

1 KEVIN A. DARBY, NVSB#7670
2 TRICIA M. DARBY, NVSB#7956
3 DARBY LAW PRACTICE, LTD.
4 4777 Caughlin Parkway
5 Reno, Nevada 89519
6 Telephone: (775) 322-1237
7 Facsimile: (775) 996-7290

E-Filed: January 6, 2013

8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
Reorganization Counsel
for Debtor and Debtor in Possession

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA

In re: Case No.: BK-N-12-50745-btb
METHOD ART CORPORATION, Chapter 11
Debtor.

DISCLOSURE STATEMENT
FOR
CHAPTER 11 PLAN OF REORGANIZATION
OF
METHOD ART CORPORATION

TABLE OF CONTENTS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1. INTRODUCTION4

 1.1 Purpose of the Disclosure Statement4

 1.2 Deadlines for Voting and Objection; Date of Plan Confirmation Hearing4

 1.3 Disclaimer5

 1.4 Definitions5

2. INFORMATION REGARDING THE CHAPTER 11 DEBTORS9

 2.1 Descriptions and History of the Debtor Business9

 2.2 Events Leading to the Filing of This Case10

3. DEVELOPMENTS DURING THE COURSE OF THIS CHAPTER 11 CASE10

 3.1 Meeting of Creditors10

 3.2 Schedules and Statement of Affairs10

 3.3 Monthly Operating Reports10

 3.4 Employment of General Counsel10

 3.5 Creditors Committee10

4. DESCRIPTION OF ASSETS11

 4.1 Description of Real Property11

 4.2 Description of Personal Property11

5. DESCRIPTION OF DEBTS12

 5.1 Administrative Claims12

 5.2 Priority Claims12

 5.3 Secured Claims12

 5.4 Unsecured Claims12

 5.5 Claims Deadline13

6. EXECUTORY CONTRACTS AND UNEXPIRED LEASES13

7. DESCRIPTION OF PENDING AND COMPLETED LITIGATION13

8. SUMMARY OF PLAN OF REORGANIZATION13

 8.1 Classification and Treatment of Claims14

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

8.2 Treatment of Claims and Interests.15

8.3 Means of Implementing and Funding the Plan22

9. **POST-CONFIRMATION MANAGEMENT OF THE DEBTOR**22

10. **ALTERNATIVES TO THE PLAN**22

11. **CERTAIN RISKS TO BE CONSIDERED**22

11.1 Risk of Non-Confirmation of the Plan23

11.2 Non-Consensual Confirmation23

11.3 Tax Consequences of the Plan23

11.4 Estimated Amounts23

11.5 Liquidation Analysis24

12. **CONFIRMATION OF THE PLAN**24

12.1 Confirmation Requirements and Procedures24

12.2 Votes Necessary to Confirm the Plan26

12.3 Liquidation Analysis27

12.4 Feasibility27

12.5 Objections to Confirmation of the Plan.29

13. **DISCHARGE OF DEBTOR**29

1 **1. INTRODUCTION**

2 This is the disclosure statement (the "Disclosure Statement") in the chapter 11 case of
3 METHOD ART CORPORATION (the "Debtor"). This Disclosure Statement contains information
4 about the Debtor and describes the Chapter 11 Plan of Reorganization (the "Plan") filed by METHOD
5 ART CORPORATION on January 6, 2013. A full copy of the Plan is included with this Disclosure
6 Statement. *Your rights may be affected. You should read the Plan and this Disclosure Statement*
7 *carefully and discuss them with your attorney. If you do not have an attorney, you may wish to*
8 *consult one.* The proposed distributions under the Plan are discussed at pages 18-23 of this
9 Disclosure Statement. General unsecured creditors are classified in Class 10 and will receive a total
10 combined distribution of one-hundred percent (100%) of their allowed claims.

11 **1.1 Purpose of the Disclosure Statement**

12 This Disclosure Statement describes:

- 13 • The Debtor and significant events during the bankruptcy case,
- 14 • How the Plan proposes to treat claims or equity interests of the type you hold
15 (i.e., what you will receive on your claim or equity interest if the plan is
16 confirmed),
- 17 • Who can vote on or object to the Plan,
- 18 • What factors the Bankruptcy Court (the "Court") will consider when deciding
19 whether to confirm the Plan,
- 20 • Why Debtor believe the Plan is feasible, and how the treatment of your claim or
21 equity interest under the Plan compares to what you would receive on your claim
22 or equity interest in liquidation, and
- The effect of confirmation of the Plan.

23 Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement
24 describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

25 **1.2 Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing**

26 The Court has not yet confirmed the Plan described in this Disclosure Statement. This
27 section describes the procedures pursuant to which the Plan will or will not be confirmed.

28 ///

1 1. *Time and Place of the Hearing to Finally Approve This Disclosure Statement and*
2 *Confirm the Plan*

3 The hearing at which the Court will determine whether to finally approve this Disclosure
4 Statement will take place at the C. Clifton Young Federal Building, 300 Booth Street, Reno, Nevada
5 89509, on the date and at the time set forth in the Notice of Hearing, served herewith.

6 2. *Deadline for Objecting to the Adequacy of Disclosure Statement*

7 Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the
8 Court by the date set forth in the Notice of Hearing, served herewith.

9 3. *Identity of Person to Contact for More Information*

10 If you want additional information about the Plan, you should contact: Kevin A. Darby, Esq.,
11 4777 Caughlin Parkway, Reno, NV 89519.

12 **1.3 Disclaimer**

13 *The Court has conditionally approved this Disclosure Statement as containing adequate*
14 *information to enable parties affected by the Plan to make an informed judgment about its terms. The*
15 *Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the*
16 *fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the*
17 *Plan by the Court, or a recommendation that it be accepted. The Court's approval of this Disclosure*
18 *Statement is subject to final approval at the hearing on confirmation of the Plan. Objections to the*
19 *adequacy of this Disclosure Statement may be filed until two-weeks before the date set for a hearing on*
20 *confirmation of the Plan.*

21 **1.4 Definitions**

22 Whenever from the context it appears appropriate, each term stated in either the singular or the
23 plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter
24 gender shall include the masculine, the feminine and the neuter. Any capitalized term not defined
25 herein that is defined in the Bankruptcy Code shall have the meaning ascribed to it in the Bankruptcy
26 Code. Unless the context requires otherwise, the following words and phrases shall have the meanings
27 set forth below when used in this Disclosure Statement:

28 (a) **“Administrative Claims.”** Claims arising during the administration Debtor’s

1 Chapter 11 case entitled to priority under Section 507(a)(1) of the Bankruptcy Code. As required by the
2 Bankruptcy Code, holders of such Allowed Administrative Claims against Debtor shall receive cash in
3 the amount of such allowed claim on the Effective Date.

