral [Dkt.
3 10]. A hearing was held on December 19, 2011. The Debtor and Fannie Mae arrived at an
4 oral stipulation for the use of cash collateral. An Order will be lodged with the Court which
5 reflects the stipulation of the parties.

6
7 **4. DESCRIPTION OF ASSETS**

8 **4.1 Description of Real Property**

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Description/Type	Assessor's Parcel #s	Estimated Value ³
Austin Crest Apartments 1295 Grand Summit Drive Reno, NV 89503	039-170-08	\$ 13,000,000.00

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27 ³ This is the Debtor's estimate only. May be revised based on a current appraisal
28 obtained by the Debtor, or if the value is otherwise determined by the Court.

1 **4.2 Description of Personal Property**

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Personal Property	Value
Cash (as of 12/31/11) (estimated)	
DIP-operating account-checking (Bank of America)-balance including tenant security deposits in the amount of \$98,000	\$308,257.62
Insurance Escrow account (Held by Berkadia)	\$14,125.74
Reserve Fee Replacement account ⁴	\$228,731.99
Accounts Receivable	\$13,782.63
CASH TOTAL:	<u>\$74,283.05</u>
	\$564,897.98
Playground Equipment, Pool Amenities (Est. Value)	\$ 20,000.00
Refrigerators, Microwaves, Dishwashers, Miscellaneous Office Furniture, Clubhouse Furniture and Computer (Est. Value)	\$200,000.00
TOTAL PERSONAL PROPERTY	\$784,897.98

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17 **5. DESCRIPTION OF DEBTS**

18 **5.1 Administrative Claims**

19 (A) Attorneys Fees/Law Offices of Alan R. Smith. The Debtor will be obligated
20 to pay attorneys fees and costs owed to the Law Offices of Alan R. Smith, subject to Court
21 approval. The Debtor estimates that attorneys fees will be incurred prior to Plan
22 confirmation, but is unable to project the final balance at this time.

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

26
27 ⁴ The Reserve Fee Replacement account held by Berkadia is designated for the
28 payment of capital improvements.

1 **5.2 Priority Claims**

2 No Priority Claims have been filed against the Debtor.

3 **5.3 Secured Claims**

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

Creditor	Nature of Lien	Est. Amount of Secured Claim
Federal National Mortgage Association	Deed of Trust	\$ 13,100,000.00 ⁵
Washoe County HOME Consortium	Second Deed of Trust	\$ 750,000.00 ⁶
TOTAL SECURED CLAIMS		\$ 13,850,000.00

11 **5.4 Unsecured Claims**

12 The Debtor has scheduled against it the following unsecured claims.

Creditor	Basis of Claim	Scheduled Amount of Claim	Proof of Claim Amount
AE Janitorial Solutions, Inc.	Goods/Services	\$1,125.00	
All Steamed Up	Goods/Services	\$130.00	
Carpets of America	Goods/Services	\$4,392.18	
City of Reno	Goods/Services	\$21,018.96	
Clark Pest Control	Goods/Services	\$300.00	
Community Services Development Corp.	Loans	\$109,500.00	
Consumer Source Holding, dba Apartment Guide	Goods/Services	\$1,432.00	\$1,432.00
Cruz Painting	Goods/Services	\$2,970.00	
ESI Security Services	Goods/Services	\$608.00	

26 ⁵ This secured claim may be reduced to the fair market value of the Property.

27 ⁶ This secured claim may be treated as unsecured pending the results of a current
28 appraisal of the Property.

