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

12 In re:

13 NORTHGATE PROPERTIES, INC.

14 CASE NO. BK-N-11-50451-btb  
15 Chapter 11

16 Debtor.

17 Hearing Date: tbd  
18 Hearing Time: tbd

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19 **DISCLOSURE STATEMENT**

20 **FOR**

21 **CHAPTER 11 PLAN OF REORGANIZATION**

22 **OF**

23 **NORTHGATE PROPERTIES, INC.**  
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## 1 **1. INTRODUCTION**

2 This is the disclosure statement (the "Disclosure Statement") in the chapter 11 case of  
3 NORTHGATE PROPERTIES, LLC (the "Debtor"). This Disclosure Statement contains  
4 information about the Debtor and describes the Chapter 11 Plan of Reorganization (the "Plan")  
5 filed by NORTHGATE PROPERTIES, LLC on May 15, 2011. A full copy of the Plan is attached  
6 to this Disclosure Statement as Exhibit 1. *Your rights may be affected. You should read the Plan*  
7 *and this Disclosure Statement carefully and discuss them with your attorney. If you do not have*  
8 *an attorney, you may wish to consult one.*

9 The proposed distributions under the Plan are discussed at pages 18-23 of this Disclosure  
10 Statement. General unsecured creditors are classified in Class 5 and will receive a total combined  
11 distributions totaling one-hundred percent (100%) of their allowed claims (i.e. one hundred cents  
12 on the dollar \$1.00). Debtor estimates that in a chapter 7 liquidation case, creditors would receive  
13 a total combined distribution of \$0.00 or approximately zero cents on the dollar (\$0.00).

### 14 **1.1 Purpose of the Disclosure Statement**

15 This Disclosure Statement describes:

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

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

1           **1.2     Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing**

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

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

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

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

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

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

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

15           **1.3     Disclaimer**

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

24           **1.4     Definitions**

25          Whenever from the context it appears appropriate, each term stated in either the singular or  
26     the plural shall include the singular and the plural, and pronouns stated in the masculine, feminine  
27     or neuter gender shall include the masculine, the feminine and the neuter. Any capitalized term not  
28     defined herein that is defined in the Bankruptcy Code shall have the meaning ascribed to it in the

1 Bankruptcy Code. Unless the context requires otherwise, the following words and phrases shall  
2 have the meanings set forth below when used in this Disclosure Statement:

3 (a) **“Administrative Claims.”** Claims arising during the administration  
4 Debtor’s Chapter 11 case entitled to priority under Section 507(a)(1) of the Bankruptcy Code. As  
5 required by the Bankruptcy Code, holders of such Allowed Administrative Claims against Debtor  
6 shall receive cash in the amount of such allowed claim on the Effective Date.

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

19 (c) **“Allowed Class 2 Secured Claim”** This term shall mean the allowed  
20 secured portion of the claim of City National Bank, in accordance with 11 U.S.C. §506, which  
21 shall be in the amount of \$710,000.00, or such other amount that is established to be the value of  
22 City National Bank’s secured interest in Debtor’s Real Property.

23 (d) **“Allowed Class 3 Unsecured Deficiency Claim”** term shall mean the  
24 allowed unsecured portion of the claim of City National Bank, in accordance with 11 U.S.C. §506,  
25 which shall be in the amount of \$4,128,020.58.

26 (e) **“Allowed Class 4 Priority Unsecured Claim”** This term shall mean the  
27 allowed priority claim of the Washoe County Treasurer, in accordance with 11 U.S.C. §506, which  
28 shall be in the amount of \$7,454.95.

1 (f) **“Bankruptcy Case.”** This term shall mean the pending Chapter 11 case  
2 entitled NORTHGATE PROPERTIES, INC., Case No. BK-N-11-50451-BTB.

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

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

8 (i) **“Claim.”** This term means any right to payment, whether or not such right  
9 is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed,  
10 undisputed, legal, equitable, secured or unsecured; or any right to an equitable remedy for breach  
11 of performance, if such breach gives rise to a right to payment, whether or not such right to an  
12 equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed,  
13 undisputed, secured or unsecured.

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

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

20 (l) **“Debtor.”** The term Debtor means NORTHGATE PROPERTIES, INC., the  
21 Chapter 11 Debtor in Case No. BK-N-11-50451-BTB.

22 (m) **“Debtor’s Real Property.”** The term Debtor’s Real Property shall mean the  
23 172.18 unimproved acres of real property owned by the Debtor in Washoe County, Nevada,  
24 identified by the Washoe County Assessor as Assessor’s Parcel Numbers 008-160-17; 081-160-18;  
25 081-160-19; and 081-160-28.

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

28 (o) **“Effective Date.”** This term shall mean the date which is the first day of the

1 first month at least thirty (30) days following the Confirmation Date.

2 (p) **“Net Operating Profit.”** This term shall mean the difference between the  
3 Reorganized Debtor’s rental and other income from operation of its senior housing project and the  
4 Reorganized Debtor’s expenses including debt service, operational and business expenses, taxes,  
5 insurance and all other expenditures necessary to maintain, develop and grow Debtor’s senior  
6 housing project.

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

11 (q) **“Petition Filing Date.”** This term shall refer to February 14, 2011, the date  
12 on which Debtor filed their voluntary petition commencing the above-captioned Chapter 11 case.

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

15 (s) **“Plan Term.”** This term shall mean a period of sixty (60) months beginning  
16 on the Effective Date.

17 (t) **“Post Confirmation.”** This term shall mean the period of time after the  
18 Confirmation Date.

19 (u) **“Priority Claims.”** This term shall refer to professional fees incurred by the  
20 Debtor in connection with this Case. Debtor believes that, except for attorney’s fees, there will be  
21 no Class 1 Priority Claims against the Debtor at the time of confirmation. Debtor estimates that  
22 their unpaid attorney’s fees, through the confirmation hearing, will be approximately \$25,000.00.

23 (v) **“Reorganized Debtor.”** This term means NORTHGATE PROPERTIES,  
24 INC. following the Confirmation Date.

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

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



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

2             **2.1     Description and History of the Debtor**

3             The Debtor is a closely Nevada corporation, with seven (7) total shareholders. The largest  
4 shareholder is Mr. Mark Kubinski, who owns 41.5% of the Debtor and also serves as the Debtor's  
5 President. Mr. Kubinski has several decades of experience in entitlement, management and  
6 development of land, including residential and commercial properties. Mr. Kubinski is based in  
7 Reno, Nevada and has focused his development ventures in the Reno-Tahoe region for the past 20-  
8 years. His experience includes complex land acquisitions and assemblage, successfully working  
9 through difficult entitlement processes, as well as constructing and managing complex properties.

10            The Debtor is the fee simple owner of Debtor's Real Property, which consists of 172.18  
11 unimproved acres of real property in Washoe County, Nevada, identified by the Washoe County  
12 Assessor as Assessor's Parcel Numbers 008-160-17; 081-160-18; 081-160-19; and 081-160-28.  
13 Debtor acquired Debtor's Real Property for the purpose of developing and constructing a 200,000  
14 square-foot, 200-unit full service senior housing project.

15            **2.2     Events Leading to Chapter 11 Filing**

16            Debtor's Chapter 11 filing was in part a result of the well documented nationwide  
17 economic recession and the related real estate market collapse. These events had two major  
18 impacts on the Debtor. First, the value of Debtor's Real Property was decimated. Secondly, all  
19 conventional and alternative financing sources literally evaporated, leaving Debtor unable to  
20 obtain the loans necessary to develop Debtor's Real Property.