4 (b) **“Allowed Claim.”** This term will refer to and mean every claim: (i) as to which a
5 proof of claim has been filed with the Court within the time fixed by the Court or, if such claim arises
6 from the Debtor’s rejection of an unexpired lease or other executory contract, within thirty (30) days
7 after the Effective Date of the Plan, or (ii) which is scheduled as of the Confirmation Date of the Plan
8 in the schedules filed by the Debtor or amended by the Debtor as of said date, and is liquidated in
9 amount and undisputed; and in either of the above events, as to which no objection to allowance of
10 such claim or request for subordination thereof has been filed within any applicable time period fixed
11 by the Court or as to which an order allowing such claim and establishing its priority has become final
12 and non-appealable. An allowed secured claim shall include all accrued interest and attorneys fees, to
13 the extent the same are allowable under 11 U.S.C. § 506, and to the extent attorneys fees are reasonable
14 or are approved by the Bankruptcy Court after notice and hearing.

15 (c) **“Allowed Class 1 Secured Claim”** This term shall mean the allowed secured
16 portion of the claim of Midland National Life Insurance Company, as successor in interest to Clarica
17 Life Insurance Company, in accordance with 11 U.S.C. §506, which shall be in the amount of
18 \$1,823,445.77, or such other amount that is established to be the value of Midland National Life
19 Insurance Company’s secured interest in 9480 & 9490 Gateway Drive, Reno, Nevada, 89521.

20 (d) **“Allowed Class 2 Secured Claim”** This term shall mean the allowed secured
21 portion of the claim of the Life Insurance Company of the Southwest, in accordance with 11 U.S.C.
22 §506, which shall be in the amount of \$1,448,771.76 (POC #6), or such other amount that is established
23 to be the value of Life Insurance Company of the Southwest first priority secured interest in 940
24 Columbia Avenue, Riverside, California, 92507.

25 (e) **“Allowed Class 3 Secured Claim”** This term shall mean the allowed secured
26 portion of the claim of the Life Insurance Company of the Southwest (POC #6), in accordance with 11
27 U.S.C. §506, which shall be in the amount of \$1,440,516.33, or such other amount that is established to
28 be the value of Life Insurance Company of the Southwest second priority secured interest in 940

1 Columbia Avenue, Riverside, California, 92507.

2 (f) **“Allowed Class 4 Secured Claim”** This term shall mean the allowed secured
3 portion of the claim of the Stancorp (POC #1) in accordance with 11 U.S.C. §506, which shall be in the
4 amount of \$900,000, or such other amount that is established to be the value of Stancorp’s secured
5 interest in 6151 Lakeside Drive, Reno, Nevada 89511.

6 (g) **“Allowed Class 5 Secured Claim”** This term shall mean the allowed secured
7 portion of the claim of the Stancorp (POC #2) in accordance with 11 U.S.C. §506, which shall be in the
8 amount of \$1,500,000, or such other amount that is established to be the value of Stancorp’s secured
9 interest in 2598 Windmill Parkway, Henderson, Nevada.

10 (h) **“Allowed Class 5 Unsecured Claim”** This term shall mean the allowed
11 unsecured portion of the claim of Stancorp, in accordance with 11 U.S.C. §506, which shall be in the
12 amount of \$10,000.00.

13 (i) **“Allowed Class 6 Secured Claim”** This term shall mean the allowed secured
14 portion of the claim of the Stancorp (POC #3), in accordance with 11 U.S.C. §506, which shall be in
15 the amount of \$900,000, which is the value of Stancorp’s secured interest in 2405 Pyramid Way,
16 Sparks, Nevada 89431.

17 (j) **“Allowed Class 6 Unsecured Claim”** This term shall mean the allowed
18 unsecured portion of the claim of Stancorp, in accordance with 11 U.S.C. §506, which shall be in the
19 amount of \$15,000.00.

20 (k) **“Allowed Class 7 Secured Claim”** This term shall mean the allowed secured
21 portion of the claim of the Stancorp (POC #4) in accordance with 11 U.S.C. §506, which shall be in the
22 amount of \$855,000.00, which is the value of Stancorp’s secured interest in 1700 E. Dyer Road, Santa
23 Ana, California 92705.

24 (l) **“Allowed Class 8 Secured Claim”** This term shall mean the allowed secured
25 claim of the Internal Revenue Service (POC #5) in accordance with 11 U.S.C. §506, which shall be in
26 the amount of \$1,535,972.22, and which is secured by a third priority deed of trust against 940
27 Columbia Avenue, Riverside, California, 92507, and second priority deeds of trust against 1700 E Dyer
28 Road, Santa Ana, California 92705 and 6151 Lakeside Drive, Reno, Nevada 89511.

1 (m) **“Allowed Class 8 Priority Unsecured Claim”** This term shall mean the
2 allowed unsecured claim of the State of California, in accordance with 11 U.S.C. §507, which shall be
3 in the amount of \$475,000.00, or such other amount determined to be the outstanding balance owed to
4 the Class 8 claimholder.

5 (n) **“Bankruptcy Case.”** This term shall mean the pending Chapter 11 case entitled
6 Method Art Corporation, a California corporation, doing business in Nevada, Case No. BK-N-12-
7 50745-BTB.

8 (o) **“Bankruptcy Code.”** or **“Code.”** These terms mean the Bankruptcy Code of
9 1978, as codified in Title 11 of the United States Bankruptcy Code by Public Law 95-598, including all
10 amendments thereof and thereto.

11 (p) **“Bankruptcy Court.”** This term means the United States Bankruptcy Court for
12 the District of Nevada, Reno, or such other court as has jurisdiction of these Chapter 11 cases.

13 (q) **“Claim.”** This term means any right to payment, whether or not such right is
14 reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed,
15 undisputed, legal, equitable, secured or unsecured; or any right to an equitable remedy for breach of
16 performance, if such breach gives rise to a right to payment, whether or not such right to an equitable
17 remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured
18 or unsecured.

19 (r) **“Confirmation Date.”** This term refers to and shall mean the date on which the
20 Court enters its Order confirming Debtor’s Plan of Reorganization, or any subsequently amended plan
21 of reorganization.

22 (s) **“Confirmation Hearing.”** This term shall mean the hearing or hearings in which
23 the Bankruptcy Court considers confirmation of the Plan. The actual date of the hearing can be found
24 on the Notice of Hearing, served herewith.