Creditor	Basis of Claim	Scheduled Amount of Claim	Proof of Claim Amount
Fikes of Nevada	Goods/Services	\$30.00	
For Rent Magazine	Goods/Services	\$497.50	
HD Supply Facilities Maint	Goods/Services	\$3,686.25	
Home Depot	Goods/Services	\$588.15	
IDN, Inc.	Developer Fees	\$690,658.29	
M & S Air Cond and Heating	Goods/Services	\$727.66	\$1,422.84
Manage Inc.	Goods/Services	\$6,339.04	
Masco Paint Manufacturing, Inc.	Goods/Services	\$853.45	
Nevada Court Services, LLC	Goods/Services	\$360.00	
NV Energy	Goods/Services	\$3,834.81	
Office Depot	Goods/Services	\$84.51	
Rapid Rooter	Goods/Services	\$360.00	
Real Deal, Inc.	Goods/Services	\$210.00	
Reno Apartment Guide	Goods/Services	\$1,432.00	
Rentgrow, Inc.	Goods/Services	\$304.20	
RK Property Services	Goods/Services	\$695.00	
Santorini Corp.	Developer Fees	\$690,658.29	
Shelter Properties	Loans	\$109,500.00	
Sierra Office Solutions	Goods/Services	\$491.60	
Signature Landscapes, LLC	Goods/Services	\$2,477.50	
Sixcorp., Inc.	Developer Fees	\$690,658.29	
Suzie Q's Stain Busters	Goods/Services	\$1,535.00	
Truckee Meadows Water Auth	Goods/Services	\$7,496.61	
Waste Mgmt-Reno Disposal	Goods/Services	\$3,438.29	
Woodland Management Group	Goods/Services	\$173.09	
TOTAL UNSECURED CLAIMS:		\$2,358,565.68	\$2,854.84

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1 **5.5 Claims Deadline**

2 In accordance with the Bankruptcy Court's Notice of Chapter 11 Bankruptcy Case,
3 Meeting of Creditors, & Deadlines filed on November 18, 2011, [Dkt. 6] the deadline for
4 filing a proof of claim for all creditors in this action is March 11, 2012, and May 15, 2012
5 for governmental agencies.

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

8 The Debtor is a party to the following executory contracts:

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Executory Contract Name and Address	Description
Tenant Leases	Various leases for all residential units on the Property.
Apartment Guide	Advertising Contract
Burgarello Alarm	Fire Alarm Monitoring
Clark Pest Control	Pest Control
For Rent Media Solutions	Advertising Contract
Signature Landscapes, LLC	Landscape Services
Woodland Entertainment	Movies

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

24 There are no pending actions against the Debtor.

25
26 **8. SUMMARY OF PLAN OF REORGANIZATION**

27 **THE FOLLOWING IS A BRIEF SUMMARY OF THE PLAN OF**
28 **REORGANIZATION WHICH IS FILED CONCURRENTLY HEREWITH (the**

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

9 8.1 Classification and Treatment of Claims

10 The Plan designates five (5) classes of claims. Those classes take into account the
 11 differing nature and priority of the various classified claims under the Bankruptcy Code.

12 The following table briefly summarizes the classification and treatment of all Claims
 13 under the Plan and the consideration distributable on account of such Claims under the Plan.

14 The information set forth in the following table is for convenience of reference only, and
 15 each holder of a Claim should refer to the Plan for a full understanding of the classification
 16 and treatment of Claims provided for under the Plan. Claims will receive designated
 17 treatment within a Class only to the extent Allowed within that class. The Claim allowance
 18 procedure is an ongoing process and the actual amount of the Allowed Claims may vary from
 19 the estimates. For a complete description of the risks associated with the recoveries provided
 20 under the Plan, see Section 11 of the Plan, entitled “Certain Risk Factors To Be Considered.”