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

22             **3.1     Meeting of Creditors**

23             The Debtor's meeting of creditors pursuant to 11 U.S.C. §341 was concluded on March 14,  
24 2011.

25             **3.2     Schedules and Statement of Affairs**

26             The Debtor filed their schedule of assets and liabilities and statement of financial affairs on  
27 February 14, 2011. Those schedules and statements may be viewed online at  
28 [www.nvb.uscourts.gov](http://www.nvb.uscourts.gov) or may be obtained from the Bankruptcy Clerk for a fee.

1           **3.3 Monthly Operating Reports**

2           Monthly operating reports reflecting the Debtor's ongoing financial status are filed with the  
3 United States Bankruptcy Court and can be viewed online at www.nvb.uscourts.gov. The Debtor's  
4 most recent Monthly Operating Report is attached hereto as Exhibit 2.

5           **3.4 Employment of General Counsel**

6           On March 3, 2011, Debtor filed an application to employ Kevin A Darby, Esq., as general  
7 counsel for the Debtor, which was granted by order of the Court on April 1, 2011.

8           **3.5 Creditors Committee**

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

10          **4. DESCRIPTION OF ASSETS**

11           **4.1 Description of Real Property**

12           Debtor owns 172.18 unimproved acres of real property in Washoe County, Nevada,  
13 identified by the Washoe County Assessor as Assessor's Parcel Numbers 008-160-17; 081-160-18;  
14 081-160-19; and 081-160-28. This land is situated in the north-western portion of Reno, Nevada.

15           **4.2 Description of Personal Property**

16           The Debtor personal property consists of the following:

Description	Fair Market Value
Cash On Hand, Including Bank Accounts	\$849.00
<b><u>TOTAL</u></b>	<b><u>\$849.00</u></b>

21  
22          **5. DESCRIPTION OF DEBTS**

23           **5.1 Administrative Claims**

24           (A) Attorneys Fees/Kevin A Darby, Esq. The Debtor will be obligated to pay attorneys  
25 fees and costs to Darby Law Practice, Ltd. in connection with this case. Through Plan  
26 confirmation, Debtor estimate those fees and costs that will be \$20,000.00, but the final amount is  
27 subject to change.

28           (B) U.S. Trustee Fees. All fees required to be paid to the United States Trustee will be

1 paid in full upon the Effective Date of the Debtor's Plan. U.S. Trustee fees due in this case have  
2 been paid.

### 3 5.2 Priority Claims

4 (A) Internal Revenue Service. The Debtor believes it is current on all of its Federal  
5 Income Tax obligations.

6 (B) Washoe County Assessor. Debtor may owe the Washoe County Assessor  
7 approximately \$7,454.95 in real property taxes.

### 8 5.3 Secured Claims

9 CREDITOR	NATURE OF LIEN	SECURED CLAIM
10 City National Bank	11 First Mortgage Lien against Debtor's Real Property	\$4,838,020.58
12 <b>TOTAL</b>		13 <b>\$4,838,020.58</b>

### 14 5.4 Unsecured Claims

15 The Debtor has scheduled the following unsecured claims:

16 Creditor	17 Est. Amount of Claim
18 KLS Planning & Design	\$150,000.00
19 Kurt Heinrichson	\$200,000.00
20 Mark Kubinski	\$800,000.00
21 Reno Engineering Corp.	\$2,000.00
22 Ward Young Architects	\$2,375.87
23 <b>Total Unsecured Claims</b>	24 <b>\$1,154,375.87</b>

### 25 5.5 Claims Deadline

26 In accordance with the Bankruptcy Court's Notice of Chapter 11 Bankruptcy Case,  
27 Meeting of Creditors, & Deadlines filed on February 14, 2011, the deadline for filing a proof of  
28 claim for all creditors in this action is June 21, 2011, and September 21, 2011 for governmental

1 agencies.

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

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

Other Parties to Lease or Contract	Description of Contract or Lease
NONE	NONE

5  
6  
7  
8 The Debtor will be conclusively deemed to have rejected all executory contracts and/or  
9 unexpired leases not expressly assumed under section 6.01(a) above, or before the date of the order  
10 confirming this Plan, upon the date of the entry of the order confirming this Plan. A proof of a  
11 claim arising from the rejection of an executory contract or unexpired lease under this section must  
12 be filed no later than thirty (30) days after the date of the order confirming this Plan.

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

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

16 **8. SUMMARY OF PLAN OF REORGANIZATION**

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

25 **8.1 Classification and Treatment of Claims**

26 The Plan designates five (5) classes of claims. Those classes take into account the differing  
27 nature and priority of the various classified claims under the Bankruptcy Code. The following  
28 table briefly summarizes the classification and treatment of all Claims under the Plan and the

1 consideration distributable on account of such Claims under the Plan. The information set forth in  
 2 the following table is for convenience of reference only, and each holder of a Claim should refer to  
 3 the Plan for a full understanding of the classification and treatment of Claims provided for under  
 4 the Plan. Claims will receive designated treatment within a Class only to the extent Allowed within  
 5 that class. The Claim allowance procedure is an ongoing process and the actual amount of the  
 6 Allowed Claims may vary from the estimates. For a complete description of the risks associated  
 7 with the recoveries provided under the Plan, see Section 11 of the Plan, entitled “Certain Risk  
 8 Factors To Be Considered.”

CLASS	CLAIMS	SUMMARY OF TREATMENT
Class 1	Priority Claims	Claims paid in full on Effective Date
Class 2	City National Bank (Secured Claim)	Claim paid in full on or before December 31, 2016.
Class 3	City National Bank (Unsecured Claim)	Claim paid in full on or before December 31, 2016.
Class 4	Washoe County Treasurer	Claim paid in full within 120-day after Effective Date
Class 5	General Unsecured Creditors	Claim paid in full on or before December 31, 2016.
Class 10	Shareholders of the Debtor	See Section 8.2 below
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

## 8.2 Treatment of Claims And Interests.

### (A) Administrative Claims

26 Except as provided in section 8.2(c)(i), Claims arising during the administration of the  
 27 Debtor’s Chapter 11 case and entitled to priority under Section 507(a)(1) of the Bankruptcy Code  
 28 are not classified under the Plan. Except as otherwise provided in the Plan, holders of such claims  
 shall be paid in full on the latter of the Effective Date, or fifteen (15) days after entry of an order

1 creating an Allowed Administrative Claim, unless holders of a claim agree to alternative treatment.

2 **(B) Unclassified Priority Claims**

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

8 **(C) Classified Claims**

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

13 **(i) Class 1 (PRIORITY CLAIMS)**

14 Each holder of a Class 1 Priority Claim will be paid in full from the Debtor's Monthly Net  
15 Profit, as detailed in Section 8.3, below. The Allowed Class 1 Priority Claims shall receive  
16 monthly disbursements from the Debtor's Monthly Net Profit, commencing on the later of the fifth  
17 (5<sup>th</sup>) day of the first (1<sup>st</sup>) month following the Effective Date of the Plan, until each Class 1 claim is  
18 paid in full without interest. Debtor believes that, except for attorney's fees, there will be no Class  
19 1 Priority Claims against the Debtor at the time of confirmation. Debtor estimates that their unpaid  
20 attorney's fees, through the confirmation hearing, will be approximately \$20,000.00.

21 **(ii) Class 2 (CITY NATIONAL BANK) Allowed Secured Claim**

22 The Class 2 claim is **impaired** by this Plan and shall be treated under the Plan as follows:

23 **(A) Treatment of Allowed Class 2 Secured Claim**

24 The Allowed Class 2 Secured Claim shall retain its lien against Debtor's Real Property and  
25 shall be paid in full on or before December 31, 2016. In the interim, the Allowed Class 2 Secured  
26 Claim shall bear interest at a rate of four and one-half percent (4.5%) per annum. Commencing on  
27 the fifth (5<sup>th</sup>) day of the first (1<sup>st</sup>) month following the Effective Date of this Plan, and continuing  
28 on the fifth (5<sup>th</sup>) day of each and every month thereafter until the Allowed Class 2 Secured Claim

1 is paid in full, Debtor shall make monthly interest only payments to the Class 2 claimholder, which  
2 shall be in the amount of \$2,662.50 per month. Debtor may pay the outstanding balance of the  
3 Allowed Class 2 Secured Claim at any time prior to December 31, 2016, without pre-payment  
4 penalty.

