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9 **UNITED STATES BANKRUPTCY COURT**

10 **DISTRICT OF NEVADA**

11 In re: )  
12 )  
13 **07-002 REDDING BUSINESS TRUST,** )  
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15 )  
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27 )  
28 )  
Debtor.

Case No: 13-11151-LED  
Chapter 11

Date: May 3, 2016  
Time: 9:30 am

**DEBTOR'S DISCLOSURE STATEMENT**

**TABLE OF CONTENTS**

<b><u>Section</u></b>	<b><u>Page</u></b>
<b>I. INTRODUCTION</b>	4
<b>II. INFORMATION REGARDING THE PLAN AND DISCLOSURE STATEMENT</b>	5
A. Overview	5
B. Admonitions	6
C. Ballots and Voting	9
D. Hearing on Confirmation and Objections	10
1. Adequacy of the Plan	10
2. Objections and Voting Requirement	10
3. Cramdown of Non-Accepting Class	11
<b>III. REPRESENTATIONS</b>	12
<b>IV. BACKGROUND AND EVENTS LEADING TO CHAPTER 11 FILING</b>	12
A. The Debtor and their Business	12
B. Events Leading to the Chapter 11 Filing	12
C. Debtor Strategy for Reorganization	13
<b>V. DESCRIPTION OF THE DEBTOR ASSETS AND LIABILITIES</b>	13
A. Debtor's Assets	13
B. Debtors' Principal Liabilities	14
<b>VI. EVENTS DURING THE BANKRUPTCY CASE</b>	14
A. Filing Bankruptcy and Retaining Counsel	14
<b>VII. OVERVIEW OF PLAN</b>	14
A. General Summary	14
B. Classes of Claims	15
C. Unclassified Claims	17
1. Administrative Claims	17
2. Trustee's Fees	18
<b>VIII. MODIFICATION, ALTERATION AND REVOCATION OF THE PLAN</b>	18
A. Modification of the Plan	18
B. Revocation of the Plan	18
C. Severability	19

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

IX.	EFFECTS OF CONFIRMATION AND IMPLEMENTATION OF THE PLAN	19
	A. Reservation of Rights	19
	B. Vesting of the Assets in the Reorganized Debtor	20
	C. Discharge of Debtor	20
	D. Plan Payments	20
	E. Objecting to Claims	23
	F. Holding of Undeliverable Distributions and Failure to Claim	24
	G. Fractional Amounts	24
	H. Binding Effect	24
	I. Exculpation	24
	J. Governing Law	25
	K. Computation of Time	25
	L. Final Decree	25
X.	TAX CONSEQUENCES OF THE PLAN	25
XI.	LIQUIDATION ANALYSIS AND ALTERNATIVES TO PLAN	27
	A. Alternatives to Plan	27
	B. Liquidation Value and Best Interests of Creditors Test	28
	C. Assumptions of Liquidation Analysis	29
XII.	CONCLUSION AND RECOMMENDATION	30

1 07-002 REDDING BUSINESS TRUST, Debtor and Debtor-in-Possession ("Redding" or  
2 "Debtor") in the above case, provides this Disclosure Statement to its known creditors for the  
3 purpose of voting on the Plan of Reorganization filed on March 24, 2016. A copy of the  
4 Proposed Plan is attached hereto as "Exhibit 1".

5 **I. INTRODUCTION**

6  
7 The Debtor, REDDING filed its voluntary petition under Chapter 11 of the Bankruptcy  
8 Code on February 15, 2013. ("Petition Date"). Pursuant to Sections 1107 and 1108, the Debtor  
9 is the Debtor-in-possession representative of their bankruptcy estate.

10 The Debtor has prepared this Disclosure Statement in connection with the solicitation of  
11 acceptance of its Plan filed on March 24, 2016. The purpose of this Disclosure Statement is to  
12 provide adequate information of a kind, and in sufficient detail, that would enable a hypothetical  
13 reasonable investor, typical of the holders of claims and equity interests, to make an informed  
14 judgment about the Plan. An acceptance or rejection of the Plan must be in writing and may  
15 only be made by completing the ballot that accompanies the Plan. In order for your vote to be  
16 counted, it must be received no later than 5:00 p.m. (Pacific Daylight Time) on \_\_\_\_\_,  
17  
18 2016, at the following address:

19  
20 Law Office of Timothy P. Thomas, LLC  
21 1771 E. Flamingo Rd. Suite B-212  
22 Las Vegas, Nevada 89119

23 Unless otherwise defined herein, the terms defined in the Plan shall have the same  
24 meanings when used in the Disclosure Statement. In addition, unless otherwise defined, terms  
25 used in the Disclosure Statement and Plan shall have the same meaning as in the U.S.  
26 Bankruptcy Code or the Bankruptcy Rules.  
27  
28

1 **II. INFORMATION REGARDING THE PLAN AND DISCLOSURE STATEMENT**

2 **A. Overview**

3 The objective of a chapter 11 case is the confirmation of a plan of reorganization by the  
4 Bankruptcy Court. The formulation of a Plan of Reorganization ("Plan") sets for the means of  
5 satisfying claims against the interests of the debtor. The Plan describes in detail, and in  
6 language appropriate for a legal contract the means for satisfying claims. The Plan places  
7 claims in separate classes and describes the treatment of each class, including whether the  
8 claims are impaired or unimpaired. After a Plan has been filed, the holders of such claims that  
9 are impaired, as defined in Section 1124, are permitted to submit a vote to accept or reject the  
10 Plan. If confirmed, your recovery will be limited to the treatment set forth in the terms of the  
11 Plan. If confirmed, your recovery will be limited to the treatment set forth in the terms of the  
12 Plan.  
13 Plan.

14 The Court will consider whether the Plan has satisfied the various requirements of the  
15 Bankruptcy Code, including, but not limited to, whether it is feasible and whether it is in the  
16 best interests of holders of claims and interests. The Bankruptcy Court will also receive a ballot  
17 summary prepared by the Plan proponent concerning the votes for acceptance or rejection of the  
18 Plan by holders of claims and interests entitled to vote.  
19 Plan by holders of claims and interests entitled to vote.

20 The Court has reserved May 3, 2016 at 9:30 a.m., Pacific Daylight Time, for the hearing  
21 on the adequacy of the Disclosure Statement. The hearings may be continued from time to time  
22 without further written notice. Section 1125 sets forth the requirements for a Disclosure  
23 Statement.  
24 Statement.

25 The Disclosure Statement is submitted in accordance with Section 1125 for the purpose  
26 of soliciting acceptance of the Plan from holders of claims and interests. The purpose of the  
27 Disclosure Statement is to,  
28

- 1 (a) Provide adequate information to enable a hypothetical reasonable investor typical of  
2 the holders of claims in the case to make an informed judgment about the Plan;
- 3 (b) Set forth information regarding the history of the Debtor, the filing of the Chapter 11  
4 Petition and the Plan;
- 5 (c) Advise Creditors of the proposed resolution of their Claims; and
- 6 (d) Assist the Bankruptcy court in making an informed decision regarding whether the  
7 Plan complies with the requirements of the Bankruptcy Code.
- 8

9 No post-petition solicitation of votes on the Plan may be made except pursuant to this  
10 Disclosure Statement and no person has been authorized to utilize any information concerning  
11 the Debtor other than the information contained in this Disclosure Statement for purposes of  
12 solicitation.