21 CLASS	CLAIMS	SUMMARY OF TREATMENT
22 Nonclassified	Administrative Expenses	Paid in full on the latest of (a) on or before the Effective Date; (b) when due or such later date as approved by the claimant; or (c) when allowed by Final Order
24 Class 1	Secured Claim of Federal National Mortgage Association	See Section 8.2.1 below
26 Class 2	Federal National Mortgage Association Deficiency Claim	See Section 8.2.2 below

CLASS	CLAIMS	SUMMARY OF TREATMENT
Class 3	Secured Claim of Washoe County HOME Consortium	See Section 8.2.3 below
Class 4	Unsecured Claims	See Section 8.2.4 below
Class 5	Membership Interest	Receives no distribution until Class 1 through 4 are paid in full. See Section 8.2.5 below

8.2 Treatment of Claims and Interests

Each creditor class shall be treated as follows:

8.2.1 Class 1 (Fannie Mae Secured Claim)

At the sole option of the Debtor, the Fannie Mae Secured Claim shall be treated either under Option I or Option II as follows:

Option I: Reinstatement

(I) Except to the extent that Fannie Mae and the Debtor agree to a less favorable treatment to Fannie Mae, the Allowed Secured Claim of Fannie Mae shall be reinstated and rendered unimpaired in accordance with Section 1124 of the Bankruptcy Code.

Option II: Loan Restructure

(II) The Fannie Mae Secured Claim shall be treated as follows:

(A) Amount of the Fannie Mae Secured Claim

The amount of the Fannie Mae Allowed Secured Claim shall be the lesser of the value of the Property determined as of the Confirmation Date (the "Value as of Confirmation Date") or the balance owed under the promissory note as of the Petition Date less all adequate protection payments made post-petition. The Debtor preserves all objections that it may have to the Fannie Mae Allowed Secured Claim.

(B) Retention of Security Interest in Property

Fannie Mae shall retain its security interest in the Property as evidenced by the Fannie Mae Deed of Trust.

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1 **(C) Payment of the Fannie Mae Secured Claim**

2 The Fannie Mae Allowed Secured Claim shall bear interest at the rate of 3.75%
3 per annum from and after the Effective Date, or, in the event of objection by Fannie Mae,
4 such other rate as the Court shall determine is appropriate at the Confirmation Hearing after
5 considering the evidence (the "Fannie Mae Interest Rate"). On or before the 15th day of each
6 and every month, commencing on the 15th day of the next month following the Effective
7 Date, the Debtor shall distribute to Fannie Mae the Monthly Net Income generated from the
8 Debtor's business operations for the previous monthly period, up to a maximum amount
9 equal to the normal amortized monthly payment based upon the Fannie Mae Interest Rate and
10 a 30-year amortized mortgage term (the "Monthly Class 1 Payment"). Together with such
11 payment, the Debtor shall provide Fannie Mae with an itemization of the Monthly Operating
12 Costs. In the event Fannie Mae disagrees with any item of the Monthly Operating Costs as
13 provided by the Debtor, the matter may be brought before the Bankruptcy Court on shortened
14 notice, if necessary, in order to determine the allowable Operating Costs.

15 **(D) Payment of the Balance Due on the Fannie Mae Secured Claim**

16 The balance owed on the Fannie Mae Allowed Secured Claim, together with any
17 and all accrued interest, fees and costs due thereunder, shall be paid on or before ten (10)
18 years following the Effective Date, or such other date as the Debtor may propose at the
19 Confirmation Hearing which is approved by the Court (the "Maturity Date").

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

21 The Fannie Mae Note and the Fannie Mae Deed of Trust shall remain in full force
22 and effect, except as modified by or otherwise inconsistent with this Plan, in which event the
23 terms of this Plan shall supercede.

24 **(F) Plan Default**

25 In the event of a default by the Debtor under the Plan, and in the event Debtor
26 fails to cure such default within fifteen (15) business days after delivery of notice to the
27 Debtor and to Debtor's counsel, Fannie Mae shall be entitled to enforce all of the terms of
28 the Fannie Mae Deed of Trust and the Fannie Mae Note, in addition to all rights available

1 under Nevada law, including, without limitation, foreclosure upon the Property and the
2 opportunity to credit bid the entire amount of the Fannie Mae Note at any foreclosure sale.