25 (t) **“Debtor.”** The term Debtor means Method Art Corporation, the Chapter 11
26 Debtor in Case No. BK-N-12-50745-BTB.

27 (u) **“Disclosure Statement.”** Disclosure Statement means this Disclosure Statement
28 filed by the Debtor, as amended, and as approved by the Bankruptcy Court.

1 (v) **“Effective Date.”** This term shall mean the date which is the first day of the first
2 month at least thirty (30) days following the Confirmation Date.

3 (w) **“Notice of Hearing.”** This term shall mean the *Notice Of Hearing For Final*
4 *Approval Of Debtor’ Disclosure Statement And Confirmation Of Chapter 11 Plan Of Reorganization*
5 filed with the Court in this case, a copy of which is served with this Disclosure Statement.

6 (x) **“Petition Filing Date.”** This term shall refer to April 1, 2012, the date on which
7 Debtor filed their voluntary petition commencing the above-captioned Chapter 11 case.

8 (y) **“Plan.”** This term shall refer to Debtor’ Plan of Reorganization, together with
9 any amendments or modifications thereto as may hereafter be filed by the Debtor.

10 (z) **“Plan Term.”** This term shall mean a period of sixty (60) months beginning on
11 the Effective Date.

12 (aa) **“Post Confirmation.”** This term shall mean the period of time after the
13 Confirmation Date.

14 (bb) **“Priority Claims.”** This term shall refer to professional fees incurred by the
15 Debtor in connection with this Case. Debtor believes that, except for attorney’s fees, there will be no
16 Class 1 Priority Claims against the Debtor at the time of confirmation. Debtor estimates that their
17 unpaid attorney’s fees, through the confirmation hearing, will be approximately \$30,000.00.

18 (cc) **“Reorganized Debtor.”** This term means Method Art Corporation following the
19 Confirmation Date.

20 (dd) **“Scheduled Claim.”** This means the total amount of a creditors pre-petition
21 claim against the Debtor, as set forth in the Schedules to Debtor’ Bankruptcy Petition.

22 (ee) **“Unsecured Claim.”** This shall mean a Claim that is not secured by a pledge of
23 or security interest in any of the Debtor’s property.

24 **2. INFORMATION REGARDING THE CHAPTER 11 DEBTOR**

25 **2.1 Description and History of the Debtor’s Business**

26 The Debtor is a California corporation, with its principal place of business in Reno, Nevada.
27 The Debtor was formed in 1965 for the purpose of acquiring, holding and operating commercial real
28 estate protects. Debtor currently owns six (6) separate and distinct commercial real properties located

1 in Nevada and California.

2 Three of Debtor's properties are encumbered by a lien in favor of the Internal Revenue Service
3 for estate taxes triggered to the passing of the former equity interest holders. These liabilities totaled
4 approximately \$1,907,000 at the time this case was filed, but have been reduced to less than \$1,500,000
5 by required annual payments made to the IRS after this case was filed.

6 **2.2 Events Leading to Chapter 11 Filing**

7 Debtor's Chapter 11 filing was in part a result of the well documented nationwide economic
8 recession and the related real estate market collapse. Debtor has seen increased occupancy rates,
9 decreased rents, and increased overhead expense. During recent times, Debtor has occasionally
10 required capital contributions from equity holders to cover shortfalls on certain properties. Debtor is
11 also obligated to pay substantial annual payments on the IRS liability secured by three of Debtor's
12 properties. With the current asset and debt structure, Debtor had difficulty maintaining profitability,
13 which necessitated the filing of this case to allow formal debt restructuring and asset disposition.

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

15 **3.1 Meeting of Creditors**

16 The Debtor's meeting of creditors pursuant to 11 U.S.C. §341 was held on April 30, 2012.

17 **3.2 Schedules and Statement of Affairs**

18 The Debtor filed their schedule of assets and liabilities and statement of financial affairs on
19 April 1, 2012, but may be amended in the future. Those schedules and statements may be viewed online
20 at www.nvb.uscourts.gov or may be obtained from the Bankruptcy Clerk for a fee.

21 **3.3 Monthly Operating Reports**

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

24 **3.4 Employment of General Counsel**

25 Debtor filed an application to employ Kevin A Darby, Esq., as general counsel for the Debtor.

26 **3.5 Creditors Committee**

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

28 ///

1 **4. DESCRIPTION OF ASSETS**

2 **4.1 Description of Real Property**

Description	Fair Market Value	Secured Debt	Debtor's Net Equity
9480 & 9490 Gateway Drive –Reno, Nevada (Commercial Office Building)	\$1,800,000	\$1,850,000	\$0
940 Columbia Avenue –Riverside, California (Large Commercial/ Industrial Building)	\$5,400,000	\$4,450,000	\$950,000
6151 Lakeside Drive – Reno, Nevada (Commercial Office Building)	\$2,000,000	\$900,000	\$1,100,000
2598 Windmill Parkway - Henderson, Nevada (Commercial Office Building - Medical)	\$1,500,000	\$1,510,000	\$0
2405 Pyramid Way – Sparks, Nevada (Commercial Office Building)	\$900,000	\$915,000	\$0
1700 E. Dyer Road - Santa Ana, California (Single Tenant Retail Building)	\$1,800,000	\$855,000	\$945,000
<u>TOTAL</u>	<u>\$13,600,000</u>	<u>\$10,480,000</u>	<u>\$2,995,000</u>

14 **4.2 Description of Personal Property**

15 The Debtor personal property consists of the following:

Description	Fair Market Value
Cash On Hand, Including Bank Accounts	\$800,879
Office Furniture & Equipment	\$5,000
<u>TOTAL</u>	<u>\$805,879</u>

20 **5. DESCRIPTION OF DEBTS**

21 **5.1 Administrative Claims**

22 (A) Attorneys Fees/Kevin A Darby, Esq. The Debtor will be obligated to pay attorneys fees
23 and costs to Darby Law Practice, Ltd. in connection with this case. Through Plan confirmation, Debtor
24 estimate those fees and costs that will be \$30,000.00, but the final amount is subject to change.

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

27 **5.2 Priority Claims**

28 (A) Internal Revenue Service. The Debtor believes it is current on all of its Federal Income

1 Tax obligations. However, there is a pending audit by the IRS for the Debtor's 2010 Tax Return. The
 2 Internal Revenue Service has filed a Claim in this case in the amount of \$500,000, but Debtor's do not
 3 anticipate any ultimate liability as a result of the pending audit.

4 (B) State of California. The Debtor owes approximately \$475,000 in state inheritance taxes
 5 to the State of California. These taxes are classified as the allowed Class 8 Priority Unsecured Claim
 6 under the Plan.