13

14 **B. ADMONITIONS**

15 **THIS DISCLOSURE STATEMENT IS NOT THE PLAN. THIS DISCLOSURE**  
16 **STATEMENT AND THE EXHIBITS TO THIS DISCLOSURE STATEMENT,**  
17 **TOGETHER WITH THE PLAN WHICH IS ATTACHED HERETO AS EXHIBIT 1,**  
18 **SHOULD BE READ IN THEIR ENTIRETY. FOR THE CONVENIENCE OF**  
19 **CREDITORS, THE PLAN IS SUMMARIZED IN THIS DISCLOSURE STATEMENT,**  
20 **BUT ALL SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY THE PLAN**  
21 **ITSELF, WHICH IS CONTROLLING IN THE EVENT OF ANY INCONSISTENCY.**

22 **INTERESTED PARTIES MAY ALSO OBTAIN FURTHER INFORMATION**  
23 **FROM THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF**  
24 **NEVADA, INCLUDING ACCESS TO THE DOCKET FOR THIS CASE, AT THE**  
25 **COURT'S WEBSITE: [WWW.NVB.USCOURTS.GOV](http://WWW.NVB.USCOURTS.GOV).**

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27  
28

1           **APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY**  
2 **COURT DOES NOT MEAN THAT THE BANKRUPTCY COURT RECOMMENDS**  
3 **ACCEPTANCE OR REJECTION OF THE PLAN.**

4           **THE STATEMENTS AND INFORMATION CONCERNING THE DEBTOR SET**  
5 **FORTH IN THIS DISCLOSURE STATEMENT CONSTITUTE THE ONLY**  
6 **STATEMENTS OR INFORMATION CONCERNING SUCH MATTERS THAT HAVE**  
7 **BEEN APPROVED BY THE BANKRUPTCY COURT FOR THE PURPOSE OF**  
8 **SOLICITING ACCEPTANCES OR REJECTIONS OF THE PLAN. THE**  
9 **STATEMENTS AND INFORMATION ABOUT THE DEBTOR AND THE FINANCIAL**  
10 **INFORMATION OF DEBTOR INCLUDING ALL FINANCIAL PROJECTIONS AND**  
11 **INFORMATION REGARDING CLAIMS CONTAINED IN THE DISCLOSURES**  
12 **STATEMENT HAVE BEEN PREPARED FROM DOCUMENTS AND INFORMATION**  
13 **OBTAINED FROM THE DEBTOR. CERTAIN ESTIMATES, ASUMPTIONS AND**  
14 **PROJECTIONS MAY BE MATERIALLY DIFFERENT FROM ACTUAL FUTURE**  
15 **RESULTS. THERE CAN BE NO ASSURANCE THAT ANY FORECASTED OR**  
16 **PROJECTED RESULTS CONTAINED IN THIS DISCLOSURE STATEMENT WILL**  
17 **BE REALIZED AND ACTUAL RESULTS MAY BE MATERIALLY DIFFERENT**  
18 **FROM THOSE SHOWN. DEBTOR IS UNABLE TO AND DOES NOT WARRANT OR**  
19 **REPRESENT THAT THE INFORMATION CONTAINED IN THIS DISCLOSURES**  
20 **STATEMENT IS WITHOUT ERROR.**

21           **THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE**  
22 **MADE AS OF THE DATE OF THIS DISCLOSURE STATEMENT UNLESS ANOTHER**  
23 **TIME IS SPECIFIED. NEITHER THE DELIVERY OF THIS DISCLOSURE**  
24  
25  
26  
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28

1 STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE IN CONNECTION WITH  
2 THE PLAN SHALL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION  
3 THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH IN  
4 THE DISCLOSURE STATEMENT SINCE THE DATE OF THIS DISCLOSURE  
5 STATEMENT AND THE MATERIALS RELIED UPON IN PREPARATION OF THIS  
6 DISCLOSURE STATEMENT WERE COMPILED.  
7

8 THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY  
9 PURPOSE OTHER THAN TO ASSIST THE COURT IN DETERMINING WHETHER  
10 THE PLAN COMPLIES WITH THE REQUIREMENTS OF THE BANKRUPTCY  
11 CODE, AND THE DISCLOSURE STATEMENT MAY ALSO BE RELIED UPON FOR  
12 THE PURPOSE OF DETERMINING WHETHER TO VOTE IN FAVOR OF OR  
13 AGAINST THE PLAN. NOTHING CONTAINED IN THIS DISCLOSURE  
14 STATEMENT CONSTITUTES AN ADMISSION OF ANY FACT OR LIABILITY BY  
15 ANY PARTY NOR IS IT CONCLUSIVE EVIDENCE OF TAX OR OTHER LEGAL  
16 EFFECTS OF THE REORGANIZATION OF THE DEBTOR ON HOLDERS OF  
17 CLAIMS OR HOLDERS OF INTERESTS.  
18  
19

20 AT THE CONFIRMATION HEARING, THE BANKRUPTCY COURT WILL  
21 CONSIDER WHETHER THE PLAN SATISFIES THE VARIOUS REQUIREMENTS  
22 OF THE BANKRUPTCY CODE. THE BANKRUPTCY COURT WILL ALSO  
23 RECEIVE BALLOT SUMMARIES WHICH WILL PRESENT A TALLY OF THE  
24 VOTES OF CLASSES ACCEPTING OR REJECTING THE PLANS AS CAST BY  
25 THOSE ENTITLED TO VOTE. ONCE CONFIRMED, THE PLANS WILL BE  
26 TREATED ESSENTIALLY AS CONTRACTS BINDING ALL CREDITORS AND  
27  
28



1 **OTHER PARTIES-IN-INTEREST IN THE CHAPTER 11 CASES.**

2 **C. Ballots and Voting**

3 Only creditors whose claims have been allowed for the purposes of voting and are  
4 “impaired” by the plan are entitled to vote on the Plan. According to the designation of Classes  
5 of claims set forth under the Plan, holders of claims in all Classes are “impaired” by the Plan  
6 and are entitled to vote on the plan, and the holders of those claims shall receive a ballot and be  
7 permitted to vote to accept or reject the Plan.  
8

9 Creditors are entitled to vote on confirmation on the Plan unless, (i) their class is  
10 unimpaired or is to receive no distribution; (ii) an objection has been filed to the creditor's  
11 claim; (iii) the creditor's claim is scheduled by Debtor as contingent, disputed, unliquidated or  
12 unknown and the creditor has not filed a proof of claim; or (iv) the claim is unclassified. A  
13 creditor whose claim has been either objected to or has been scheduled by Debtor as contingent,  
14 disputed, unliquidated or unknown or the creditor has not filed a proof of claim and who wishes  
15 to vote, must move to have its claim allowed for voting purposes by filing a motion for such  
16 relief in time for that motion to be heard before the hearing on confirmation of the Plan. A  
17 creditor whose claim has been allowed in part as secured and in part as an unsecured claim is  
18 entitled to accept or reject a Plan in each capacity by casting one ballot for the secured portion  
19 of the claim and another ballot for the unsecured portion of its claim.  
20  
21