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

4 In the event Fannie Mae shall timely elect treatment under Section 1111(b)(2) of
5 the Bankruptcy Code, and the Bankruptcy Court shall determine that Fannie Mae is entitled
6 to make such election, then the following shall be applicable:

7 (I) Class 2 (Section 8.2.2 below) shall be deleted from the Plan.

8 (ii) Payments under Class 1 shall continue to be made until either (a) the total
9 of the payments to the Class 1 claimant equals the Fannie Mae Note
10 Balance; or (b) if the Maturity Date is earlier then the date set forth in
11 paragraph (a) above, then on the Maturity Date the Debtor shall make a
12 payment to the Class 1 claimant equal to the greater of: (I) the total
13 balance owed under the Fannie Mae Note, less the total of all payments
14 made under the Plan up to the Maturity Date; or (ii) the balance owed on
15 the Fannie Mae Secured Claim as set further in Section 8.2.1(D) above.

16 **8.2.2 Class 2 (Fannie Mae Deficiency Claim):**

17 The Fannie Mae Deficiency Claim, if any, shall be treated under the Plan as follows:

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

19 Based upon the Debtor's projections, and expert opinions, the Property will
20 appreciate in value following the Confirmation Date. The Debtor will provide an estimate
21 of value 60 days prior to each anniversary date of the Effective Date, until the Maturity Date
22 as set forth in Section 8.2.1(D) above. The value on each Anniversary Date shall be defined
23 as the "Appreciated Value." In the event Fannie Mae disagrees with Debtor's estimate of
24 value, Fannie Mae may obtain its own appraisal. Thereafter, if the parties are unable to
25 agree, the Bankruptcy Court shall determine the Appreciated Value, and jurisdiction is
26 reserved in the Bankruptcy Court to do so.

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

2 Following each anniversary date of the Effective Date, the Allowed Secured
3 Claim of Fannie Mae shall be adjusted to equal the Appreciated Value, and payments shall
4 continue to be made as set forth in Section 8.2.1(C). More specifically, interest shall accrue
5 based on the Fannie Mae Interest Rate applied to the Appreciated Value, and the normalized
6 monthly payment shall be based upon the Fannie Mae Interest Rate, the Appreciated Value
7 and a 30-year amortization.

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

9 On or before the Maturity Date, the Debtor shall pay a balance determined by
10 assuming an original Allowed Secured Claim equal to the balance owed on the promissory
11 note as of the Petition Date, the Fannie Mae Interest Rate, a 30-year amortization, and a
12 reduction in the principal balance based upon the principal portion of the monthly payments
13 made (the amount by which the payment exceeds the applicable monthly interest shall be
14 applied to principal reduction).

15 **8.2.3 Class 3 (Washoe County HOME Consortium):**

16 **(A) Amount of the Washoe County HOME Consortium Secured Claim**

17 The amount of the Washoe County HOME Consortium (“Washoe HOME”)
18 Allowed Secured Claim shall be the lesser of the value of the Property determined as of the
19 Confirmation Date (the “Value as of Confirmation Date”) less the Class 1 Allowed Secured
20 Claim or the balance owed under the promissory note as of the Petition Date. The Debtor
21 preserves all objections that it may have to the Washoe HOME Allowed Secured Claim.

22 **(B) Retention of Security Interest in Property**

23 Washoe HOME shall retain its security interest in the Property as evidenced by
24 the Washoe HOME Deeds of Trust.

25 **(C) Payment of the Washoe County HOME Consortium Secured Claim**

26 The Washoe HOME Allowed Secured Claim shall bear interest at the rate of 1.5%
27 per annum from and after the Effective Date, or, in the event of objection by Washoe HOME,
28 such other rate as the Court shall determine is appropriate at the Confirmation Hearing after

1 considering the evidence (the “Washoe HOME Interest Rate”). Interest at the Washoe
2 HOME Interest Rate shall accrue on the Allowed Secured Claim until such time as the
3 Property attains and can maintain a debt service coverage ratio of not less than 1:15:1:0 (the
4 “DSCR”). On the first full month following the month in which the operation of the Property
5 attains the DSCR, Debtor shall commence interest only payments to Washoe HOME on the
6 Allowed Secured Claim until July 1, 2049.