5 (B) Loan Documents Remain In Limited Effect

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

10 (C) Plan Default

11 In the event of a default by the Debtor under the Plan, and in the event Debtor fail to cure  
12 such default within fifteen (15) business days after delivery of notice to the Debtor and to Debtor'  
13 counsel, the Class 2 claimholder shall be entitled to enforce all of the terms of the Class 2 Loan  
14 Documents, in addition to all rights available under Nevada law, including, without limitation,  
15 repossession of its collateral and the opportunity to credit bid the entire amount the Allowed Class  
16 2 Secured Claim at any foreclosure sale.

17 (iii) **Class 3 (CITY NATIONAL BANK) Allowed Unsecured Deficiency Claim**

18 The Class 3 Claim of City National Bank, is **impaired** shall be treated under the Plan as  
19 follows:

20 (A) Treatment of Allowed Class 3 Unsecured Deficiency Claim

21 The Allowed Class 3 Unsecured Deficiency Claim shall be paid in full on or before  
22 December 31, 2016. In the interim, the Allowed Class 3 Unsecured Deficiency Claim shall  
23 receive quarterly distributions of twenty-five percent (25%) of the Debtor's Net Operating Profit,  
24 as further detailed Section 7.1., below. Debtor may pay the outstanding balance of the Allowed  
25 Class 3 Unsecured Deficiency Claim at any time prior to December 31, 2016, without pre-payment  
26 penalty.

27 ///

28 ///

1                   **(iv) Class 4 (WASHOE COUNTY TREASURER)**

2                   The Allowed Class 4 Priority Unsecured Claim of the Washoe County treasurer is  
3 **impaired**, but will be paid in full within one hundred and twenty (120) days of the Effective Date  
4 of this Plan without further interest or penalty.

5                   **(v) Class 5 (UNSECURED CREDITORS)**

6                   The Allowed Class 5 Unsecured Creditors shall be paid in full. After the payment in full of  
7 the Class 3 Allowed Unsecured Deficiency Claim, Debtor shall commence disbursements of  
8 twenty-five percent (25%) of the Debtor's Net Operating Profit, as further detailed Section 7.1.,  
9 below, to Class 5 Unsecured Creditors until paid in full.

10                   **(vi) Class 6 (SHAREHOLDERS OF THE DEBTOR)**

11                   All shareholders of the Debtor shall retain their equity interest in the Debtor, but shall  
12 receive no disbursements of profit until Classes 1 through 5 are paid in full.

13                   **8.3 Means of Implementing and Funding the Plan**

14                   **(i) Zoning, Entitlements and Architectural Drawings**

15                   Debtor will obtain capital contributions from shareholders, or third party loans, to complete  
16 the process of re-zoning and entitling the Debtor's Real Property for multi-unit senior housing  
17 project. It is estimated that Debtor will need \$50,000.00 to complete the re-zoning and entitlement  
18 process.

19                   In addition, Debtor will also obtain capital contributions from shareholders, or third party  
20 loans, for the costs of obtaining complete architectural drawings for a 200-unit, 200,000 square  
21 foot senior housing project on the Debtor's Real Property. It is estimated that this will cost a total  
22 of \$300,000.00 to complete.

23                   Debtor estimates that it will take approximately 1-year from the Effective Date of this Plan  
24 to complete the required re-zoning, entitlements and architectural drawings. Debtors further  
25 estimates that upon completion of the required re-zoning, entitlements and architectural drawings,  
26 the Debtor's Real Property will be worth between \$50,000 and \$70,000 per acre, for a total value  
27 of between \$8,609,000 and \$12,052,600.

28                   ///



1                   (ii)     **Construction of 200,000 Square Foot/200-Unit Senior Housing Project**

2                   Upon obtaining a commitment for construction financing, Debtor shall commence  
3 construction of a 200,000 square foot, 200-unit full service senior housing project. Debtor  
4 estimates that it will cost approximately \$30,000,000 to construct this project and will take  
5 approximately 18-months to complete.

6                   (iii)    **Funding The Plan**

7                   Payments to creditors under this Plan shall be funded from the following sources:

8                               (a) **Capital Contributions From Shareholders**

9                   Until Debtor commences operations of its fully constructed full service senior housing  
10 project, Debtor's Shareholders shall make capital contributions to the Reorganized Debtor to  
11 enable the Debtor to make the required monthly interest payments to Class 2 under this Plan. In  
12 addition, to extent necessary, Debtor's Shareholders will also make capital contributions to allow  
13 the Debtor to complete the rezoning and entitlement process for the Debtor's Real Property, as  
14 discussed in Section 7.1, above.

15                               (b) **Third Party Financing**

16                   Debtor shall obtain third-party financing to fund this Plan. Initially, Debtor may borrow as  
17 much as \$350,000 to compete the rezoning, entitlement and architectural drawing process detailed  
18 in Section 7.1, above.

19                   Thereafter, Debtor shall obtain construction financing of as much as \$30,000,000 to  
20 commence and complete construction of its senior housing project. Debtor's first priority will be to  
21 seek HUD/FHA Section 232 financing. Section 232 is an FHA-insured loan product that covers  
22 housing for elderly in need of supportive services, nursing homes and assisted living facilities.  
23 Section 232 may be used to finance the purchase, refinance, new construction, or substantial  
24 rehabilitation of a project. A combination of these uses is also acceptable.

25                               (c) **Marketing and Operation of Senior Housing Project**

26                   Upon completing construction of the Debtor's senior housing project, Debtor shall  
27 commence the operation and marketing of its senior housing project. Debtor's 200 full service  
28 senior housing units will be rented for an average of \$4,000 per month. Debtor estimates that it

1 will take between 18 and 24 months to fully stabilize and maintain a 95% occupancy rate. Debtor  
2 estimates this will produce annual gross revenues of \$9,120,000. Upon full occupancy  
3 stabilization, Debtor estimates the total value of Debtor's Real Property shall be \$60,000,000.

4 Once Debtor begins profitably operating its senior housing project, Debtor shall contribute  
5 25% of the Net Operating Profits to Class 3, until Class 3 is paid in full. In addition, Debtor shall  
6 contribute 25% of the Net Operating Profits to Class 4, until Class 4 is paid in full. The remaining  
7 50% of the Debtor's Net Operating Profits shall be retained by the Debtor to operate its business.

8 **(iv) Revesting of Assets in the Debtor**

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

12 **(v) Disbursing Agent**

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

16 **(vi) Request for Application of 11 U.S.C. § 1129(b)**

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

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

21 The Debtor intends to continue with their current management structure to manage their  
22 financial affairs on a day-to-day basis after the confirmation of the Plan. However, Debtor reserve  
23 the right to employ management professionals as the Debtor deems advisable following the  
24 Confirmation Date.

25 **10. ALTERNATIVES TO THE PLAN**

26 The Debtor believes that the Plan provides its creditors with the earliest and greatest  
27 possible value that can be realized on their claims. Under § 1121 of the Bankruptcy Code, the  
28 Debtor has the exclusive right to file a plan of reorganization during the first 120 days after

1 commencement of its Chapter 11 case, or as otherwise extended by the Court. The Plan was filed  
2 within such 120 day period. In addition, if the Plan is not accepted, other parties in interest may  
3 have an opportunity to file an alternative plan of reorganization. Alternatively, a liquidation of the  
4 Debtor's assets could be conducted as described in Section 13 of this Disclosure Statement. For the  
5 reasons described in that section, Debtor believes that the distribution to each impaired class under  
6 the Plan will be greater and earlier than distributions that might be received in a Chapter 7  
7 liquidation of the Debtor's assets.