22 A creditor is entitled to vote on the Debtor’s plan of reorganization only if the creditor  
23 holds a valid claim with regard to the Debtor. Creditors will be issued separate ballots for each  
24 class and for each specific claim which they hold that is entitled to a vote. Ballots returned for  
25 invalid claims will be disregarded.  
26

27 ///

28

1 **D. Confirmation and Objections**

2 1. Adequacy of the Plan

3 In order to be confirmed, the Plan must meet the requirements listed in Section 1129(a)  
4 or (b) of the Bankruptcy Code. Those requirements include (1) the Plan must be proposed in  
5 good faith; (ii) at least one impaired class of claims must accept the Plan, without counting  
6 votes of insiders; (iii) the Plan must distribute to each creditor and equity interest holder at least  
7 as much as the creditor or equity interest holder would receive in a Chapter 7 liquidation case,  
8 unless the creditor or equity interest holder votes to accept the Plan; and (iv) the Plan must be  
9 feasible, meaning that there is a reasonable probability that under the terms of the Plan, the  
10 debtor will be able to meet its obligations without need for further financial reorganization or  
11 protection from the Bankruptcy Court. These requirements are not the only requirements listed  
12 in Section 1129, and they are not the only requirements for confirmation.  
13  
14

15 2. Objections and Voting Requirements.

16 Section 1128(b) provides that a party in interest may object to confirmation of a plan.  
17 Any objections to the adequacy of the Disclosure Statement or to confirmation of the Plan must  
18 be in writing and specify in detail the name and address of the objector. Any Plan confirmation  
19 objection must be filed with the Bankruptcy court and served on counsel for the Debtor,  
20 Timothy P. Thomas, Esq. at the address indicated on the front page of this Disclosure  
21 Statement.  
22

23 At least one allowed and impaired class of claims must vote to accept the Plan without  
24 counting votes of insiders or all impaired classes must vote to accept the Plan, unless the Plan is  
25 eligible to be confirmed by “cram down” on non-accepting classes, as discussed below.  
26

27 A class accepts the Plan if both of the following occur: (A) the holders of more than  
28

1 one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan;  
2 and (B) the holders of at least two-thirds (2/3) of the dollar amount of the allowed claims in the  
3 class, who vote, casts their votes to accept the Plan.

4 3. Cramdown of Non-Accepting Classes.

5 Even in the event that one or more impaired classes rejects the Plan, the Court may  
6 nonetheless confirm the Plan if the non-accepting classes are treated in the manner prescribed  
7 by §1129(b) of the Code. A plan that binds non-accepting classes is commonly referred to as a  
8 “cram down” plan. The Code allows the Plan to bind non-accepting classes of claims if it meets  
9 all requirements for consensual confirmation except the voting requirements of §1129(a)(8) of  
10 the Code, and it does not “discriminate unfairly” and is “fair and equitable” toward each  
11 impaired class that has not voted to accept the Plan.  
12  
13

14 Confirmation of a reorganization plan without full acceptance of all impaired classes is  
15 referred to as a “cramdown.” If a “cramdown” is granted, the claimholder can elect under  
16 1111(b) of the Code to either be deemed secured in the entire amount of their claim or to accept  
17 the cramdown and receive distributions for the unsecured portion of their claim to be shared  
18 pro-rata with other creditors.  
19

20 With regard to the Plan, the Bankruptcy Court will (a) determine whether the Plan has  
21 been accepted by the requisite majorities of each Voting Class; (b) determine all objections to  
22 the Plan and to Confirmation of the Plan; (c) determine whether the Plan meets the requirements  
23 for Confirmation of the Plan; (d) determine whether the Plan meets the requirements of the  
24 Bankruptcy Code and has been proposed in good faith; and (e) confirm or refuse to confirm the  
25 Plan.  
26

27 A separate notice will be served with this Disclosure Statement and the Plan which  
28

1 reflects the dates and deadlines set forth above.

2 **III. REPRESENTATIONS**

3 Unless otherwise specifically noted, the financial information in this Disclosure  
4 Statement has not been subject to audit. Instead, this Disclosure Statement was prepared from  
5 information compiled from records maintained in the ordinary course of the Debtor business.  
6 Debtor has attempted to be accurate in the preparation of this Disclosure Statement.  
7

8 Other than stated herein, the Debtor has not authorized any representations or assurances  
9 concerning Debtor or its business operations or the value of their assets. Therefore, in deciding  
10 to accept or reject the Plan, you should not rely on any information relating to the Debtor or the  
11 Plan other than that contained in the Disclosure Statement or in the Plan itself.  
12

13 **IV. BACKGROUND AND EVENTS LEADING TO THE CHAPTER 11 FILING**

14 **A. The Debtor and Its Business**

15 The Debtor is a holding company for a parties who acquired an interest in two real estate  
16 parcels that served as collateral to secure an investment that was ultimately foreclosed upon.  
17 Debtor is in the business of managing and marketing the real property for sale.  
18

19 **B. Events Leading to the Chapter 11 Filing.**

20 On or about March 5, 2007, Windemere Capital, LLC made the 07-002 Redding Loan, in the  
21 amount of \$9,975,000.00 to GSJ Company, LLC. The loan was secured by a Note and a Deed of  
22 Trust on property located in City of Redding, Shasta County, State of California The interests in  
23 the Note and Deed of Trust were assigned to various investors by way of previously recorded  
24 assignments.  
25

26 The secured property consisted of two parcels. The first is Assessor's Parcel Number 070-  
27 160-044-000, more commonly known as 4675 Bechelli Lane, Redding, CA 96001 (hereinafter,  
28

1 “the Bechelli Property”) consisting of 18.9 acres. The second is Assessor’s Parcel Number 050-  
2 270-025-000, more commonly known as 2501 South Bonnyview Road, Redding, CA 96001  
3 (hereinafter, “the Bonnyview Property”), consisting of 28.55 acres. (Collectively referred to as  
4 the "Property").

5 The loan went into default on or about December 1<sup>st</sup> of 2007. The investors completed  
6 foreclosure of the subject Deed of Trust in 2012. Mesa Asset Management ("Mesa") was  
7 retained as trustee of the Debtor entity to manage the liquidation of the real property. Mesa  
8 does not hold an equity position in the Debtor. The Property is subject to unpaid property taxes.  
9 The taxes are significantly less than the fair market value of the real property. The taxing  
10 authority had noticed a tax sale which would have transferred the Property for less than the  
11 invested amounts of the owners and for less than market value of the property. In order to avoid  
12 the tax sale and maximize the recovery of value from the Property, the Debtor filed this Chapter  
13 11 reorganization Bankruptcy.  
14

15  
16 The Debtor entity was formed in 2012, but has no business operations beyond the  
17 holding of the Property. The Debtor has no current employees and no other ongoing liabilities.  
18

19 The Debtor currently is pursuing offers to purchase both parcels of real property. The  
20 Bonnyview parcel, consisting of 28.55 acres, is under contract to sell for Two Million Fifty  
21 Thousand Dollars (\$2,050,000). The Bechelli parcel, consisting of 18.9 acres, is under contract  
22 to sell for One Million Eight Hundred Thousand (\$1,800,000). Both sales have been approved  
23 by the majority of principal investors in the Debtor, and are pending approval from the  
24 Bankruptcy Court.  
25

26 The Bankruptcy Court has approved the Bonnyview sale and the order has been entered  
27 enabling that sale to proceed to closing.  
28

1 On May 3, 2016, the Bankruptcy Court heard the Motion to Sell the Bechelli property.  
2 The property sale brought interest from two bidding parties at the offered price of \$1.8 million,  
3 and the hearing was continued to address the sale of the interests of the tenants-in-common with  
4 the Debtor, and to provide procedures to allow bidding on the purchase of the Bechelli property.  
5 The auction sale is scheduled to proceed on June 8, 2016, to establish the sale price and terms of  
6 sale on the Bechelli property.