7 5.3 Secured Claims

<u>CREDITOR</u>	<u>NATURE OF LIEN</u>	<u>SECURED CLAIM</u>
Midland National Life Insurance Company	First Mortgage Lien against 9480 & 9490 Gateway Drive, Reno, Nevada	\$1,850,000
Life Insurance Company of the South West	First Mortgage Lien against 940 Columbia Avenue, Riverside California	\$1,425,000
Life Insurance Company of the South West	Second Mortgage Lien 940 Columbia Avenue, Riverside California	\$1,425,000
StanCorp	First Mortgage Lien against 6151 Lakeside Drive, Reno, Nevada	\$900,000
StanCorp	First Mortgage Lien against 2598 Windmill Parkway, Henderson, Nevada	\$1,510,000
StanCorp	First Mortgage Lien against 2405 Pyramid Way, Sparks, Nevada	\$915,000
StanCorp	First Mortgage Lien against 1700 E. Dyer Road, Santa Ana, California	\$855,000
Internal Revenue Service	Third Mortgage Lien against 940 Columbia Avenue, Riverside California; Second Mortgage Lien against 1700 E Dyer Road, Santa Ana, California; and 6151 Lakeside Drive, Reno, Nevada	\$1,535,975
TOTAL		<u>\$10,415,975</u>

22 5.4 Unsecured Claims

23 The Debtor has scheduled the following unsecured claims:

Creditor	Est. Amount of Claim
<i>Reclassified Class 5 Allowed Unsecured Claim</i>	\$10,000
<i>Reclassified Class 6 Allowed Unsecured Claim</i>	\$15,000
Total Unsecured Claims	<u>\$25,000</u>

1 **5.5 Claims Deadline**

2 In accordance with the Bankruptcy Court's Notice of Chapter 11 Bankruptcy Case, Meeting of
3 Creditors, & Deadlines filed on April 1, 2012, the deadline for filing a proof of claim for all creditors in
4 this action was July 30, 2012, and October 30, 2012 for governmental agencies.

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

6 The Debtor assumes the following executory contracts and/or unexpired leases effective upon
7 the date of the entry of the order confirming this Plan:

8

Other Parties to Lease or Contract	Description of Contract or Lease
NAI ALLIANCE	Property Management
Various Tenants	Commercial Lease Agreements

9
10
11

12 The Debtor will be conclusively deemed to have rejected all executory contracts and/or
13 unexpired leases not expressly assumed under section 6.01(a) above, or before the date of the order
14 confirming this Plan, upon the date of the entry of the order confirming this Plan. A proof of a claim
15 arising from the rejection of an executory contract or unexpired lease under this section must be filed
16 no later than thirty (30) days after the date of the order confirming this Plan.

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

18 The Debtor was not a party to litigation prior to the commencement of this case, and do not
19 anticipate initiating any litigation as part of this Plan, including avoidance claims under the Code.

20 **8. SUMMARY OF PLAN OF REORGANIZATION**

21 THE FOLLOWING IS A BRIEF SUMMARY OF THE PLAN OF REORGANIZATION
22 WHICH IS FILED CONCURRENTLY HEREWITH, AND SHOULD NOT BE RELIED UPON FOR
23 VOTING PURPOSES. THE SUMMARY IS NOT COMPLETE, AND CREDITORS ARE URGED
24 TO READ THE PLAN IN FULL. A COPY OF THE PLAN OF REORGANIZATION IS
25 ATTACHED HERETO AS EXHIBIT 1. TO THE EXTENT THE FOLLOWING SUMMARY
26 INCLUDES DEFINED TERMS, THOSE DEFINITIONS ARE INCLUDED IN THE PLAN FILED
27 CONCURRENTLY HEREWITH. ALL CAPITALIZED TERMS HEREINAFTER HAVE THE
28 MEANINGS SET FORTH IN THE PLAN.

8.1 Classification and Treatment of Claims

The Plan designates ten (10) classes of claims. Those classes take into account the differing nature and priority of the various classified claims under the Bankruptcy Code. The following table briefly summarizes the classification and treatment of all Claims under the Plan and the consideration distributable on account of such Claims under the Plan. The information set forth in the following table is for convenience of reference only, and each holder of a Claim should refer to the Plan for a full understanding of the classification and treatment of Claims provided for under the Plan. Claims will receive designated treatment within a Class only to the extent Allowed within that class. The Claim allowance procedure is an ongoing process and the actual amount of the Allowed Claims may vary from the estimates. For a complete description of the risks associated with the recoveries provided under the Plan, see Section 11 of the Plan, entitled “Certain Risk Factors To Be Considered.”

CLASS	CLAIMS	SUMMARY OF TREATMENT
Class 1	Midland National Life Insurance Company	Collateral surrendered in full satisfaction of claim.
Class 2	Life Insurance Company of the South West	Claim paid in full upon sale of collateral.
Class 3	Life Insurance Company of the South West	Claim paid in full upon sale of collateral
Class 4	StanCorp	Claim paid in full through restructured payments
Class 5	StanCorp	Claim bifurcated, with both secured and unsecured claims paid in full through restructured payments
Class 6	StanCorp	Claim bifurcated, with both secured and unsecured claims paid in full through restructured payments
Class 7	StanCorp	Claim paid in full through restructured payments
Class 8	Internal Revenue Service	Claim paid in full upon sale of collateral
Class 9	State of California	Claim paid in full upon sale of collateral.
Class 10	General Unsecured Creditors	Claims paid in full upon sale of collateral.
Class 11	Members of the Debtor	Retain all interests in the Debtor.
N/A	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
N/A	Nonclassified Priority Tax Claims	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

1 **8.2 Treatment of Claims And Interests.**

2 **(A) Administrative Claims**

3 Except as provided in section 8.2(c)(i), Claims arising during the administration of the Debtor's
4 Chapter 11 case and entitled to priority under Section 507(a)(1) of the Bankruptcy Code are not
5 classified under the Plan. Except as otherwise provided in the Plan, holders of such claims shall be
6 paid in full on the latter of the Effective Date, or fifteen (15) days after entry of an order creating an
7 Allowed Administrative Claim, unless holders of a claim agree to alternative treatment.

8 **(B) Unclassified Priority Claims**

9 All allowed unclassified priority claims shall bear interest as allowed by applicable statute and
10 shall be paid by equal quarterly disbursements of the amount owed, but in any case not less than
11 \$500.00, to be paid in full within six (6) years of the date of assessment. Such distribution shall be
12 subordinate to the payment of allowed administrative claims and shall be in full satisfaction of all
13 priority claims.