## 8 **11. CERTAIN RISKS TO BE CONSIDERED**

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

### 17 **11.1 Risk of Non-Confirmation of the Plan**

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

## 11.2 Non-Consensual Confirmation

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

## 11.3 Tax Consequences of the Plan

9 The Debtor believes that there are no federal income tax consequences peculiar to its Plan.  
10 EACH HOLDER OF A CLAIM IS STRONGLY URGED TO CONSULT WITH HIS/HER TAX  
11 ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX  
12 CONSEQUENCES TO HIM/HER OF THE PLAN.  
13

## 11.4 Estimated Amounts

14 The valuations provided on the Debtor's schedules were based on the estimates of the  
15 Debtor, based on knowledge of the real estate market. Those estimates are a reflection of the  
16 Debtor's best subjective valuation at the time. In light of the current wide-range volatility of the  
17 commercial real estate market, it is difficult to predict what the values will be at the time of any  
18 sale of Debtor's assets. Furthermore, the liquidation value of real property is generally far below  
19 fair market value, further compounding the ability to accurately determine the value of the  
20 Debtor's assets. In light of the volatile real estate market, declining values and the discounted  
21 value for a liquidation sale, all creditors and parties in interest should be aware that the amounts  
22 received for the sale of the Debtor's real property assets could significantly vary the values listed  
23 on the Debtor's schedules and the estimates provided in the Plan and this Disclosure Statement.  
24

## 11.5 Liquidation Analysis

25 Should the Debtor be forced to terminate its business operations or convert its case to  
26 Chapter 7 and have a trustee conduct the liquidation of its assets, Debtor estimates that such a  
27 liquidation may result in payment only to certain secured creditors. If secured creditors are  
28

1 permitted to conduct a foreclosure sale of their respective collateral, junior lien claimants, the  
 2 Internal Revenue Service and unsecured creditors will receive no payment on their claims. The  
 3 Debtor believes the value of its property can only be enhanced by Debtor's continued operation.

4 Below is Debtor's estimated analysis and projected return to creditors upon a liquidation.

5 ASSETS:

6	Real Property	\$700,000.00
7	Cash	\$ 800.00

8 TOTAL ASSETS: \$700,800.00

9 LIABILITIES:

10	Secured Claims on Property	\$4,838,020.58
	Priority Claims	\$ 7,500.00
11	Costs of Liquidation (@ 10%)	\$ 70,000.00

12 TOTAL CLAIMS IN PRIORITY OVER UNSECURED CREDITORS \$4,915,520.58

13 TOTAL ESTIMATED FUNDS AVAILABLE: \$0.00

14 PERCENTAGE AVAILABLE TO UNSECURED  
 15 CREDITORS UPON LIQUIDATION: **0.0%\***

16 *(Estimated distribution to general unsecured creditors under Debtor's Chapter 11 Plan is 100%)*

17 **12. CONFIRMATION OF THE PLAN**

18 **12.1 Confirmation Requirements and Procedures**

19 To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the  
 20 Code. These include the requirements that: the Plan must be proposed in good faith; at least one  
 21 impaired class of claims must accept the plan, without counting votes of insiders; the Plan must  
 22 distribute to each creditor and equity interest holder at least as much as the creditor or equity  
 23 interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest  
 24 holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only  
 25 requirements listed in § 1129, and they are not the only requirements for confirmation.

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

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

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A

1 creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or  
2 equity interest holder has a claim or equity interest that is both: (1) allowed or allowed for voting  
3 purposes; and (2) impaired.

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

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

9 Only a creditor or equity interest holder with an allowed claim or an allowed equity interest  
10 has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the  
11 Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as  
12 disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim or equity  
13 interest, unless an objection has been filed to such proof of claim or equity interest. When a claim  
14 or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity  
15 interest cannot vote unless the Court, after notice and hearing, either overrules the objection or  
16 allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal  
17 Rules of Bankruptcy Procedure.

18 ***The deadline for filing a proof of claim in this case is June 21, 2011.***

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

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

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

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

- 27 • holders of claims and equity interests that have been disallowed by an order of the  
28 Court;

- 1 • holders of other claims or equity interests that are not "allowed claims" or "allowed
- 2 equity interests" (as discussed above), unless they have been "allowed" for voting
- 3 purposes.
- 4 • holders of claims or equity interests in unimpaired classes;
- 5 • holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the
- 6 Code;
- 7 • holders of claims in classes that do not receive or retain value under the Plan; and
- 8 • administrative expenses.

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

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

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

15 **12.2 Votes Necessary to Confirm the Plan**

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

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

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

27 **B. Treatment of Nonaccepting Classes**

28 Even if one or more impaired classes reject the Plan, the Court may still confirm the Plan if

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

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

### 9 **12.3 Liquidation Analysis**

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

### 14 **12.4. Feasibility**

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

#### 18 **A. Ability to Initially Fund Plan**

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

#### 21 **B. Ability to Make Future Plan Payments And Operate Without Further** 22 **Reorganization**

23 The Plan Proponent must also show that it will have enough cash over the life of the Plan  
24 to make the required Plan payments.

### 25 **12.5 Objections to Confirmation of the Plan.**

26 Section 1128(b) provides that any party-in-interest may object to confirmation of a plan.  
27 Any objections to confirmation of the Plan must be in writing, must state with specificity the  
28 grounds for any such objections and must be filed with the Bankruptcy Court and served upon the



1 following parties so as to be received on or before the time fixed by the Bankruptcy Court:

2 Counsel for Debtor:

3 **Darby Law Practice, Ltd.**  
4 **Kevin A. Darby, Esq.**  
5 **4777 Caughlin Parkway**  
6 **Reno, Nevada 89519**  
7 **Facsimile: 775.996.7290**  
8 **Email: kevin@darbylawpractice.com**

9 **13. DISCHARGE OF DEBTOR**

10 Confirmation of the Plan does not discharge any debt provided for in the Plan until the  
11 court grants a discharge on completion of all required payments to unsecured creditors under the  
12 Plan, or as otherwise provided in § 1141(d)(5) of the Code. Debtor will not be discharged from  
13 any debt excepted from discharge under § 523 of the Code, except as provided in Rule 4007(c) of  
14 the Federal Rules of Bankruptcy Procedure.

15 DATED this 15<sup>th</sup> day of May, 2011.

16 DARBY LAW PRACTICE, LTD.

17 */s/ Kevin A. Darby*

18 By: \_\_\_\_\_  
19 KEVIN A. DARBY, ESQ. (#7670)  
20 TRICIA M. DARBY, ESQ. (#7956)  
21 Counsel For Debtor  
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**EXHIBIT 1**

**EXHIBIT 1**

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Counsel for Debtor

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NEVADA**

In re:

NORTHGATE PROPERTIES, INC.,

Debtor.

CASE NO. BK-N-11-50451-btb  
Chapter 11

Hearing Time: tbd  
Hearing Time: tbd

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**CHAPTER 11 PLAN OF REORGANIZATION**  
**for**  
**NORTHGATE PROPERTIES, INC.**

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1 **1. INTRODUCTION**

2 This Plan of Reorganization (the "Plan") under chapter 11 of the United States  
3 Bankruptcy Code proposes to pay creditors of NORTHGATE PROPERTIES, INC. from net  
4 cash flow from future income from the operation of his business.

5 This Plan provides for one (1) class of secured claims, (1) class of unsecured deficiency  
6 claims, one (1) class of priority unsecured claims, and one (1) class of general unsecured claims.  
7 This Plan also provides for the payment of administrative and priority claims. Unsecured  
8 creditors holding allowed claims will be paid in full, i.e. one hundred percent (100%). On the  
9 other hand, in a liquidation case under Chapter 7 unsecured creditors would receive nothing, i.e.  
10 zero percent (0%).