7 **(D) Payment of the Balance Due on the Washoe County HOME**
8 **Consortium Secured Claim**

9 The balance owed on the Washoe HOME Allowed Secured Claim, together with
10 any and all accrued interest, fees and costs due thereunder, shall be paid on or before July 1,
11 2049, or such other date as the Debtor may propose at the Confirmation Hearing which is
12 approved by the Court (the “Maturity Date”).

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

14 The Washoe HOME Notes and the Washoe HOME Deeds of Trust shall remain
15 in full force and effect, except as modified by or otherwise inconsistent with this Plan, in
16 which event the terms of this Plan shall supercede.

17 **(F) Plan Default**

18 In the event of a default by the Debtor under the Plan, and in the event Debtor
19 fails to cure such default within fifteen (15) business days after delivery of notice to the
20 Debtor and to Debtor’s counsel, Washoe HOME shall be entitled to enforce all of the terms
21 of the Washoe HOME Deed of Trust and the Washoe HOME Note, in addition to all rights
22 available under Nevada law, including, without limitation, foreclosure upon the Property and
23 the opportunity to credit bid the entire amount of the Washoe HOME Note at any foreclosure
24 sale.

25 **8.2.4 Class 4 (Unsecured Claims):**

26 Allowed Unsecured Claims shall receive quarterly pro rata disbursements of \$10,000.00
27 commencing on the first day of the month at least 90 days following the Effective Date, and
28 continuing on the first day of each and every third month thereafter, until such claims are

1 paid in full. To the extent that the Debtor is unable to make such payment, the principals of
2 the Debtor shall contribute such sums as are necessary to make the payment.

3 **8.2.5 Class 5 (Membership Interests):**

4 The members shall retain their membership interests in the Reorganized Debtor, but shall
5 receive no distribution until Classes 1 through 4 are paid in full.

6 **8.2.6 Treatment of Unclassified Claims:**

7 **(A) Administrative Claims**

8 Claims arising during the administration of the Debtor's Chapter 11 case and entitled to
9 priority under Section 507(a)(1) of the Bankruptcy Code are not classified under the Plan.
10 Holders of such claims shall be paid in full on the latter of the Effective Date, or fifteen (15)
11 days after entry of an order creating an Allowed Administrative Claim, unless holders of an
12 Allowed Administrative Claim agree to alternative treatment.

13 **(B) Fees to the United States Trustee**

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

18 **(C) Disputed Claims**

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

22 **8.3 Executory Contracts**

23 All executory contracts of the Debtor are assumed, and shall be maintained current.

24 **8.4 Means of Implementing and Funding The Plan**

25 **a) Continued Operation of the Business**

26 Debtor shall continue to operate its business of leasing of the Property post-confirmation.
27 The income generated therefrom will be used to fund the Plan. Attached to the Disclosure

28 ///

1 Statement as **Exhibit "A"** is an income and expense projection for the years 2012
2 through 2016.

3 **b) Sale or Refinance of Property**

4 If Debtor chooses Option II of Section 8.2.1 above, then the Debtor will sell or refinance
5 the Property prior to the Maturity Date in order to comply with this Plan as set forth in
6 Section 8.2.1(D) above. Once the Property has reached stabilized occupancy and there is an
7 available lending market, the Debtor will actively seek a new loan for the Property. The date
8 on which this may occur cannot be predicted with any certainty at this point, however the
9 Debtor believes it will occur in advance of the Maturity Date. Once there is an established
10 or reasonable market for the purchase of this apartment complex (which also is uncertain),
11 the Debtor intends to list the Property for sale with a reputable broker.