14 **(C) Classified Claims**

15 As required by the Code, the Plan places claims and equity interests in various classes and
16 describes the treatment each class will receive. The Plan also states whether each class of claims or
17 equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the
18 amount provided by the Plan. Each creditor class shall be treated as follows:

19 **(i) Class 1 (MIDLAND NATIONAL LIFE INSURANCE COMPANY)**

20 The Class 1 claim is **impaired** by this Plan and shall be satisfied by the surrender of Class 1's
21 collateral, 9480 & 9490 Gateway Drive, Reno, Nevada, 89521, to the Class 1 claimholder in full and
22 complete satisfaction of the Class 1 claim, and in accordance with the terms Stipulation between the
23 Class 1 creditor and the Debtor, filed in the Court on August 3, 2012, as Docket No. 82, and which was
24 approved by order of the Court entered on August 23, 2012, as Docket No. 89.

25 **(ii) Class 2 (LIFE INSURANCE COMPANY OF THE SOUTH WEST)**

26 The Class 2 claim is **impaired** by this Plan. The Allowed Class 2 Secured Claim shall retain its
27 lien and be paid in full, without prepayment penalty, through a sale of Class 2's collateral, 940
28 Columbia Avenue, Riverside, California, 92507. The collateral is currently listed for sale by Court

1 approved commercial real estate broker Colliers International. The sale of Class 2's collateral under
2 this Plan shall not trigger any prepayment penalty, and Debtor shall only be obligated to pay the
3 outstanding principal, interest and allowed costs from the sale proceeds, which payments shall be in full
4 and complete satisfaction of the Class 2 claim.

5 Until the Class 2 collateral is sold, Debtor shall continue to make the regular contractual
6 monthly payment to the Class 2 creditor.

7 **(iii) Class 3 (LIFE INSURANCE COMPANY OF THE SOUTH WEST)**

8 The Class 3 claim is **impaired** by this Plan. The Allowed Class 3 Secured Claim shall retain its
9 lien and be paid in full, without prepayment penalty, through a sale of Class 3's collateral, 940
10 Columbia Avenue, Riverside, California, 92507. The collateral is currently listed for sale by Court
11 approved commercial real estate broker Colliers International. The sale of Class 3's collateral under
12 this Plan shall not trigger any prepayment penalty, and Debtor shall only be obligated to pay the
13 outstanding principal, interest and allowed costs from the sale proceeds, which payments shall be in full
14 and complete satisfaction of the Class 3 claim.

15 Until the Class 3 collateral is sold, Debtor shall continue to make the regular contractual
16 monthly payment to the Class 3 creditor.

17 **(iv) Class 4 (STANCORP)**

18 The Class 4 Claim of StanCorp is **impaired** shall be treated under the Plan as follows:

19 **(1) Treatment of Allowed Class 4 Secured Claim**

20 The Allowed Class 4 Secured Claim shall retain its lien and be paid in full through two hundred
21 and forty amortized monthly payments of principal and interest made directly to the Class 4 Creditor,
22 commencing on the fifth (5th) day of the first (1st) month following the Effective Date of this Plan, and
23 continuing on the fifth (5th) day of each and every month until paid in full. The Class 4 claim shall bear
24 interest fixed at the current contractual rate of four and three quarters percent (4.75%) per annum, and
25 monthly payments of principal and interest payments shall be in amount of \$5,816.01. Debtor may pay
26 the outstanding balance of the Allowed Class 4 Secured Claim at any time without pre-payment
27 penalty.

28 ///

1 (2) Loan Documents Remain In Limited Effect

2 The terms of the promissory note underlying the Allowed Class 4 Secured Claim and the related
3 deed of trust (the "Class 4 Loan Documents") shall remain in full force and effect, except as modified
4 by or otherwise inconsistent with this Plan, in which event the terms of this Plan shall supersede.

5 (3) Plan Default

6 In the event of a default by the Debtor under the Plan, and in the event Debtor fail to cure such
7 default within fifteen (15) business days after delivery of notice to the Debtor and to Debtor' counsel,
8 the Class 4 claimholder shall be entitled to enforce all of the terms of the Class 4 Loan Documents, in
9 additional to all rights available under Nevada law, including, without limitation, repossession of its
10 collateral and the opportunity to credit bid the entire amount the Allowed Class 4 Secured Claim at any
11 foreclosure sale.

12 (v) **Class 5 (STANCORP)**

13 The Class 5 Claim of STANCORP is **impaired** and shall be treated under the Plan as follows:

14 (1) Treatment of Allowed Class 5 Secured Claim

15 The Allowed Class 5 Secured Claim shall retain its lien and be paid in full through two hundred
16 and forty (240) amortized monthly payments of principal and interest made directly to the Class 5
17 Creditor, commencing on the fifth (5th) day of the first (1st) month following the Effective Date of this
18 Plan, and continuing on the fifth (5th) day of each and every month until paid in full. The Class 5 claim
19 shall bear interest fixed at the rate of four and three quarters percent (4.75%) per annum, and monthly
20 payments of principal and interest payments shall be in amount of \$9,693.35. Debtor may pay the
21 outstanding balance of the Allowed Class 5 Secured Claim at any time without pre-payment penalty.

22 (2) Treatment of Allowed Class 5 Unsecured Claim.

23 The allowed Class 5 unsecured claim shall be reclassified to Class 10 under the Plan and be
24 treated in accordance with the treatment afforded to Class 10 general unsecured creditors under this
25 Plan.

26 (3) Loan Documents Remain In Limited Effect

27 The terms of the promissory note underlying the Allowed Class 5 Secured Claim and the related
28 deed of trust (the "Class 5 Loan Documents") shall remain in full force and effect, except as modified

1 by or otherwise inconsistent with this Plan, in which event the terms of this Plan shall supersede.

2 (4) Plan Default

3 In the event of a default by the Debtor under the Plan, and in the event Debtor fail to cure such
4 default within fifteen (15) business days after delivery of notice to the Debtor and to Debtor' counsel,
5 the Class 5 claimholder shall be entitled to enforce all of the terms of the Class 5 Loan Documents, in
6 additional to all rights available under Nevada law, including, without limitation, repossession of its
7 collateral and the opportunity to credit bid the entire amount the Allowed Class 5 Secured Claim at any
8 foreclosure sale.