11 All creditors should refer to Sections 3-6 of this Plan for information regarding the  
12 precise treatment of their claim. A disclosure statement that provides more detailed information  
13 regarding this Plan and the rights of creditors and equity security holders has been circulated  
14 with this Plan. **Your rights may be affected. You should read these papers carefully and**  
15 **discuss them with your attorney, if you have one. If you do not have an attorney, you may**  
16 **wish to consult one.**

17 **2. DEFINITIONS**

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

24 (a) **“Administrative Claims.”** Claims arising during the administration  
25 Debtor’s Chapter 11 case entitled to priority under Section 507(a)(1) of the Bankruptcy Code. As  
26 required by the Bankruptcy Code, holders of such Allowed Administrative Claims against  
27 Debtor shall receive cash in the amount of such allowed claim on the Effective Date.

28 (b) **“Allowed Claim.”** This term will refer to and mean every claim: (i) as to

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

12 (c) **“Allowed Class 2 Secured Claim”** This term shall mean the allowed  
13 secured portion of the claim of City National Bank, in accordance with 11 U.S.C. §506, which  
14 shall be in the amount of \$710,000.00, or such other amount that is established to be the value of  
15 City National Bank's secured interest in Debtor's Real Property.

16 (d) **“Allowed Class 3 Unsecured Deficiency Claim”** term shall mean the  
17 allowed unsecured portion of the claim of City National Bank, in accordance with 11 U.S.C.  
18 §506, which shall be in the amount of \$4,128,020.58.

19 (e) **“Allowed Class 4 Priority Unsecured Claim”** This term shall mean the  
20 allowed priority claim of the Washoe County Treasurer, in accordance with 11 U.S.C. §506,  
21 which shall be in the amount of \$7,454.95.

22 (f) **“Bankruptcy Case.”** This term shall mean the pending Chapter 11 case  
23 entitled NORTHGATE PROPERTIES, INC., Case No. BK-N-11-50451-BTB.

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

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

1 cases.

2 (i) **“Claim.”** This term means any right to payment, whether or not such right  
3 is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured,  
4 disputed, undisputed, legal, equitable, secured or unsecured; or any right to an equitable remedy  
5 for breach of performance, if such breach gives rise to a right to payment, whether or not such  
6 right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured,  
7 disputed, undisputed, secured or unsecured.

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

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

14 (l) **“Debtor.”** The term Debtor means NORTHGATE PROPERTIES, INC.,  
15 the Chapter 11 Debtor in Case No. BK-N-11-50451-BTB.

16 (m) **“Debtor’s Real Property.”** The term Debtor’s Real Property shall mean  
17 the 172.18 unimproved acres of real property owned by the Debtor in Washoe County, Nevada,  
18 identified by the Washoe County Assessor as Assessor’s Parcel Numbers 008-160-17; 081-160-  
19 18; 081-160-19; and 081-160-28.

20 (n) **“Disclosure Statement.”** Disclosure Statement means this Disclosure  
21 Statement filed by the Debtor, as amended, and as approved by the Bankruptcy Court.

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

24 (p) **“Net Operating Profit.”** This term shall mean the difference between the  
25 Reorganized Debtor’s rental and other income from operation of its senior housing project and  
26 the Reorganized Debtor’s expenses including debt service, operational and business expenses,  
27 taxes, insurance and all other expenditures necessary to maintain, develop and grow Debtor’s  
28 senior housing project.



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

5 (q) **“Petition Filing Date.”** This term shall refer to February 14, 2011, the  
6 date on which Debtor filed their voluntary petition commencing the above-captioned Chapter 11  
7 case.

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

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

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

14 (u) **“Priority Claims.”** This term shall refer to professional fees incurred by  
15 the Debtor in connection with this Case. Debtor believes that, except for attorney’s fees, there  
16 will be no Class 1 Priority Claims against the Debtor at the time of confirmation. Debtor  
17 estimates that their unpaid attorney’s fees, through the confirmation hearing, will be  
18 approximately \$25,000.00.

19 (v) **“Reorganized Debtor.”** This term means NORTHGATE PROPERTIES,  
20 INC. following the Confirmation Date.

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

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

25 **3. CLAIMS AND INTERESTS**

26 Pursuant to Section 1122 of the Bankruptcy Code, set forth below is a designation of  
27 classes of Claims and Interests. Administrative Claims and Priority Claims of the kinds specified  
28 in Sections 507(a)(1) and 507(a)(8) of the Bankruptcy Code have not been classified and are

1 excluded from the following classes in accordance with Section 1123(a)(1) of the Bankruptcy  
2 Code.

- 3 3.1 Class 1. All allowed claims entitled to priority under § 507 of the Code,  
4 including professional fees for Debtor's Counsel in this case.
- 5 3.2 Class 2. The claim of CITY NATIONAL BANK, to the extent allowed as a  
6 secured claim under § 506 of the Code.
- 7 3.3 Class 3. The claim of CITY NATIONAL BANK, to the extent allowed as  
8 an unsecured claim under § 506 of the Code.
- 9 3.4 Class 4. The claim of the WASHOE COUNTY TREASURER, to the  
10 extent allowed as a priority unsecured claim under § 507 of the  
11 Code.
- 12 3.5 Class 5. All general unsecured claims allowed under § 502 of the Code.
- 13 3.6 Class 6. The interests of the shareholders of Debtor.

14 **4. TREATMENT OF CLAIMS AND INTERESTS.**

15 **4.1 Class 1 (PRIORITY CLAIMS)**

16 Each holder of a Class 1 Priority Claim will be paid in full on Effective Date of this Plan.  
17 Debtor believes that, except for attorney's fees, there will be no Class 1 Priority Claims against  
18 the Debtor at the time of confirmation. Debtor estimates that their unpaid attorney's fees,  
19 through the confirmation hearing, will be approximately \$20,000.00.

20 **4.2 Class 2 (CITY NATIONAL BANK) Allowed Secured Claim**

21 The Class 2 claim is **impaired** by this Plan and shall be treated under the Plan as follows:

22 (A) Treatment of Allowed Class 2 Secured Claim

23 The Allowed Class 2 Secured Claim shall retain its lien against Debtor's Real Property  
24 and shall be paid in full on or before December 31, 2016. In the interim, the Allowed Class 2  
25 Secured Claim shall bear interest at a rate of four and one-half percent (4.5%) per annum.  
26 Commencing on the fifth (5<sup>th</sup>) day of the first (1<sup>st</sup>) month following the Effective Date of this  
27 Plan, and continuing on the fifth (5<sup>th</sup>) day of each and every month thereafter until the Allowed  
28 Class 2 Secured Claim is paid in full, Debtor shall make monthly interest only payments to the  
Class 2 claimholder, which shall be in the amount of \$2,662.50 per month. Debtor may pay the

1 outstanding balance of the Allowed Class 2 Secured Claim at any time prior to December 31,  
2 2016, without pre-payment penalty.

3 (B) Loan Documents Remain In Limited Effect

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

8 (C) Plan Default

9 In the event of a default by the Debtor under the Plan, and in the event Debtor fail to cure  
10 such default within fifteen (15) business days after delivery of notice to the Debtor and to  
11 Debtor' counsel, the Class 2 claimholder shall be entitled to enforce all of the terms of the Class  
12 2 Loan Documents, in addition to all rights available under Nevada law, including, without  
13 limitation, repossession of its collateral and the opportunity to credit bid the entire amount the  
14 Allowed Class 2 Secured Claim at any foreclosure sale.