12 **c) Contribution From Equity to Fund Plan**

13 The equity owners of the Debtor shall contribute such funds as are necessary to
14 implement the Plan.

15 **d) Disputed Claims**

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

20 **e) Revesting of Assets in the Debtor**

21 Upon confirmation of the Plan, all property of the estate of the Debtor shall be revested
22 in the Debtor, pursuant to 11 U.S.C. § 1141(c), which shall retain such property as the
23 Reorganized Debtor free and clear of all claims and interests of the creditors, except as set
24 forth in the Plan.

25 **f) Disbursing Agent**

26 The Debtor will serve as disbursing agent and shall make all payments required under the
27 Plan. The disbursing agent may employ or contract with other entities to assist in or to
28 perform the distribution of the property and shall serve without bond.

1 **9. POST-CONFIRMATION FINANCIAL CONDITION OF THE DEBTOR**

2 Following Plan confirmation, the Debtor believes that its post-confirmation financial
3 condition shall be as set forth in the Post-Petition Balance Sheet attached hereto as
4 **Exhibit "B."**

5
6 **10. POST-CONFIRMATION MANAGEMENT OF THE DEBTOR**

7 The Debtor shall continue to be managed post-confirmation by Manage, Inc., which will
8 continue to receive a monthly management fee in the amount of 4% of the monthly gross
9 rents.

10
11 **11. ALTERNATIVES TO THE PLAN**

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

14 Being a single asset real estate case, pursuant to § 101 (51B) of the Bankruptcy Code, the
15 Debtor has the exclusive right to file a plan of reorganization during the first 90 days after
16 commencement of its Chapter 11 case, or as otherwise extended by the Court. The Plan was
17 filed within such 90 day period. In addition, if the Plan is not accepted, other parties in
18 interest may have an opportunity to file an alternative plan of reorganization.

19 Alternatively, a liquidation of the Debtor's assets could be conducted as described in
20 Section 13 of this Disclosure Statement. For the reasons described in that section, Debtor
21 believes that the distribution to each impaired class under the Plan will be greater and earlier
22 than distributions that might be received in a Chapter 7 liquidation of the Debtor's assets.

23
24 **12. CERTAIN RISKS TO BE CONSIDERED**

25 HOLDERS OF CLAIMS AGAINST THE DEBTOR SHOULD READ AND
26 CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE
27 OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE
28 DOCUMENTS ATTACHED OR DELIVERED HERewith AND/OR INCORPORATED

1 HEREIN BY REFERENCE), IN DETERMINING WHETHER OR NOT TO ACCEPT OR
2 REJECT THE DEBTOR'S PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER,
3 BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN
4 CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

5 **12.1 Risk of Non-Confirmation of the Plan**

6 Because the Plan provides for the reorganization of the Debtor as a going concern, many
7 of the common risk factors found in typical reorganizations apply with respect to the Plan.
8 These include (a) the value of the Debtor's property has suffered significantly as a result of
9 the downturn in the United States economy since the summer of 2009. There is no assurance
10 that the Debtor's projections of the stabilized income from the Property will occur, or that
11 these projections will occur within the time period projected in the Plan; (c) because the Plan
12 is dependent on continued leasing of apartments at the Property, there is a risk that the
13 projections of net operating income, with which to pay the Allowed Claims of Creditors, may
14 not be met; (d) if Fannie Mae is not paid in accordance with the Plan, and the Debtor is
15 unable to sell the Property or to secure alternative financing, Fannie Mae may foreclose on
16 the Property. Debtor is unaware of any regulatory contingencies or risks in connection with
17 the Plan.