9 (vi) **Class 6 (STANCORP)**

10 The Class 6 claim of STANCORP is **impaired** and shall be treated under the Plan as follows:

11 (1) Treatment of Allowed Class 6 Secured Claim

12 The Allowed Class 6 Secured Claim shall retain its lien and be paid in full through two hundred
13 and forty amortized monthly payments of principal and interest made directly to the Class 6 Creditor,
14 commencing on the fifth (5th) day of the first (1st) month following the Effective Date of this Plan, and
15 continuing on the fifth (5th) day of each and every month until paid in full. The Class 6 claim shall bear
16 interest fixed at the rate of four and three quarters percent (4.75%) per annum, and monthly payments
17 of principal and interest payments shall be in amount of \$5,816.01. Debtor may pay the outstanding
18 balance of the Allowed Class 6 Secured Claim at any time without pre-payment penalty.

19 (2) Allowed Class 6 Unsecured Claim

20 The allowed Class 6 unsecured claim shall be reclassified to Class 10 under the Plan and be
21 treated in accordance with the treatment afforded to Class 10 general unsecured creditors under this
22 Plan.

23 (3) Loan Documents Remain In Limited Effect

24 The terms of the promissory note underlying the Allowed Class 6 Secured Claim and the related
25 deed of trust (the "Class 6 Loan Documents") shall remain in full force and effect, except as modified
26 by or otherwise inconsistent with this Plan, in which event the terms of this Plan shall supersede.

27 (4) Plan Default

28 In the event of a default by the Debtor under the Plan, and in the event Debtor fail to cure such

1 default within fifteen (15) business days after delivery of notice to the Debtor and to Debtor' counsel,
2 the Class 6 claimholder shall be entitled to enforce all of the terms of the Class 6 Loan Documents, in
3 additional to all rights available under Nevada law, including, without limitation, foreclosure its
4 collateral and the opportunity to credit bid the entire amount the Allowed Class 6 Secured Claim at any
5 foreclosure sale.

6 (vii) **Class 7 (StanCorp)**

7 The Class 7 claim of STANCORP is **impaired** and shall be treated under the Plan as follows:

8 (1) Treatment of Allowed Class 7 Secured Claim

9 The Allowed Class 7 Secured Claim shall retain its lien and be paid in full through two hundred
10 and forty amortized monthly payments of principal and interest made directly to the Class 7 Creditor,
11 commencing on the fifth (5th) day of the first (1st) month following the Effective Date of this Plan, and
12 continuing on the fifth (5th) day of each and every month until paid in full. The Class 7 claim shall bear
13 interest fixed at the current contractual rate of four and three quarters percent (4.75%) per annum, and
14 monthly payments of principal and interest payments shall be in amount of \$5,525.21. Debtor may pay
15 the outstanding balance of the Allowed Class 7 Secured Claim at any time without pre-payment
16 penalty.

17 (2) Loan Documents Remain In Limited Effect

18 The terms of the promissory note underlying the Allowed Class 7 Secured Claim and the related
19 deed of trust (the "Class 7 Loan Documents") shall remain in full force and effect, except as modified
20 by or otherwise inconsistent with this Plan, in which event the terms of this Plan shall supersede.

21 (3) Plan Default

22 In the event of a default by the Debtor under the Plan, and in the event Debtor fail to cure such
23 default within fifteen (15) business days after delivery of notice to the Debtor and to Debtor' counsel,
24 the Class 7 claimholder shall be entitled to enforce all of the terms of the Class 7 Loan Documents, in
25 additional to all rights available under Nevada law, including, without limitation, foreclosure its
26 collateral and the opportunity to credit bid the entire amount the Allowed Class 7 Secured Claim at any
27 foreclosure sale.

28 ///

1 **(viii) Class 8 (INTERNAL REVENUE SERVICE)**

2 The Allowed Class 8 Secured Claim of the Internal Revenue Service will be paid in full upon
3 the sale of 940 Columbia Avenue, Riverside, California, 92507, which is currently on the market for
4 \$5,400,000. Assuming a sale in the range of \$5,200,000, payment of the priority secured debt
5 (approximately \$2,850,000) and costs of sale at approximately 7% (approximately \$350,000), a total of
6 \$2,000,000 will be available to pay the Class 8 claim, which is estimated to be in the amount of
7 \$1,540,000

8 **(ix) Class 9 (STATE OF CALIFORNIA)**

9 The Allowed Class 9 Priority Unsecured Claim of the State of California will be paid in full
10 upon the sale of 940 Columbia Avenue, Riverside, California, 92507, which is currently on the market
11 for \$5,400,000. Assuming a sale in the range of \$5,200,000, payment of the priority secured debt
12 (approximately \$4,390,000) and costs of sale at approximately 7% (approximately \$350,000), a total of
13 \$460,000 will be available to pay the Class 8 claim, which is estimated to be in the amount of \$450,000

14 **(x) Class 10 (UNSECURED CREDITORS)**

15 The Allowed Class 10 Unsecured Creditors be paid in full, without interest, through fifty
16 consecutive monthly payments of \$500, commencing on the 5th day of the third month following the
17 Effective Date, and continuing on the 5th day of each month thereafter until each Allowed Class 10
18 General Unsecured Claim is paid in full.

19 **(x) Class 11 (SHAREHOLDERS OF THE DEBTOR)**

20 All shareholders of the Debtor shall retain their equity interest in the Debtor.

21 **8.3 Means of Implementing and Funding the Plan**

22 **(i) Funding The Plan**

23 No payments to Class 1 are required under the Plan.

24 Class 2, Class 3, Class 8 and Class 9 creditors will be paid in full upon the sale of 940 Columbia
25 Avenue, Riverside, California, 92507, which is currently on the market for \$5,400,000. In the interim,
26 required monthly payments to Class 2 and Class 3 shall be made from those rental income generated
27 from 940 Columbia Avenue, Riverside, California, 92507.

28 Payments to Class 4, Class 5, Class 6 and Class 7 required under the Plan will be funded by the

1 monthly rental income produced by each respective creditor's collateral.

2 Payments to Class 10 shall be made from Debtor's net operating profit.

3 Any prorated payment to creditors whose claims are not liquidated or disputed shall be paid into
4 a segregated trust account maintained at the Darby Law Practice until such claims are an allowed claim,
5 in which event the proceeds shall be disbursed, or such claims shall be disallowed, in which case such
6 sums shall be included in the next disbursement to creditors.

7 **(ii) Revesting of Assets in the Debtor**

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

11 **(iii) Disbursing Agent**

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

15 **(iv) Request for Application of 11 U.S.C. § 1129(b)**

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

19 **9. POST-CONFIRMATION MANAGEMENT OF THE DEBTOR**

20 The Debtor intends to continue to manage their financial affairs on a day-to-day basis after the
21 confirmation of the Plan. However, Debtor reserves the right to employ management professionals as
22 the Debtor deem advisable following the Confirmation Date.