15 **4.3 Class 3 (CITY NATIONAL BANK) Allowed Unsecured Deficiency Claim**

16 The Class 3 Claim of City National Bank, is **impaired** shall be treated under the Plan as  
17 follows:

18 (A) Treatment of Allowed Class 3 Unsecured Deficiency Claim

19 The Allowed Class 3 Unsecured Deficiency Claim shall be paid in full on or before  
20 December 31, 2016. In the interim, the Allowed Class 3 Unsecured Deficiency Claim shall  
21 receive quarterly distributions of twenty-five percent (25%) of the Debtor's Net Operating Profit,  
22 as further detailed Section 7.1., below. Debtor may pay the outstanding balance of the Allowed  
23 Class 3 Unsecured Deficiency Claim at any time prior to December 31, 2016, without pre-  
24 payment penalty.

25 **4.4 Class 4 (WASHOE COUNTY TREASURER)**

26 The Allowed Class 4 Priority Unsecured Claim of the Washoe County treasurer is  
27 **impaired**, but will be paid in full within one hundred and twenty (120) days of the Effective  
28 Date of this Plan without further interest or penalty.

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**4.5 Class 5 (UNSECURED CREDITORS)**

The Allowed Class 5 Unsecured Creditors shall be paid in full. After the payment in full of the Class 3 Allowed Unsecured Deficiency Claim, Debtor shall commence disbursements of twenty-five percent (25%) of the Debtor’s Net Operating Profit, as further detailed Section 7.1., below, to Class 5 Unsecured Creditors until paid in full.

**4.6 Class 6 (SHAREHOLDERS OF THE DEBTOR)**

All shareholders of the Debtor shall retain their equity interest in the Debtor, but shall receive no disbursements of profit until Classes 1 through 5 are paid in full.

**5. TREATMENT OF UNCLASSIFIED CLAIMS; DISPUTED CLAIMS**

5.1 Unclassified Claims. Under section §1123(a)(1), administrative expense claims, and priority tax claims are not in classes.

5.2 Administrative Expense Claims. Except as otherwise provided herein, all administrative expense claimholders allowed under § 503 of the Code will be paid in full on the Effective Date of this Plan (as defined in Art. VII).

5.3 Priority Tax Claims. Except as otherwise provided in Section IV, below, each holder of a priority tax claim will be paid in full on the effective date of this Plan (as defined in Article VII), in cash, or upon such other terms as may be agreed upon by the holder of the claim and the Debtor.

5.4 United States Trustee Fees. All fees required to be paid by 28 U.S.C. §1930(a)(6) (U.S. Trustee Fees) will accrue and be timely paid until the case is closed, dismissed, or converted to another chapter of the Code. Any U.S. Trustee Fees owed on or before the effective date of this Plan will be paid on the effective date.

5.5 Disputed Claim. A disputed claim is a claim that has not been allowed or disallowed by a final non-appealable order, and as to which either: (i) a proof of claim has been filed or deemed filed, and the Debtor or another party in interest has filed an objection; or (ii) no proof of claim has been filed, and the Debtor has scheduled such claim as disputed, contingent, or unliquidated.

1           5.6    Delay of Distribution on a Disputed Claim. No distribution will be made on  
2 account of a disputed claim unless such claim is allowed by a final non-appealable order.

3           5.7    Settlement of Disputed Claims. The Debtor will have the power and authority to  
4 settle and compromise a disputed claim with court approval and compliance with Rule 9019 of  
5 the Federal Rules of Bankruptcy Procedure.

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

7           6.1    Assumed Executory Contracts and Unexpired Leases.

8                   (a)    The Debtor assumes the following executory contracts and/or unexpired  
9 leases effective upon the date of the entry of the order confirming this Plan:

<b>Other Parties to Lease or Contract</b>	<b>Description of Contract or Lease</b>
NONE	NONE

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

20       **7.       MEANS OF IMPLEMENTING AND FUNDING THE PLAN**

21           **7.1    Zoning, Entitlements and Architectural Drawings**

22           Debtor will obtain capital contributions from shareholders, or third party loans, to  
23 complete the process of re-zoning and entitling the Debtor’s Real Property for multi-unit senior  
24 housing project. It is estimated that Debtor will need \$50,000.00 to complete the re-zoning and  
25 entitlement process.

26           In addition, Debtor will also obtain capital contributions from shareholders, or third party  
27 loans, for the costs of obtaining complete architectural drawings for a 200-unit, 200,000 square  
28

1 foot senior housing project on the Debtor's Real Property. It is estimated that this will cost a  
2 total of \$300,000.00 to complete.

3 Debtor estimates that it will take approximately 1-year from the Effective Date of this  
4 Plan to complete the required re-zoning, entitlements and architectural drawings. Debtors further  
5 estimates that upon completion of the required re-zoning, entitlements and architectural  
6 drawings, the Debtor's Real Property will be worth between \$50,000 and \$70,000 per acre, for a  
7 total value of between \$8,609,000 and \$12,052,600.

### 8 **7.2 Construction of 200,000 Square Foot/200-Unit Senior Housing Project**

9 Upon obtaining a commitment for construction financing, Debtor shall commence  
10 construction of a 200,000 square foot, 200-unit full service senior housing project. Debtor  
11 estimates that it will cost approximately \$30,000,000 to construct this project and will take  
12 approximately 18-months to complete.

### 13 **7.3 Funding The Plan**

14 Payments to creditors under this Plan shall be funded from the following sources:

#### 15 **(a) Capital Contributions From Shareholders**

16 Until Debtor commences operations of its fully constructed full service senior housing  
17 project, Debtor's Shareholders shall make capital contributions to the Reorganized Debtor to  
18 enable the Debtor to make the required monthly interest payments to Class 2 under this Plan. In  
19 addition, to extent necessary, Debtor's Shareholders will also make capital contributions to allow  
20 the Debtor to complete the rezoning and entitlement process for the Debtor's Real Property, as  
21 discussed in Section 7.1, above.

#### 22 **(b) Third Party Financing**

23 Debtor shall obtain third-party financing to fund this Plan. Initially, Debtor may borrow  
24 as much as \$350,000 to compete the rezoning, entitlement and architectural drawing process  
25 detailed in Section 7.1, above. Thereafter, Debtor shall obtain construction financing of as much  
26 as \$30,000,000 to commence and complete construction of its senior housing project, as detailed  
27 in Section 7.2, above. Debtor's first priority will be to seek HUD/FHA Section 232 financing.  
28 Section 232 is an FHA-insured loan product that covers housing for elderly in need of supportive

1 services, nursing homes and assisted living facilities. Section 232 may be used to finance the  
2 purchase, refinance, new construction, or substantial rehabilitation of a project. A combination  
3 of these uses is also acceptable.

#### 4 **(c) Marketing and Operation of Senior Housing Project**

5 Upon completing construction of the Debtor's senior housing project, Debtor shall  
6 commence the operation and marketing of its senior housing project. Debtor's 200 full service  
7 senior housing units will be rented for an average of \$4,000 per month. Debtor estimates that it  
8 will take between 18 and 24 months to fully stabilize and maintain a 95% occupancy rate.  
9 Debtor estimates this will produce annual gross revenues of \$9,120,000. Upon full occupancy  
10 stabilization, Debtor estimates the total value of Debtor's Real Property shall be \$60,000,000.

11 Once Debtor begins profitably operating its senior housing project, Debtor shall  
12 contribute 25% of the Net Operating Profits to Class 3, until Class 3 is paid in full. In addition,  
13 Debtor shall contribute 25% of the Net Operating Profits to Class 4, until Class 4 is paid in full.  
14 The remaining 50% of the Debtor's Net Operating Profits shall be retained by the Debtor to  
15 operate its business.