7  
8 The United States Trustee had entered a conditional order of dismissal if the case was  
9 unable to confirm a plan of reorganization prior to May 10, 2016. Upon written stipulation and  
10 order entered with the Bankruptcy Court, this deadline has been extended to July 26, 2016, to  
11 allow the confirmation hearing to go forward in relation to this Disclosure Statement and  
12 proposed Plan.

### 13 **C. Debtor's Strategy for Reorganization**

14  
15 The Debtor plans to satisfy current tax obligations through the marketing and sale of the  
16 Property. Mesa Asset Management will be retained to manage the Debtor, in consideration for  
17 a management fee, calculated and receive a management fee of (\$750.00/mo; \$9,000/yr).  
18 Debtor holds a 75.94% percent interest in the Property, and the remaining tenants-in-common  
19 hold a cumulative 24.06% remainder interest in the Property. Based upon the comparable sales  
20 and marketing of the surrounding communities and properties, the Property is estimated to be  
21 valued at \$3,850,000.00 with the Bonnyview Property valued at \$2,050,000, and the Bechelli  
22 Property valued at \$1,800,000. Debtor's percentage of interest in the Property valued at  
23 approximately \$2,923,690.00. In an effort to complete a sale, the investor owners are willing  
24 to accept a loss on their original investment in the secured loan.  
25  
26

27 The Debtor has a purchase offer on the Bonneyview Property parcel, in that amount of  
28

1 \$2,050,000. The sale has a proposed closing date of 18 months. The Debtor also has a pending  
2 purchase offer for the Bechelli Property for \$1,800,000.00 The sale has a proposed closing date  
3 of 13 months. The existence of tenants-in-common have made it difficult to obtain title  
4 company approval of a sale. The Bankruptcy Court has sought additional briefing on 11 U.S.C.  
5 §363(f) which authorizes a court to complete the sale of property interests of non-debtor parties.  
6 This matter will be heard by the Court on May 25, 2016, with the Bechelli sale.

8 These efforts to close the sales of the Property are to be done in order to protect and  
9 recover the maximum recovery for the investors while satisfying the taxing authority in full.

10 Debtor Redding estimates that the purchase price of the current sale of Bonneyview  
11 would provide sufficient assets to satisfy the outstanding creditor's claims entirely, including  
12 those held against the Bechelli property. All proceeds will be allocated to pay priority and  
13 secured tax debts upon the sale of the property. Debtor intends to liquidate all remaining assets  
14 and terminate operations under the supervision of the U.S. Bankruptcy Court. Subsequent to  
15 payment in full of all administrative and unsecured creditor claims, remaining sales proceeds  
16 will be distributed to the investors as a return of investment.

## 19 **V. DESCRIPTION OF THE DEBTOR'S ASSETS AND LIABILITIES**

### 20 **A. Debtor's Assets**

#### 21 Real Property

22 Debtor holds The secured property consisted of two parcels. The first is Assessor's Parcel  
23 Number 070-160-044-000, more commonly known as 4675 Bechelli Lane, Redding, CA 96001  
24 (hereinafter, "the Bechelli Property") consisting of 18.9 acres. The second is Assessor's Parcel  
25 Number 050-270-025-000, more commonly known as 2501 South Bonnyview Road, Redding,  
26 CA 96001 (hereinafter, "the Bonnyview Property"), consisting of 28.55 acres. (Collectively  
27  
28

1 referred to as the "Property"). The Property has a collective market value of approximately  
2 \$3,700,000 with the estate holding 75.94% or \$2,809,780 in value

3 Debtor has no outstanding account receivables, equipment or tangible assets.

4 **B. Principal Liabilities of the Debtors**

5 The primary creditor of the Debtor is the Shasta County Treasurer, which holds separate  
6 priority claims in the amount of \$292,816.70 for property taxes secured by the Bonnyview  
7 Property, and \$701,238.90 secured by the Bechelli Property, plus continued post-petition  
8 accrued taxes and interest. The pre-petition tax arrears amount to approximately \$890,288.87.  
9 (Pursuant to Proof of Claim 2-1 filed May 6, 2013.)  
10

11 The Internal Revenue Service filed a claim for \$1,625 as a priority claim. The general  
12 unsecured claims amounts consist of additional capital investments made by the investing  
13 beneficiaries of the Debtor to satisfy administrative and operating costs, and the accrued  
14 management fees of Mesa. See note #2<sup>1</sup>  
15

16 **VI. SIGNIFICANT EVENTS DURING THE BANKRUPTCY CASE**

17 As of December 7, 2015, the Bankruptcy Court's docket contained 149 entries on the  
18 case. Below is a summary of material applications, motions and all adversary proceedings filed  
19 to date.  
20

21 **A. Filing of Bankruptcy and Retention of Counsel**

22 On February 15, 2013, Debtor filed its Chapter 11 Bankruptcy Petition through the Law  
23

---

24  
25 2 Mesa has \$21,377.44 in costs (pre & post), Mesa has \$59,925.00 in  
26 management fees which are owed. The investors have \$23,159.08 in cost to be  
27 reimbursed to those who made contributions. Both amounts carry interest.  
28



1 Office of Timothy P. Thomas, LLC as Debtor's counsel.

2 On March 21, 2013, the Debtor completed the Section 341 Meeting of Creditors.

3 On April 25, 2013, the Court entered an Order approving Motion to Employ the Law Office  
4 of Timothy P. Thomas, LLC.

5 On May 24, 2013, the Court entered an Order approving the Motion to Employ TREG, Inc  
6 as a professional to assist in marketing the Property.  
7

8 On December 26, 2013, the Court entered an Order Approving the Sale of the Bechelli  
9 Property free and clear of liens. The motion for sale was modified and approved by the Court  
10 on October 6, 2014.

11 In November 2014, the Debtor settled a dispute with a company holding a billboard  
12 agreement against the Property. The Court approved the settlement on December 23, 2014.  
13

14 On November 24, 2015, the U.S. Trustee filed a Motion to Dismiss the case for failure to  
15 confirm a plan of reorganization. The Court entered a conditional order of dismissal if the  
16 Debtor was unable to confirm a plan of reorganization by May 10, 2016. The U.S. Trustee  
17 entered into a written stipulation and order with the Bankruptcy Court to extend this deadline to  
18 July 26, 2016, in order to allow for a confirmation hearing on this Disclosure Statement.  
19 Failure to confirm the Plan of Reorganization by July 26, 2016, may result in dismissal of the  
20 case.  
21

22 Debtor is seeking Court approval at the sales on both Bonnyview and Bechelli parcels  
23 pursuant to 11 U.S.C. 363(f), allowing sale of the Debtors interests and those of the tenants-in-  
24 common, that will fund the plan.  
25

26 On May \_\_, 2016, the U.S. Bankruptcy Court approved the Bonnyview sale.

27 On May 10, 2016, the U.S. Bankruptcy Court heard the Motion to Sell the Bechellil  
28

1 Property. Two interested buyers appeared at the hearing. The sale was reset for auction sale on  
 2 to take place on May 25, 2016, to set the sales price and sales terms with the successful bidder.