18 **12.2 Non-Consensual Confirmation**

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

26 **12.3 Tax Consequences of the Plan**

27 The Debtor believes that there are no federal income tax consequences peculiar to its
28 Plan. EACH HOLDER OF A CLAIM IS STRONGLY URGED TO CONSULT WITH

1 HIS/HER TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND
2 FOREIGN TAX CONSEQUENCES TO HIM/HER OF THE PLAN.

3 **12.4 Projection of Operations**

4 The Debtor's projection of its future income and expenses is set forth in **Exhibit "A"**
5 attached hereto. This projection is based upon the following: the income remains constant
6 through 2013 and then is increased 3% per year for the years 2014 and 2015. The expense
7 projections are increased by 6% for the years 2012 and 2013 and 3% for the years 2014 and
8 2015.

9 **12.5 Liquidation Analysis**

10 Should the Debtor be forced to terminate its business operations or convert its case to
11 Chapter 7 and have a trustee conduct the liquidation of its assets, Debtor estimates that such
12 a liquidation will result in payment only to Fannie Mae on its secured claim (Class 1 creditor)
13 and no distribution to any of the other creditors (Classes 2, 3, 4 and 5). This is because
14 Debtor will be unable to bring current existing financing, and no new financing is currently
15 available, which will lead to foreclosure on the Property. The Debtor believes the value of
16 the Property can only be enhanced by continued operation of the Property, reaching stabilized
17 occupancy, and a more favorable economic environment. A Liquidation Analysis is set forth
18 on **Exhibit "C,"** attached hereto.

19
20 **13. CONFIRMATION OF THE PLAN**

21 **13.1 Confirmation of the Plan**

22 Pursuant to Section 1128(a) of the Bankruptcy Code, the Bankruptcy Court will conduct
23 a hearing regarding confirmation of the Plan at the United States Bankruptcy Court, 300
24 Booth Street, Reno, Nevada 89509, pursuant to separate notice provided to creditors and
25 interested parties.

26 **13.2 Objections to Confirmation of the Plan.**

27 Section 1128(b) provides that any party-in-interest may object to confirmation of a plan.
28 Any objections to confirmation of the Plan must be in writing, must state with specificity the

1 grounds for any such objections and must be filed with the Bankruptcy Court and served
2 upon the following parties so as to be received on or before the time fixed by the Bankruptcy
3 Court:

4 Alan R. Smith, Esq.
5 505 Ridge Street
6 Reno, Nevada 89501
7 Telephone: 775/786-4579
8 Facsimile: 775/786-3066
9 Email: mail@asmithlaw.com

10 For the Plan to be confirmed, the Plan must satisfy the requirements stated in Section 1129
11 of the Bankruptcy Code.

12 **DATED** this 15th day of February, 2012.

13 LAW OFFICES OF ALAN R. SMITH

14 By: /s/ Alan R. Smith
15 ALAN R. SMITH, ESQ.
16 Counsel for Debtor
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Exhibit "A"