#### 16 **7.4 Revesting of Assets in the Debtor**

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

#### 21 **7.5 Disbursing Agent**

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

#### 25 **7.6 Request for Application of 11 U.S.C. § 1129(b)**

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

1           **7.7 Post-Confirmation Litigation**

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

6           **7.8 Post-Confirmation Default**

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

10           Kevin A. Darby, Esq.  
11           4777 Caughlin Parkway  
12           Reno, Nevada 89519

                  NORTHGATE PROPERTIES, INC.  
                  18124 Wedge Parkway, #105  
                  Reno, Nevada 89511

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

19           **8. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

20           Pursuant to the Plan, funding will be accomplished from the Debtor' income from which  
21 the Debtor intends to pay all taxes associated with its post-confirmation earnings. Creditors are  
22 advised to discuss with their own tax advisor any tax effect to the creditor of such payments.

23           **9. INJUNCTION**

24           From and after the Effective Date, and except as provided in the Plan and the  
25 Confirmation Order, all entities that have held, currently hold or may hold a Claim are  
26 permanently enjoined from taking any of the following actions on account of any such Claims:  
27 (i) commencing or continuing in any manner any action or other proceeding against the Debtor,  
28 or their Property; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment,  
award, decree or order against the Debtor or the Reorganized Debtor, or their respective



1 property; (iii) creating, perfecting or enforcing any lien or encumbrance against the Debtor or the  
2 Reorganized Debtor, or their respective property; (iv) asserting a setoff, right of subrogation or  
3 recoupment of any kind against any debt, liability, or obligation due to the Debtor or the  
4 Reorganized Debtor, or their respective property; or (v) commencing or continuing any action, in  
5 any manner or any place, that does not comply with or is inconsistent with the provisions of the  
6 Plan or the Bankruptcy Code.

7 **10. EXCULPATION**

8 From the Petition Date through the Effective Date, the Debtor and their agents and  
9 employees shall not have any liability to the Debtor or any other claimants or creditors, or other  
10 parties in interest in the Bankruptcy Case for any act or omission in connection with or arising  
11 out of the Bankruptcy Case, including, without limitation, prosecuting confirmation of the Plan,  
12 confirmation of the Plan, and the administration of the estate, the Plan or the property to be  
13 distributed under the Plan, except for gross negligence or willful misconduct, and in all respects,  
14 such persons will be entitled to rely on the advice of counsel with respect to their duties and  
15 responsibilities with respect to the Chapter 11 Case and the Plan.

16 **11. MISCELLANEOUS PROVISIONS**

17 (A) Any creditor who failed to file a proof of claim on or before any Court imposed  
18 claims bar date, shall be barred from participating in any distribution under the Plan, and the  
19 Debtor shall have no further liability for such claim.

20 (B) Following the Effective Date, the Debtor may continue to employ counsel for  
21 necessary legal services. Counsel may be paid from the Debtor without further order of the  
22 Court.

23 (C) The estate shall be deemed to be fully administered upon the commencing of  
24 distributions to the Class 1 creditor.

25 (D) If any provision in this Plan is determined to be unenforceable, the determination  
26 will in no way limit or affect the enforceability and operative effect of any other provision of this  
27 Plan.

28 (E) The rights and obligations of any entity named or referred to in this Plan will be

1 binding upon, and will inure to the benefit of the successors or assigns of such entity.

2 (G) The headings contained in this Plan are for convenience of reference only and do  
3 not affect the meaning or interpretation of this Plan.

4 (H) Unless a rule of law or procedure is supplied by federal law, including the Code or  
5 the Federal Rules of Bankruptcy Procedure, the laws of the State of Nevada govern this Plan and  
6 any agreements, documents, and instruments executed in connection with this Plan, except as  
7 otherwise provided in this Plan.

8 **12. RETENTION OF JURISDICTION**

9 The Bankruptcy Court shall retain jurisdiction for the following specific purposes:

10 (A) For the purpose specified in § 1142 of the Bankruptcy Code;

11 (B) The consideration of claims and such objections as may be filed to the  
12 claims of creditors pursuant to § 502 of the Bankruptcy Code, and to file and prosecute any  
13 counterclaims against such creditors;

14 (C) The fixing of compensation for the parties entitled thereto;

15 (D) To hear and determine the amount of all encumbrances or the recovery of  
16 any preferences, transfers, assets or damages to which the Debtor' estate may be entitled under  
17 applicable provisions of the Bankruptcy Code or other federal, state, or local law;

18 (E) To reinstate the automatic stay pending a determination of the amount  
19 owed on any secured claim;

20 (F) To hear and decide all causes of action now held by the Debtor, or  
21 disclosed in the Plan or Disclosure Statement;

22 (G) To hear and decide all adversary proceedings or contested matters  
23 currently pending in the Bankruptcy Court, or which may be filed prior to or after plan  
24 confirmation;

25 (H) To resolve any disputes regarding interpretation of the Plan;

26 (I) To implement the provisions of the Plan, including all provisions in the  
27 Plan which specify the retention of jurisdiction, and to make such further orders as will aid in  
28 consummation of the Plan, including the sale of any property after Plan confirmation;

1 (J) To adjudicate controversies regarding property of the Debtor' estate and  
2 regarding ownership thereof, including adjudication of causes of action which constitute property  
3 of the estate;

4 (K) To modify this Plan in accordance with § 1127 of the Bankruptcy Code;

5 (L) To enter such orders as may be necessary or appropriate to implement or  
6 consummate the provisions of this Plan and all contracts, instruments, releases and other  
7 agreements or documents created in connection with this Plan, the Disclosure Statement, or the  
8 Confirmation Order; and

9 (M) Enter a final decree and order closing the case.

10 **13. MODIFICATION OF PLAN**

11 The Debtor may modify the Plan with regard to the treatment of any creditor class, in  
12 connection with any agreement or settlement with such creditor class or in order to comply with  
13 requirements of the Code as established by the Court, provided such modification does not  
14 materially adversely affect any other class of creditors. Such modifications may be reflected in  
15 the order confirming the Plan of Reorganization. Any other modification of the Plan shall be in  
16 accordance with § 1127 of the Code.

17 **14. DISCHARGE**

18 Confirmation of this Plan does not discharge any debt provided for in this Plan until the  
19 court grants a discharge on completion of all payments to unsecured creditors under this Plan, or  
20 as otherwise provided in § 1141(d)(5) of the Code. The Debtor will not be discharged from any  
21 debt excepted from discharge under § 523 of the Code, except as provided in Rule 4007(c) of the  
22 Federal Rules of Bankruptcy Procedure.

23 DATED this 15th day of May, 2011.

24 DARBY LAW PRACTICE, LTD.

25 /s/ Kevin A. Darby

26 By: \_\_\_\_\_  
27 KEVIN A. DARBY, ESQ. (#7670)  
28 Counsel For Debtor

**EXHIBIT 2**

**EXHIBIT 2**

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NEVADA**

In re: [CASE NAME]  
NORTHGATE PROPERTIES

Case No. 11-50451-btb

**CHAPTER 11  
MONTHLY OPERATING REPORT  
(SMALL REAL ESTATE/INDIVIDUAL CASE)**

**SUMMARY OF FINANCIAL STATUS**

**MONTH ENDED:** March

**PETITION DATE:** 02/15/11

1. Debtor in possession (or trustee) hereby submits this Monthly Operating Report on the Accrual Basis of accounting (or if checked here the Office of the U.S. Trustee or the Court has approved the Cash Basis of Accounting for the Debtor).