## 3 **VII. OVERVIEW OF PLAN**

### 4 **A. General Summary**

5 The following is a general summary of the Plan for the Debtor, which is qualified in its  
 6 entirety by reference to the provisions of the related specific Plan of Reorganization. Pursuant to  
 7 Section 1123(a)(1), Administrative Claims and U.S. Trustee Claims are not impaired and  
 8 therefore not designated as Classes. The summary of Classes, whether or not they are impaired  
 9 and entitled to vote is set forth below:  
 10

11 07-002 Redding Business Trust Class	12 <u>Creditor</u>	13 <u>Property</u>	14 <u>Claims</u>	15 <u>Payment</u>
16 Class 1a	Shasta County	\$2,050,000	\$292,816.07	100% from Bonnyview Sale
17 Class 1b	Shasta County	\$1,800,000	\$890,288.87	100% from Bechelli Sale
18 Class 2	Priority Unsecured	N/A	\$1,625	100%
19 Class 3	General Unsecured	N/A	\$44,536.52	100% Paid from sale
20 Admin.	Professionals	N/A	\$60,000	Pay in full
21 US Trustee	Us Trustee fees	N/A	N/A	Pay in full

22 The Debtor intends to retain Mesa to manage the marketing and liquidation of the real  
 23 property. Upon sale, the proceeds will be designated to pay all creditors 100% at the close of  
 24 escrow, in entirety. Per the Operating Agreement, Mesa will receive a management fee equal to  
 25 \$750/mo or \$9,000/yr after payment of Class 1 - 3 claims. After the payment of all Class claims,  
 26 the remaining proceeds of sale will be distributed under the Operating Agreement of Biggs  
 27 Business Trust to the equity holders of the Debtor pursuant to their interests and the Debtor  
 28 entity will terminate business operations. It is anticipated that the sale of all of Debtor's assets

1 and satisfaction of all claims will be completed within three (3) years of confirmation.

2 **B. Classes of Claims**

3 The following classes are set forth in the Plan, with the proposed treatment under the  
4 Plan provisions. Specific provisions for treatment are set forth in Articles I and II of the  
5 Debtor's Plan of Reorganization.

6  
7 **1. Class 1 Allowed Secured Property Tax Claims secured by Debtor's Real**  
8 **Property.**

9 Class 1 claims consist of claims secured by the Debtor's Property. Secured tax claims  
10 include tax claims for secured property taxes as described in 11 USC §506(b) of the Bankruptcy  
11 Code. The debtor intends to market and sell the property parcels as set forth above, or  
12 alternatively, to market them for sale within 36 months of the Effective Date.

13  
14 **Class 1a Secured Property Tax Claims Secured by Bonnyview Parcel.**

15 The prepetition secured claim of the Shasta County Treasurer of approximately  
16 \$292,816.70 will be paid in full with all applicable costs, fees, charges and interest pursuant to  
17 11 USC Sections 506(b) and 511 upon the sale of the Property, pursuant to the order of the  
18 Court approving the sale. If after three (3) years the Property has not been sold and the  
19 proportional secured real property taxes have not been paid, this will be an event of default. A  
20 failure by the Debtor to make a payment to Shasta County pursuant to the terms of the Plan  
21 shall be an event of Default. If the Debtor fails to cure an Event of Default as to tax payments  
22 within ten (10) days after service of written notice or default, Shasta County may enforce the  
23 entire amount of its claim, plus all penalties and interest accrued under state law, against Debtor  
24 in accordance with applicable state laws. This class is impaired by the delay in payment.

25  
26  
27 Each Class 1a Claimant receives a vote to either accept or reject the plan.  
28

1 Class 1b Secured Property Tax Claims Secured by Bechelli Parcel.

2 The prepetition secured claim of the Shasta County Treasurer of approximately  
3 \$890,288.87 will be paid in full with all applicable costs, fees, charges and interest pursuant to  
4 11 USC Sections 506(b) and 511 upon the sale of the Property, pursuant to the order of the  
5 Court approving the sale. If after three (3) years the Property has not been sold and the  
6 proportional secured real property taxes have not been paid, this will be an event of default. A  
7 failure by the Debtor to make a payment to Shasta County pursuant to the terms of the Plan  
8 shall be an event of Default. If the Debtor fails to cure an Event of Default as to tax payments  
9 within ten (10) days after service of written notice or default, Shasta County may enforce the  
10 entire amount of its claim, plus all penalties and interest accrued under state law, against Debtor  
11 in accordance with applicable state laws. This class is impaired by the delay in payment.

14 Each Class 1b Claimant receives a vote to either accept or reject the plan.

15 **Class 2: Priority Unsecured Claims**

16 Class 2 Priority Unsecured Claims are claims that are referred to in Section 507 (a)(1),  
17 (4), (5), (6), and (7) of the Bankruptcy Code. The Bankruptcy Code requires each claim holder  
18 to receive cash on the effective date of the Plan equal to the allowed amount of such claim. A  
19 class of holders of such claims, however, may vote to accept different treatment.  
20

21 There is currently one (1) known Class 2 claims in this case, filed by the Internal  
22 Revenue Service in the amount of \$1,625.  
23

24 **Class 3: General Unsecured Claims.**

25 General unsecured claims are not secured by property of the estate and are not entitled to  
26 priority under Section 507(a) of the Bankruptcy Code. Class 3 claims consist of capital  
27 investments made by the investing beneficiaries of the business trust to satisfy administrative  
28

1 and operating costs. General unsecured claims amount to approximately \$44,536.52.

2 After payment of the Class 1 claims, the general unsecured creditors will be paid 100%  
3 of their allowed claim. Each Class 3 claimant receives a vote to either accept or reject the Plan.

4 **C. Unclassified Claims against Debtor**

5 Certain types of claims are automatically entitled to specific treatment under the Code.  
6 They are not considered to be impaired and holders of such claims do not vote on the Plan.  
7 They may, however, object if, in their view, their treatment under the Plan does not comply with  
8 the requirements of the Code. For a detailed analysis and description of the individual  
9 unclassified claims, see Articles I and II of the Debtor's Plan of Reorganization.  
10

11 1. Administrative Expenses.

12 Administrative expenses are costs and expenses of administering the Debtor's Chapter  
13 11 case which are allowed under section 507(a)(2) of the Bankruptcy Code. Administrative  
14 expenses include attorney's fees incurred by the Debtor for representation in the Bankruptcy  
15 Case, as well as the claims of creditors that have provided services to the Debtor post-petition.  
16 These claims include the payment of a management fee to Mesa Asset Managment for services  
17 provided and property taxes incurred post-petition. Pursuant to the Operating Agreement, the  
18 Mesa management fee is calculated at \$9,000/yr. A list of the administrative claims is included  
19 in the Plan. Additional U.S. Trustee fees may be approved by the court and paid through the  
20 estate prior to confirmation and through administration of the Plan. Administrative claims will  
21 be paid within 10 days after the Plan Effective Date as they come due for payment or as agreed  
22 upon with the Debtor from the revenue of the Debtors. **(LIST CLAIMS)**

23  
24  
25  
26 2. Trustee's Fees

27 The U.S. Trustee's office accrues fees for the administration of the Bankruptcy Case and  
28

1 Chapter 11 Plan. 28 U.S.C. §1930(a)(6) requires that the Debtor make payment of the U.S.  
2 Trustee's fees as they accrue. These fees will be paid current on the Effective Date of the Plan  
3 and paid as they become due and owing.