NORTHWEST PARTNERS					
DBA AUSTIN CREST APARTMENTS					
ANNUAL NOI COMPUTATION					
2012 - 2016					
DESCRIPTION	2012	2013	2014	2015	2016
RENTAL INCOME:					
GROSS POTENTIAL RENT (INCR 1% PER YEAR)	2,412,000	2,436,000	2,460,000	2,485,000	2,510,000
VACANCY LOSS (2012 - 21%, 2013 - 19%, 2014 - 17%, 2015 - 15%, 2016 - 13%)	(506,500)	(462,800)	(418,200)	(372,800)	(326,300)
NET RENTAL INCOME	1,905,500	1,973,200	2,041,800	2,112,200	2,183,700
OTHER INCOME (INCR 1% PER YEAR):					
LATE CHARGES	12,000	12,100	12,200	12,300	12,400
APPLICATION FEES	4,800	4,800	4,800	4,800	4,800
CLEANING/DAMAGE INCOME	13,200	13,300	13,400	13,500	13,600
PET INCOME	2,400	2,400	2,400	2,400	2,400
LAUNDRY INCOME	1,200	1,200	1,200	1,200	1,200
OTHER INCOME	3,600	3,600	3,600	3,600	3,600
TOTAL OTHER INCOME	37,200	37,400	37,600	37,800	38,000
TOTAL INCOME	1,942,700	2,010,600	2,079,400	2,150,000	2,221,700
OPERATING EXPENSES - BELOW	1,014,300	1,044,600	1,075,800	1,108,100	1,141,300
NET OPERATING INCOME	928,400	966,000	1,003,600	1,041,900	1,080,400
OPERATING EXPENSES (INCR 3% PER YEAR):					
ADVERTISING	30,000	30,900	31,800	32,800	33,800
BAD DEBTS (1%)	19,100	19,700	20,400	21,100	21,800
CONTINUING EDUCATION	1,200	1,200	1,200	1,200	1,200
EQUIPMENT RENTAL	3,600	3,700	3,800	3,900	4,000
EMPLOYEE BENEFITS	21,600	22,200	22,900	23,600	24,300
INSURANCE	30,000	30,900	31,800	32,800	33,800
MANAGEMENT FEES (4%)	78,000	80,300	82,700	85,200	87,800
LEGAL AND ACCOUNTING	16,800	17,300	17,800	18,300	18,800
OFFICE	20,400	21,000	21,600	22,200	22,900
REPAIRS & MAINTENANCE	129,600	133,500	137,500	141,600	145,800
REPLACEMENT EXPENDITURES	66,000	68,000	70,000	72,100	74,300
SALARIES - MAINTENANCE	117,600	121,100	124,700	128,400	132,300
SALARIES - OFFICE	58,800	60,600	62,400	64,300	66,200
SALARIES - MANAGER	46,800	48,200	49,600	51,100	52,600
PAYROLL TAXES	31,200	32,100	33,100	34,100	35,100
OPERATING SUPPLIES	60,000	61,800	63,700	65,600	67,600
SECURITY	7,200	7,400	7,600	7,800	8,000
TAXES AND LICENSES	13,200	13,600	14,000	14,400	14,800
TELEPHONE	7,200	7,400	7,600	7,800	8,000
ELECTRIC & GAS	64,000	65,900	67,900	69,900	72,000
WATER	66,000	68,000	70,000	72,100	74,300
SEWER	80,400	82,800	85,300	87,900	90,500
TRASH REMOVAL	45,600	47,000	48,400	49,900	51,400
TOTAL OPERATING EXPENSES	1,014,300	1,044,600	1,075,800	1,108,100	1,141,300

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EXHIBIT "B"

POST-PETITION BALANCE SHEET

ASSETS:

Cash	\$ 20,000.00 (estimated)
Personal Property	\$ 200,000.00 (estimated)
Real Property	<u>\$ 13,000,000.00 (estimated)</u>

TOTAL ASSETS: \$ 13,220,000.00

LIABILITIES:

Administrative Claims (Est. Atty. Fees)	\$ 0.00 (estimated)
Secured Debt	\$ 13,100,000.00 (estimated)
Bank Deficiency Claim	\$ (unknown)
Unsecured Debt	<u>\$ 2,358,565.00 (estimated)</u>

TOTAL LIABILITIES \$ 13,386,590.80

NET ASSETS OVER LIABILITIES <\$ 2,238,565.00>

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EXHIBIT "C"

LIQUIDATION ANALYSIS

Liquidation Value of Assets:

Cash (estimated)	\$20,000.00
Personal Property	\$50,000.00
Real Property	\$13,000,000.00 ¹

Total Liquidation Value of Assets: \$13,070,000.00

Administrative Claims Unknown²

Creditor Claims

Secured Debt	\$13,100,000.00
Unsecured Debt	\$2,358,565.00

Total Creditor Claims \$15,458,535.00

Net Assets over Liabilities
Percentage of Recovery to Unsecured Creditors 0%

¹Assumes real property foreclosed upon for an amount equal to fair market value of the Property.

²Estimated fee for trustee under Chapter 11 and attorney fees for Alan R. Smith, Esq.