23 **10. ALTERNATIVES TO THE PLAN**

24 The Debtor believes that the Plan provides its creditors with the earliest and greatest possible
25 value that can be realized on their claims. Under § 1121 of the Bankruptcy Code, the Debtor has the
26 exclusive right to file a plan of reorganization during the first 120 days after commencement of its
27 Chapter 11 case, or as otherwise extended by the Court. The Plan was filed within such 120 day
28 period. In addition, if the Plan is not accepted, other parties in interest may have an opportunity to file

1 an alternative plan of reorganization. Alternatively, a liquidation of the Debtor's assets could be
2 conducted as described in Section 13 of this Disclosure Statement. For the reasons described in that
3 section, Debtor believes that the distribution to each impaired class under the Plan will be greater and
4 earlier 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 CONSIDER
7 CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION
8 SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS ATTACHED OR
9 DELIVERED HERewith AND/OR INCORPORATED HEREIN BY REFERENCE), IN
10 DETERMINING WHETHER OR NOT TO ACCEPT OR REJECT THE DEBTOR'S PLAN. THESE
11 RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY
12 RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

13 **11.1 Risk of Non-Confirmation of the Plan**

14 Because the Plan provides for the reorganization of the Debtor, many of the common risk
15 factors found in typical reorganizations apply with respect to the Plan. These include (a) the value of
16 the Debtor's property has suffered significantly as a result of the downturn in the United States
17 economy since the summer of 2007. There is no assurance that the economy will turn around and that
18 property values, in general, or the value of the Debtor's Property, in particular, will not continue to
19 decline; (b) the Plan is dependent, at least in part, on profitable operation of Debtor's business. There
20 is no assurance that the Debtor's predictions will occur, or that these predictions will occur within the
21 time period projected; (c) because the Plan is dependent on continued business activity, there is a risk
22 that the projections of net operating income, with which to pay the Allowed Claims of Creditors, may
23 not be met. Debtor is unaware of any regulatory contingencies or risks in connection with the Plan.

24 **11.2 Non-Consensual Confirmation**

25 In the event one or more impaired Classes of Claims does not accept the Plan, the Bankruptcy
26 Court may nevertheless confirm the Plan at the Debtor's request, if all other conditions for confirmation
27 have been met and at least one impaired Class has accepted the Plan (such acceptance being determined
28 without including the vote of any "insider" in such Class) and, as to each impaired Class that has not

1 accepted the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to the
2 rejecting impaired classes. The Debtor believes that the Plan satisfies those requirements.

3 **11.3 Tax Consequences of the Plan**

4 The Debtor believes that there are no federal income tax consequences peculiar to its Plan.
5 EACH HOLDER OF A CLAIM IS STRONGLY URGED TO CONSULT WITH HIS/HER TAX
6 ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX
7 CONSEQUENCES TO HIM/HER OF THE PLAN.

8 **11.4 Estimated Amounts**

9 The valuations provided on the Debtor’s schedules were based on the estimates of the Debtor,
10 based on knowledge of the real estate market. Those estimates are a reflection of the Debtor’s best
11 subjective valuation at the time. In light of the current wide-range volatility of the commercial real
12 estate market, it is difficult to predict what the values will be at the time of any sale of Debtor’s assets.
13 Furthermore, the liquidation value of real property is generally far below fair market value, further
14 compounding the ability to accurately determine the value of the Debtor’s assets. In light of the
15 volatile real estate market, declining values and the discounted value for a liquidation sale, all creditors
16 and parties in interest should be aware that the amounts received for the sale of the Debtor’s real
17 property assets could significantly vary the values listed on the Debtor’s schedules and the estimates
18 provided in the Plan and this Disclosure Statement.

19 **11.5 Liquidation Analysis**

20 Should the Debtor be forced to terminate its business operations or convert its case to Chapter 7
21 and have a trustee conduct the liquidation of its assets, Debtor estimates that such a liquidation would
22 produce sufficient proceeds to pay all creditors in full. If secured creditors are permitted to conduct a
23 foreclosure sale of their respective collateral, junior lien claimants, including the Internal Revenue
24 Service may receive no payment on their claims. Debtors Plan guarantees general unsecured creditors
25 payment in full.

26 **12. CONFIRMATION OF THE PLAN**

27 **12.1 Confirmation Requirements and Procedures**

28 To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code.

1 These include the requirements that: the Plan must be proposed in good faith; at least one impaired
2 class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each
3 creditor and equity interest holder at least as much as the creditor or equity interest holder would
4 receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the
5 Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129,
6 and they are not the only requirements for confirmation.

7 **A. Who May Vote or Object**

8 Any party in interest may object to the confirmation of the Plan if the party believes that the
9 requirements for confirmation are not met.

10 Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A
11 creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity
12 interest holder has a claim or equity interest that is both: (1) allowed or allowed for voting purposes;
13 and (2) impaired.

14 In this case, the Plan Proponent believes that classes 2, 3, 4, 5, 6, 7 and 9 are impaired and that
15 holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The
16 Plan Proponent believes that classes 1 and 8 and are unimpaired and that holders of claims that class,
17 therefore, do not have the right to vote to accept or reject the Plan.

18 **B. *What Is an Allowed Claim or an Allowed Equity Interest?***

19 Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has
20 the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has
21 scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed,
22 contingent, or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an
23 objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not
24 allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the
25 Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for
26 voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

27
28 ***The deadline for filing a proof of claim in this case was July 30, 2012.***

1 **C. *What Is an Impaired Claim or Impaired Equity Interest?***

2 As noted above, the holder of an allowed claim or equity interest has the right to vote only if it
3 is in a class that is *impaired* under the Plan. As provided in § 1124 of the Code, a class is considered
4 impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

5 **D. *Who is Not Entitled to Vote***

6 The holders of the following five types of claims and equity interests are *not* entitled to vote:

- 7 • holders of claims and equity interests that have been disallowed by an order of the Court;
- 8 • holders of other claims or equity interests that are not "allowed claims" or "allowed equity
9 interests" (as discussed above), unless they have been "allowed" for voting purposes.
- 10 • holders of claims or equity interests in unimpaired classes;
- 11 • holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code;
- 12 • holders of claims in classes that do not receive or retain value under the Plan; and
- 13 • administrative expenses.

14 *Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the*
15 *Confirmation of the Plan and to the Adequacy of the Disclosure Statement.*

16 **E. *Who Can Vote in More Than One Class***

17 A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured
18 claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each
19 capacity, and should cast one ballot for each claim.