4 **VIII. MODIFICATION, ALTERATION AND REVOCATION OF THE PLAN**

5 **A. Modification of the Plan.**

6 The Debtor may modify the Plan at any time before confirmation of the Plan. However,  
7 the Court may require a new disclosure statement and/or re-voting on the Plan.  
8

9 Upon request of the Debtor, the U.S. Trustee, or the holder of an allowed unsecured  
10 claim, the Plan may be modified at any time after confirmation of the Plan but before completion  
11 of payments under the Plan, to (1) increase or reduce the amount of payments under the Plan on  
12 claims of a particular class, (2) extend or reduce the time period for such payments, or (3) alter  
13 the amount of distribution to a creditor whose claim is provided for by the Plan as is necessary to  
14 account for any payment of the claim made other than under the Plan. Such modification is  
15 subject to Court and U.S. Trustee approval.  
16

17 **B. Revocation of the Plan**

18 The Debtor reserves the right to revoke or withdraw the Plan prior to the confirmation  
19 hearing and to file subsequent Chapter 11 plans. If the Debtor revoke or withdraw the Plan, or if  
20 confirmation does not occur, then (1) the Plan shall be null and void in all respects; (2) any  
21 settlement or compromise embodied in the Plan shall: (a) constitute a waiver or release of any  
22 Court: and (3) nothing contained in the Plan shall: (a) constitute a waiver or release of any  
23 Claims by or against, the Debtor or any other entity; (b) prejudice in any manner the rights of the  
24 Debtor or any other entity; or (c) constitute an admission, acknowledgement offer or undertaking  
25 of any sort by the Debtor or any other entity.  
26  
27  
28

1           **C. Severability**

2           If, prior to confirmation of the Plan, any term or provision of the Plan is held by the Court  
3 to be invalid, void or unenforceable, the Court shall have the power to alter and interpret such  
4 term or provision to make it valid or enforceable to the maximum extent practicable, consistent  
5 with the original purpose of the term or provision held to be invalid, void or unenforceable, and  
6 such term or provision then will be applicable as altered or interpreted, provided that any such  
7 alteration or interpretation must be in form and substance reasonably acceptable to the Debtor,  
8 and, to the extent such alteration or interpretation affects the rights or treatment of holders of  
9 general unsecured claims, such claim holder.  
10

11           **IX. EFFECTS OF CONFIRMATION AND IMPLEMENTATION OF THE PLAN**

12           **A. Reservation of Rights**

13           The Plan shall have no force or effect until the Court enters the Confirmation Order.  
14 Neither the filing of the Plan, any statement or provision contained in the Disclosure Statement,  
15 nor the taking of any action by the Debtor or any other entity with respect to the Plan shall be an  
16 admission or waiver of any rights of (1) the Debtor with respect to the holders of claims or other  
17 entities; or (2) any holder of Claims or other entity prior to the Effective Date of the Plan.  
18  
19

20           **B. Vesting of Assets in the Reorganized Debtor.**

21           After confirmation of the Plan, all property of the Debtor shall vest in the relevant  
22 reorganized Debtor, free and clear of all liens, claims, charges, or other encumbrances, except  
23 those enumerated in the order approving the Motion to Value and the confirmation order. The  
24 reorganized Debtor may operate its business and may use, acquire, dispose of property and  
25 compromise or settle any claims without supervision or approval of the Bankruptcy Court and  
26 free of any restrictions of the Bankruptcy Code or Rules, other than those restrictions expressly  
27  
28

1 imposed by the Plan and the confirmation order. Without limiting the foregoing, the Debtor  
2 may pay the liabilities that are incurred after confirmation for professional fees, disbursement,  
3 expenses or related support services without application to the Bankruptcy Court.

4 **C. Discharge of the Debtor.**

5 The Debtor is a corporate entity and as such does not receive a discharge from all debts  
6 that arose prior to confirmation of the plan pursuant to §1141(d)(3)(C). However, the  
7 confirmed plan of reorganization is binding upon any creditor, whether or not such creditor has  
8 accepted the plan, pursuant to §1141(a).

9  
10 **D. Plan Payments**

11 The Debtor will implement its Plan by having MESA serve as the Plan Agent for  
12 payment of Claims pursuant to the Plan. No compensation will be paid to MESA for serving as  
13 Plan Agent beyond the management fee; however, it will be entitled to reimbursement of  
14 expenses and compensation for any professionals who assist in the performance of the duties of  
15 the Plan Agent.  
16

17 The Plan Agent is authorized, without limitation, to:

- 18
- 19 (a) Manage, protect and preserve the Assets, subject to the terms and limitations set  
20 forth in the Plan.
  - 21 (b) Release, sell, transfer, convey or assign any right, title, interest in or about the Assets  
22 or any portion thereof with the approval of the Bankruptcy Court after hearing and  
23 notice, unless the value of the Asset is less than \$25,000, in which case Bankruptcy  
24 Court approval is not required.
  - 25 (c) Pay and discharge any costs, expenses, professional fees or obligations deemed  
26 necessary to preserve or enhance the value of the Assets.  
27  
28



- 1 (d) Open and maintain bank accounts and deposit funds or draw checks and make  
2 distributions in accordance with the Plan.
- 3 (e) Engage and retain attorneys, accountants, engineers, agents, tax specialists, financial  
4 advisers, appraisers, investment bankers, or other professionals and clerical  
5 assistance as may, in the discretion of the Plan Agent, be deemed necessary.
- 6 (f) Execute any documents on behalf of the Estate necessary to further the goals and  
7 objectives and accomplish the purposes of the Plan.
- 8 (g) Pay obligations or expenses of or relating to the Assets and that the Plan Agent  
9 reasonably deems to be in the best interest of Creditors or necessary to effectuate the  
10 Plan.  
11
- 12 (h) Analyze, evaluate, pursue and settle and compromise any and all Litigation Claims  
13 and other causes of action on behalf of the Estate, objections to Claims, and any  
14 appeals thereof, and otherwise sue and be sued as is necessary to fulfill the  
15 obligations and duties under the Plan.  
16
- 17 (i) Enforce, waive, or release rights, privileges or immunities relating to the Assets.
- 18 (j) Initiate, prosecute, settle and resolve any and all litigation claims and other causes of  
19 action on behalf of the Estate, objections to Claims, and any appeals thereof with the  
20 approval of the Bankruptcy Court after hearing on notice, unless the amount in  
21 controversy is less than \$25,000, in which case approval of the Bankruptcy Court is  
22 not required.  
23
- 24 (k) Liquidate and convert all or any portion of the Assets to Cash.
- 25 (l) Establish and maintain reserves required by the Plan.
- 26 (m) Make Distribution in accordance with the terms of the Plan  
27  
28

1 (n) Act as is necessary with regard to all matters which the jurisdiction of the  
2 Bankruptcy Court is reserved under the Plan.