Dollars reported in \$1

	<u>End of Current Month</u>	<u>End of Prior Month</u>	<u>As of Petition Filing</u>
<b>2. Asset and Liability Structure</b>			
a. Current Assets	\$849	\$863	
b. Total Assets			\$12,053,476
c. Current Liabilities			
d. Total Liabilities			\$5,811,393
			<b>Cumulative</b>
			<b>(Case to Date)</b>
<b>3. Statement of Cash Receipts &amp; Disbursements for Month</b>	<u>Current Month</u>	<u>Prior Month</u>	
a. Total Receipts	\$0	\$0	\$0
b. Total Disbursements	\$14	(\$14)	\$14
c. Excess (Deficiency) of Receipts Over Disbursements (a - b)	(\$14)	\$14	(\$14)
d. Cash Balance Beginning of Month	\$863	\$877	\$0
e. Cash Balance End of Month (c + d)	\$849	\$891	(\$14)
			<b>Cumulative</b>
			<b>(Case to Date)</b>
<b>4. Profit/(Loss) from the Statement of Operations</b>	<u>Current Month</u>	<u>Prior Month</u>	
	N/A	N/A	N/A
<b>5. Account Receivables (Pre and Post Petition)</b>	\$0	\$0	
<b>6. Post-Petition Liabilities</b>	\$0	\$0	
<b>7. Past Due Post-Petition Account Payables (over 30 days)</b>	\$0	\$0	

**At the end of this reporting month:**

	<u>Yes</u>	<u>No</u>
8. Have any payments been made on pre-petition debt, other than payments in the normal course to secured creditors or lessors? (if yes, attach listing including date of payment, amount of payment and name of payee)	_____	x _____
9. Have any payments been made to professionals? (if yes, attach listing including date of payment, amount of payment and name of payee)	_____	x _____
10. If the answer is yes to 8 or 9, were all such payments approved by the court?	_____	_____
11. Have any payments been made to officers, insiders, shareholders, relatives? (if yes, attach listing including date of payment, amount and reason for payment, and name of payee)	_____	x _____
12. Is the estate insured for replacement cost of assets and for general liability?	_____	x _____
13. Are a plan and disclosure statement on file?	_____	x _____
14. Was there any post-petition borrowing during this reporting period?	_____	x _____
15. Check if paid: Post-petition taxes _____; U.S. Trustee Quarterly Fees _____; Check if filing is current for: Post-petition tax reporting and tax returns: _____.		
(Attach explanation, if post-petition taxes or U.S. Trustee Quarterly Fees are not paid current or if post-petition tax reporting and tax return filings are not current.)		

I declare under penalty of perjury I have reviewed the above summary and attached financial statements, and after making reasonable inquiry believe these documents are correct.

Date: \_\_\_\_\_

\_\_\_\_\_  
Responsible Individual

## BALANCE SHEET

(Small Real Estate/Individual Case)

For the Month Ended March

Assets	Check if Exemption Claimed on Schedule C	Market Value
<b>Current Assets</b>		
1 Cash and cash equivalents (including bank accts., CDs, etc.)	_____	\$849
2 Accounts receivable (net)	_____	\$0
3 Retainer(s) paid to professionals	_____	\$0
4 Other: _____	_____	\$0
5 _____	_____	\$0
6 <b>Total Current Assets</b>		\$849
<b>Long Term Assets (Market Value)</b>		
7 Real Property (residential)	_____	\$12,052,600
8 Real property (rental or commercial)	_____	_____
9 Furniture, Fixtures, and Equipment	_____	_____
10 Vehicles	_____	\$0
11 Partnership interests	_____	\$0
12 Interest in corporations	_____	\$0
13 Stocks and bonds	_____	\$0
14 Interests in IRA, Keogh, other retirement plans	_____	\$0
15 Other: _____	_____	\$0
16 _____	_____	\$0
17 <b>Total Long Term Assets</b>		\$12,052,600
18 <b>Total Assets</b>		\$12,053,449
<b>Liabilities</b>		
<b>Post-Petition Liabilities</b>		
<b>Current Liabilities</b>		
19 Post-petition not delinquent (under 30 days)	_____	_____
20 Post-petition delinquent other than taxes (over 30 days)	_____	_____
21 Post-petition delinquent taxes	_____	_____
22 Accrued professional fees	_____	_____
23 Other: _____	_____	_____
24 _____	_____	_____
25 <b>Total Current Liabilities</b>		\$0
26 <b>Long-Term Post Petition Debt</b>		_____
27 <b>Total Post-Petition Liabilities</b>		\$0
<b>Pre-Petition Liabilities (allowed amount)</b>		
28 Secured claims (residence)	_____	\$4,650,000
29 Secured claims (other)	_____	_____
30 Priority unsecured claims	_____	\$7,017
31 General unsecured claims	_____	\$1,154,376
32 <b>Total Pre-Petition Liabilities</b>		\$5,811,393
33 <b>Total Liabilities</b>		\$5,811,393
<b>Equity (Deficit)</b>		
34 <b>Total Equity (Deficit)</b>		_____
35 <b>Total Liabilities and Equity (Deficit)</b>		\$5,811,393

## NOTE:

Indicate the method used to estimate the market value of assets (e.g., appraisals; familiarity with comparable market prices, etc.) and the date the value was determined.

**SCHEDULES TO THE BALANCE SHEET**

**Schedule A  
Rental Income Information**

**List the Rental Information Requested Below By Properties (For Rental Properties Only)**

	<u>Property 1</u>	<u>Property 2</u>	<u>Property 3</u>
1 Description of Property	_____	_____	_____
2 Scheduled Gross Rents	_____	_____	_____
Less:			
3 Vacancy Factor	_____	_____	_____
4 Free Rent Incentives	_____	_____	_____
5 Other Adjustments	_____	_____	_____
6 Total Deductions	\$0	\$0	\$0
7 Scheduled Net Rents	\$0	\$0	\$0
8 Less: Rents Receivable (2)	_____	_____	_____
9 Scheduled Net Rents Collected (2)	\$0	\$0	\$0

(2) To be completed by cash basis reporters only.

**Schedule B  
Recapitulation of Funds Held at End of Month**

	<u>Account 1</u>	<u>Account 2</u>	<u>Account 3</u>
10 Bank	First Independent Bank	_____	_____
11 Account No.	13009915	_____	_____
12 Account Purpose	_____	_____	_____
13 Balance, End of Month	\$849	_____	_____
14 Total Funds on Hand for all Accounts	<u>\$849</u>	_____	_____

Attach copies of the month end bank statement(s), reconciliation(s), and the check register(s) to the Monthly Operating Report.

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**

Increase/(Decrease) in Cash and Cash Equivalents

For the Month Ended March

	Actual Current Month	Cumulative (Case to Date)
<b>Cash Receipts</b>		
1 Rent/Leases Collected		
2 Cash Received from Sales		
3 Interest Received		
4 Borrowings		
5 Funds from Shareholders, Partners, or Other Insiders		
6 Capital Contributions		
7 _____		
8 _____		
9 _____		
10 _____		
11 _____		
12 <b>Total Cash Receipts</b>	\$0	\$0
<b>Cash Disbursements</b>		
13 Selling		
14 Administrative	\$14	\$14
15 Capital Expenditures		
16 Principal Payments on Debt		
17 Interest Paid		
Rent/Lease:		
18 Personal Property		
19 Real Property		
Amount Paid to Owner(s)/Officer(s)		
20 Salaries		
21 Draws		
22 Commissions/Royalties		
23 Expense Reimbursements		
24 Other		
25 Salaries/Commissions (less employee withholding)		
26 Management Fees		
Taxes:		
27 Employee Withholding		
28 Employer Payroll Taxes		
29 Real Property Taxes		
30 Other Taxes		
31 Other Cash Outflows:		
32 _____		
33 _____		
34 _____		
35 _____		
36 _____		
37 <b>Total Cash Disbursements:</b>	\$14	\$14
38 <b>Net Increase (Decrease) in Cash</b>	(\$14)	(\$14)
39 <b>Cash Balance, Beginning of Period</b>		
40 <b>Cash Balance, End of Period</b>	(\$14)	(\$14)