20 **12.2 *Votes Necessary to Confirm the Plan***

21 If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired
22 class of creditors has accepted the Plan without counting the votes of any insiders within that class, and
23 (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by
24 "cram down" on non-accepting classes, as discussed below.

25 **A. *Votes Necessary for a Class to Accept the Plan***

26 A class of claims accepts the Plan if both of the following occur: (1) the holders of more than
27 one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2)
28 the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote,

1 cast their votes to accept the Plan. A class of equity interests accepts the Plan if the holders of at least
2 two-thirds (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to
3 accept the Plan.

4 **B. Treatment of Nonaccepting Classes**

5 Even if one or more impaired classes reject the Plan, the Court may still confirm the Plan if the
6 nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds
7 nonaccepting classes is commonly referred to as a "cram down" plan. The Code allows the Plan to
8 bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual
9 confirmation except the voting requirements of § 1129(a)(8) of the Code, does not "discriminate
10 unfairly," and is "fair and equitable" toward each impaired class that has not accepted Plan.

11 *You should consult your own attorney if a "cramdown" confirmation will affect your claim*
12 *or equity interest, as the variations on this general rule are numerous and complex.*

13 **12.3 Liquidation Analysis**

14 To confirm the Plan, the Court must find that all creditors and equity interest holders who do
15 not accept the Plan will receive at least as much under the Plan as such claim and equity interest
16 holders would receive in a chapter 7 liquidation. Debtor's liquidation analysis is in section 11.5, above.

17 **12.4. Feasibility**

18 The Court must find that confirmation of the Plan is not likely to be followed by the liquidation,
19 or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless
20 such liquidation or reorganization is proposed in the Plan.

21 **A. Ability to Initially Fund Plan**

22 The Plan Proponent believes that the Debtor will have enough cash on hand on the effective
23 date of the Plan to pay all the claims and expenses that are entitled to be paid on that date.

24 **B. Ability to Make Future Plan Payments And Operate Without Further** 25 **Reorganization**

26 The Plan Proponent must also show that it will have enough cash over the life of the Plan to
27 make the required Plan payments. During this case, Debtor has filed monthly operating reports with
28 the Court detailing the profitability of its operations. A summary of Debtor's reported gross income

1 from the real property it is retaining under the Plan, is as follows:

	April, 2012	May, 2012	June, 2012	July, 2012	Aug., 2012	Sept., 2012	Oct., 2012	Nov., 2012	Average
Windmill Rental Income	\$26,235	\$26,233	\$26,234	\$26,307	\$26,308	\$26,295	\$26,243	\$26,247	\$26,263
Lakeside Rental Income	\$2,487	\$8,663	\$11,118	\$11,035	\$12,645	\$4,105	\$21,130	\$10,689	\$10,234
Pyramid Rental Income	\$17,812	\$9,114	\$15,017	\$12,197	\$23,060	\$20,508	\$17,341	\$12,837	\$15,986
Dyer Rental Income	\$13,319	\$13,319	\$13,322	\$13,329	\$13,330	\$13,326	\$14,624	\$14,620	\$13,649
Total Gross Rental Income	\$57,368	\$57,329	\$65,691	\$62,868	\$75,343	\$64,234	\$79,338	\$64,386	\$66,132

11 Debtor's operating expenses, without counting the continued payment of pre-petition mortgage
12 payments, have been reported, for example, as follows:

	April, 2012	May, 2011	June, 2012	July, 2012	Average
Windmill Expenses (without debt)	\$407	\$469	\$455	\$521	\$463
Lakeside Expenses (without debt)	\$5,354	\$3,836	\$5,150	\$4,541	\$4,720
Pyramid Expenses (without debt)	\$2,211	\$2,760	\$1,718	\$2,171	\$2,215
Dyer Expenses (without debt)	\$280	\$285	\$272	\$338	\$294
	\$8,252	\$7,350	\$7,595	\$7,571	\$7,692

23 Debtor has filed monthly operating reports in this case, which provide further detailed information
24 regarding the Debtor's income and expenses for each month during this case.

25 Using the Debtor's average income and expenses during this case, Debtor projects going
26 forward income and expenses, including restructured mortgage payments under the Plan, on a property-
27 by-property basis, as follows:

	Projected Rent	Projected Operating Expenses	Restructured Debt Payment	Net Monthly Profit
Windmill Class 5	\$26,000	\$500	\$9,700	\$15,800
Lakeside Class 4	\$10,000	\$4,000	\$5,820	\$180
Pyramid Class 6	\$15,000	\$2,300	\$5,820	\$6,880
Dyer Class 7	\$13,500	\$300	\$5,500	\$7,700
Total	\$64,500	\$7,100	\$26,840	\$30,560

The Debtor's financial projections show that the Debtor will have an average aggregate net monthly operating profit from its four rental properties of \$30,560, it is estimated that Debtor will be required to make quarterly Federal Income Tax of \$45,000 per quarter, or \$15,000 per month, leaving \$14,560 to pay the monthly payment to general unsecured creditors of \$500, and leaves sufficient funds to build a reserve for unexpected expense, vacancies and other emergencies.

You Should Consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections.

12.5 Objections to Confirmation of the Plan.

Section 1128(b) provides that any party-in-interest may object to confirmation of a plan. Any objections to confirmation of the Plan must be in writing, must state with specificity the grounds for any such objections and must be filed with the Bankruptcy Court and served upon the following parties so as to be received on or before the time fixed by the Bankruptcy Court:

Counsel for Debtor:

**Darby Law Practice, Ltd.
Kevin A. Darby, Esq.
4777 Caughlin Parkway
Reno, Nevada 89519
Facsimile: 775.996.7290
Email: kevin@darbylawpractice.com**

13. DISCHARGE OF DEBTOR

Confirmation of the Plan does not discharge any debt provided for in the Plan until the court grants a discharge on completion of all required payments to unsecured creditors under the Plan, or as

1 otherwise provided in § 1141(d)(5) of the Code. Debtor will not be discharged from any debt excepted
2 from discharge under § 523 of the Code, except as provided in Rule 4007(c) of the Federal Rules of
3 Bankruptcy Procedure.

4 DATED this 6th day of January, 2013.

5 DARBY LAW PRACTICE, LTD.

6 */s/ Kevin A. Darby*

7 By: _____
8 KEVIN A. DARBY, ESQ. (#7670)
9 TRICIA M. DARBY, ESQ. (#7956)
10 Counsel For Debtor
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28