3 (o) As soon as is practicable after the Final Distribution, oversee the dissolution and  
4 winding up of the Estate in accordance with applicable law and seek a Final Order  
5 from the Bankruptcy Court closing the Case and entry of a Final Decree.

6 (p) Without limiting any of the foregoing, deal with the Assets or any part or parts  
7 thereof in all other ways as would be lawful and do any and all things necessary to  
8 further the goals and objectives and accomplish the purposes of the Plan.  
9

10 The Plan Agent will make the plan payments from the revenue that is generated from the  
11 sale of Debtor assets in whole or in part. The real property value is estimated at \$1,500,000.  
12 The sales costs and other expenses of sale will be paid from the proceeds of sale at the time of  
13 closing. The expected net revenue from the sale of the Property is anticipated to be sufficient to  
14 pay all allowed claims 100%.  
15

16 Debtor has approximately \$300 in cash reserves. This reserve is accumulated from the  
17 ongoing business revenue and will be used to pay for administrative expenses upon  
18 confirmation. The plan contemplates to use of the reserve funds to satisfy the initial costs of the  
19 Plan at the Effective Date and to replenish this reserve from the monthly income.  
20

21 Plan payments will be made on all allowed claims under the Plan through the Debtor-in-  
22 Possession account. Under supervision of the U.S. Trustee, the Debtor will deposit all surplus  
23 income into this account after payment of all operational expenses and allowed claims.  
24 Payments pursuant to the Plan will be made pursuant to the terms of the Plan until such claims  
25 are paid.  
26

27 Except as otherwise agreed or set forth in the Plan, payments upon disputed claims will  
28

1 be made after the claim has become an Allowed Claim and a final non-appealable order of the  
2 Bankruptcy Court has been entered. Notwithstanding anything in the Plan to the contrary, no  
3 partial payments and no partial distributions shall be made with respect to a disputed claim until  
4 all such disputes in connection with such disputed claim have been resolved by settlement  
5 among the parties or by entry of a final order of the Court. Any post-petitions payments made  
6 pursuant to an order of the Court will be credited to the satisfaction of the Allowed Claim under  
7 the terms of the Plan.  
8

#### 9 **D. Objections to Claims**

10 After the Effective Date, objections to Claims shall be made and objections to Claims  
11 made previous thereto shall be pursued by the Plan Agent or any other party properly entitled to  
12 do so after notice to the Plan Agent and the Reorganized Debtor, with approval by the  
13 Bankruptcy Court. Any objections to the Claims made after the Effective Date shall be filed  
14 and served not later than 180 days after the Effective Date; provided, however, that such period  
15 may be extended by order of the Bankruptcy court for good cause shown. In order to facilitate  
16 the Payment to holders of Allowed Claims and if and to the extent there are Disputed Claims in  
17 any Class, the Plan Agent shall set aside in a separate designated reserve account the payments  
18 applicable to such Disputed claims as if such Disputed Claims were Allowed Claims, pending  
19 allowance of the claim or disallowance of the Disputed Claims.  
20  
21

#### 22 **E. Holding of Undeliverable Distributions and Failure to Claim**

23 All Distributions are to be made to the holder of each Allowed Claim by the Plan Agent  
24 at the address listed on the Schedules or proof of claim filed by such holder at the time of  
25 Distribution. If any holders Distribution is returned as undeliverable, no further Distributions to  
26 such holder shall be made unless and until the Debtor is notified of the holder's current address,  
27  
28

1 at which time all required Distributions shall be made to the holder. Undeliverable  
2 Distributions shall be held by the Debtor until such Distributions are claimed. All Claims for  
3 undeliverable Distributions must be made within ninety (90) days following a Distribution.  
4 After such date, all unclaimed Distributions shall be allocated pro rata to the members of the  
5 Class related to such Distribution notwithstanding any federal or state escheat laws to the  
6 contrary.  
7

#### 8 **F. Fractional Amounts**

9 Payment of fractions of dollars will not be made. Whenever any payment of a fraction  
10 of a dollar under the Plan would otherwise be called for, the actual payment made will reflect a  
11 rounding of such fraction to the nearest dollar (up or down) with half dollars being rounded  
12 down.  
13

#### 14 **G. Binding Effect**

15 The Plan shall be binding on, and shall inure to the benefit of, the Debtor and the holders  
16 of all Claims and their respective successors and assigns.  
17

#### 18 **H. Exculpation**

19 The Debtor, the Plan Agent, and their respective agents and attorney's shall not be liable  
20 for any actions or omissions taken or not taken in connection with or arising out of the  
21 administration of the Chapter 11 Case, pursuit of confirmation of the Plan, the consummation of  
22 the Plan, or the administration of the Plan or the property to be distributed under the Plan,  
23 except for gross negligence or willful misconduct as determined by Final Order of the  
24 Bankruptcy Court.  
25

#### 26 **I. Governing Law**

27 Except to the extent that the Bankruptcy Code or other federal law is applicable, the  
28

1 rights, duties and obligations of the Debtor, all Creditors and any other Person arising under the  
2 Plan shall be governed by, and construed and enforced in accordance with, the internal laws of  
3 the State of Nevada, without giving effect to Nevada's choice of law provisions.

4 **J. Computation of Time**

5 In computing any period of time prescribed or allowed by the Plan, the day of the act,  
6 event, or default from which the designated period of time begins to run shall not be included.  
7 The last day of the period so computed shall be included unless it is a Saturday, Sunday or legal  
8 holiday, or when the act to be done is filing of a paper in the Bankruptcy court, a day on which  
9 weather or other conditions have made the clerk's office inaccessible, in which event the period  
10 runs until the next day which is not one of the aforementioned days.  
11

12 **K. Final Decree**

13 After the Estate is fully administered, the Debtor shall file an application for a Final  
14 Decree and shall serve the application on the U.S. Trustee, together with a proposed Final  
15 Decree. The application will be heard by the U.S. Bankruptcy Court with regard to closing the  
16 case.  
17

18 **X. TAX CONSEQUENCES OF THE PLAN**

19 THE FOLLOWING SUMMARY DOES NOT CONSTITUTE TAX ADVICE TO ANY  
20 PERSON. NO REPRESENTATIONS REGARDING THE EFFECT OF IMPLEMENTATION  
21 OF THE PLAN ON INDIVIDUAL CREDITORS ARE MADE HEREIN OR OTHERWISE.  
22 ALL CREDITORS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING  
23 THE TAX CONSEQUENCES OF THE PLAN TO THEM, TO THE DEBTOR AND TO THE  
24 BANKRUPTCY ESTATE.  
25

26 THE DEBTOR, CREDITORS AND ANY PERSON, ENTITY, TRUST OR  
27  
28

1 ORGANIZATION AFFILIATED WITH THE FOREGOING (“THE PARTIES”) ARE  
2 STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE  
3 FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES TO THEM WHICH  
4 MAY RESULT FROM THE PROPOSED REORGANIZATION. THIS DISCLOSURE  
5 STATEMENT SHALL NOT IN ANY WAY BE CONSTRUED AS MAKING ANY  
6 REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF  
7 CONFIRMATION AND CONSUMMATION OF THE PLAN TO THE PARTIES. THIS  
8 DISCLOSURE STATEMENT IS GENERAL IN NATURE AND IS MERELY A SUMMARY  
9 DISCUSSION OF POTENTIAL TAX CONSEQUENCES TO THE PARTIES AND IS  
10 BASED UPON THE INTERNAL REVENUE CODE AND PERTINENT REGULATIONS  
11 RULINGS, COURT DECISIONS, AND TREASURY DECISIONS.  
12  
13

14 Under the Internal Revenue Code of 1986, as amended (the “IRC”), there may be federal  
15 income tax consequences to the Parties as a result of confirmation and consummation of the  
16 Plan as described in the Disclosure Statement.  
17

18 The federal income tax consequences to Creditors and their affiliates arising from the  
19 Plan will vary depending upon, among other things, the type of consideration received by the  
20 Creditor in exchange for its Claim, whether the Creditor reports income using a cash or accrual  
21 method, whether the Creditor has taken a “bad debt” deduction with respect to its Claim,  
22 whether the Creditor receives consideration in more than one tax year of the Creditor, whether  
23 the Creditor is a resident of the United States, and whether the Creditor’s claim is classified as a  
24 “security” or “debt” for federal income tax purposes. If a Creditor’s claim is characterized as a  
25 loss from a security, then the loss will be treated as a sale or exchange of a capital asset under  
26 IRC §165, and whether it is a long term or short term capital loss will depend on the Creditor’s  
27  
28

1 holding period. If a Creditor's claim is characterized as a loss resulting from a debt, then the  
2 extent of the deduction will depend on whether the debt is deemed wholly worthless or partially  
3 worthless, and whether the debt is construed to be a business or non-business debt as  
4 determined under IRC §166.

## 5 **XI. LIQUIDATION ANALYSIS**

### 6 **A. Alternatives to the Plan**

7  
8 The Debtor believes that the Plan, as described herein, enables the Creditors to receive  
9 payment of their Allowed Claims as quickly as possible and for the greatest return as required  
10 under the Bankruptcy Code. In addition, the Debtor believes that the Plan provides this  
11 payment more quickly than only other alternative. In the Debtor's view, the only alternative to  
12 the Plan is a forced liquidation of the Debtor's Property in a chapter 7 case, payment through the  
13 eminent domain action or through a tax sale. Either of these sale methods would greatly reduce  
14 the amount of return to the Debtor's unsecured creditors.  
15

16 In general, to determine what holders of Allowed claims in each Class would receive if  
17 Debtor were liquidated, the Bankruptcy Court must determine what funds would be generated  
18 from liquidation of the Debtor's assets. Such liquidation funds would be reduced by the costs  
19 and expenses of the liquidation and by such additional Administrative Claims and the use of the  
20 chapter 7 for the purpose of liquidation.  
21

22 The funds recovered from liquidation would be further reduced by the commission  
23 payable to the chapter 7 trustee and the trustee's attorney's fees, as well as the costs of the  
24 chapter 11 estate (such as the compensation for chapter 11 professionals). In a chapter 7 case,  
25 the trustee would be entitled to seek a sliding scale commission based upon the funds  
26 distributed to the Creditors. In contrast, the trustee's commission is not paid in a chapter 11  
27  
28

1 case, and the Plan Administer under the Plan will not be paid a commission or any  
2 compensation for his services.

3 **B. Liquidation**

4 Pursuant to Section 1129(a)(7), for the Plan to be confirmed it must provide that  
5 creditors will receive at least as much under the Plan as she would receive in a liquidation of the  
6 Debtor under chapter 7 (the “Best Interests Test”). The Best Interests Test with respect to each  
7 impaired class requires that each holder of a claim of such class either (a) accepts the Plan, or  
8 (b) receives or retains under the Plan, property of value, as of the Effective Date, that is not less  
9 than the value such holder would receive or retain if the Debtor were liquidated under Chapter  
10 7. The Court will determine whether the value received under the Plan by the holders of claims  
11 in each impaired class of creditors is equal to or exceeds the value that would be allocated to  
12 such holders in liquidation under Chapter 7 of the Bankruptcy Code. The Debtor believes that  
13 the Plan meets the Best Interests Test and provides value that is not less than the value which  
14 would be recovered by each holder in a Chapter 7 proceeding.  
15  
16

17 In the instant case, the Debtor only owns real property. Therefore, the impaired classes  
18 would recover only the net present value of the estate property after sale by the taxing authority.  
19 The Plan provides for an extended time for sale to result in the payment of equal or greater  
20 amounts than the present liquidation value to each of these classes.  
21

22 If the Debtor were to liquidate the Property today, the sale would most likely be for less  
23 than the amount of the Class 1 claim and generate no income for the general unsecured  
24 creditors. All anticipated proceeds would apply to secured and priority tax claims prior to  
25 payment of any general unsecured claims or investor claims. Liquidation is anticipated to  
26 amount to less than required to satisfy the priority tax debt, leaving nothing for unsecured  
27  
28



1 creditors. Therefore, the proposed payment plan would be more beneficial to the general  
2 unsecured creditors.

3 **C. Assumptions for Liquidation Analysis**

4 The following assumptions were made in preparing the Liquidation Analysis:

- 5
- 6 1. The Liquidation Analysis satisfies Section 1129(a)(7)(A)(ii) to determine  
7 whether the Plan is in the best interests of the Debtor's estate and creditors.
- 8 2. The Liquidation Analysis is based upon a number of estimates and assumptions  
9 that, although considered reasonable by the Debtor are subject to economic and  
10 business contingencies beyond the Debtor's control. Accordingly, no assurances  
11 can be made. The Liquidation Analysis is subject to change. Nothing contained  
12 herein shall be used as an admission against the Debtor or any other Person.
- 13
- 14 3. The Liquidation Analysis utilizes figures estimated by the Debtor as a basis for  
15 determining liquidation values. It does not include any proceeds from the sale of  
16 fully encumbered Assets. Additionally, liquidation values have been estimated  
17 by the Debtor for certain Assets as more particularly set forth in Exhibit 2.
- 18
- 19 4. The Chapter 11 distribution to unsecured creditors ranges is anticipated to be  
20 100% for payment of all Unsecured Claims. In contrast, the Chapter 7  
21 distribution is anticipated to be \$0% for Unsecured Creditors. See Exhibit 2.

22 **XII. CONCLUSION**

23

24 The Debtor has analyzed different scenarios and believes that confirmation of the Plan  
25 provides for a recovery for Creditors that is greater than other likely alternatives, and  
26 particularly a liquidation alternative. In addition, alternatives other than Confirmation of the  
27 Plan could result in extensive delays and increases in administrative expenses resulting in  
28

1 potentially smaller distributions to the holders of Claims and equity interests. Accordingly, the  
2 Debtor recommends confirmation of the Plan and urges all holders of Allowed Claims to vote to  
3 accept the Plan and to indicate acceptance by returning their Ballots to be received no later than  
4 the voting deadline.

5  
6 *(Remainder of Page Left Intentionally Blank)*  
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Dated this 24<sup>th</sup> day of March, 2016.

/s/ Peter J. Becker  
Peter J. Becker, Manager of Mesa Asset Management,  
Trustee of 07-002 Redding Business Trust

Submitted by:

LAW OFFICE OF TIMOTHY P. THOMAS, LLC

/s/ Timothy P. Thomas  
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