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GARMAN TURNER GORDON LLP
TALITHA GRAY KOZLOWSKI, ESQ.
Nevada Bar No. 9040
E-mail: tgray@gtg.legal
MARK M. ~~WEISNEMILLER~~WEISENMILLER, ESQ.
Nevada Bar No. 12128
E-mail: mweisenmiller@gtg.legal
650 White Drive, Ste. 100
Las Vegas, Nevada 89119
Telephone: 725-777-3000
Facsimile: 725-777-3112
Attorneys for Chateau De Lumiere, LLC

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEVADA

In re:

CHATEAU DE LUMIERE LLC,

Debtor.

Case No.: 15-14104-abl
Chapter 11

~~Date: January 13, 2016~~
~~Time: 1:30 p.m.~~

DISCLOSURE STATEMENT TO ACCOMPANY
DEBTOR'S ~~AMENDED~~ PLAN OF REORGANIZATION

TABLE OF CONTENTS

1 UNITED STATES BANKRUPTCY COURT 1
 2 FOR THE DISTRICT OF NEVADA 1
 3 I. INTRODUCTION 1
 4 II. INFORMATION REGARDING THE PLAN AND DISCLOSURE STATEMENT 2
 5 III. REPRESENTATIONS 3
 6 IV. GENERAL OVERVIEW OF THE PLAN 3
 7 A. General Overview 3
 8 B. Treatment of Administrative Claims 4
 9 C. Class 1 – Secured Lender Claim 6
 10 D. Class 2 – Deficiency Claims 9
 11 E. Class 3 – Other Secured Claims 9
 12 F. Class 4 – Priority Unsecured Claims 10
 13 G. Class 5 – General Unsecured Claims 10
 14 H. Class 6 – NH Claim 11
 15 I. Class 7 – Equity Securities 13
 16 V. SUMMARY OF VOTING PROCESS 14
 17 A. Who May Vote To Accept Or Reject The Plan 14
 18 B. Summary of Voting Requirements 14
 19 VI. INFORMATION ABOUT DEBTOR’S BUSINESS AND THE CHAPTER 11 CASE 15
 20 A. The Asserted Claims 20
 21 B. Commencement of the Chapter 11 Case and Significant Events in the Case 20
 22 VII. DETAILED DESCRIPTION OF THE PLAN 23
 23 A. Means of Implementation of the Plan 23
 24 1. Retesting of assets 23
 25 2. The Effectiveness of the CV Loan Documents 24
 26 3. The Effectiveness of the NH Documents 25
 27 4. Articles of organization, by laws, operating agreement 25
 28 5. Notice of effectiveness 26
 6. No governance action required 26
 7. Filing with the Nevada Secretary of State 26
 8. Proposed post-Effective Date Management of Reorganized Debtor 26
 B. Executory Contracts and Unexpired Leases 27
 1. Executory contracts 27
 2. Approval of assumption or rejection 27
 3. Cure of defaults 28
 4. Objection to cure amounts 28
 5. Confirmation order 29
 6. Post-Petition date contacts and leases 29
 7. Bar date 29
 C. Manner of Distribution of Property under the Plan 29
 D. Conditions to Confirmation of the Plan 30
 1. Conditions to confirmation 30
 2. Conditions to effectiveness 30
 3. Waiver of conditions 30

1	VIII. RISK FACTORS.....	31
	A. Debtor Has No Duty To Update.....	31
2	B. Information Presented Is Based on Debtor’s Books and Records, And Is Unaudited.....	31
3	C. Projections And Other Forward-Looking Statements Are Not Assured, And Actual Results Will Vary.....	31
4	D. No Assurance of Refinancing or Sale.....	31
	E. No Legal Or Tax Advice Is Provided To You By This Disclosure Statement.....	32
5	F. No Admissions Made.....	32
	G. No Waiver of Right to Object or Right to Recover Transfers and Estate Assets.....	32
6	H. Bankruptcy Law Risks and Considerations.....	32
7	1. Confirmation of the Plan is not assured.....	32
	2. The Effective Date might be delayed or never occur.....	33
8	3. Allowed Claims in the various Classes may exceed projections.....	33
	4. No representations outside of this Disclosure Statement are authorized.....	33
9	5. Effect of the Chapter 11 Case.....	33
10	6. The volatility and disruption of the capital and credit markets and adverse changes in the global economy have negatively impacted Debtor.....	34
11	IX. POST EFFECTIVE DATE OPERATIONS AND PROJECTIONS.....	34
	A. Summary of Title to Property and Dischargeability.....	34
12	1. Vesting of assets.....	34
	2. Preservation of Avoidance Actions and Litigation Claims.....	34
13	3. Discharge.....	35
	4. Injunction.....	36
14	B. Exculpation.....	36
	C. Post Confirmation Reporting and Quarterly Fees to the UST.....	37
15	X. CERTAIN FEDERAL INCOME TAX CONSEQUENCES.....	37
16	XI. CONFIRMATION OF THE PLAN.....	38
	A. Confirmation of the Plan.....	38
17	B. Objections to Confirmation of the Plan.....	38
18	1. Best Interest of Creditors and liquidation analysis.....	39
	2. Feasibility.....	43
19	3. Accepting impaired class.....	45
	4. Acceptance of Plan.....	46
20	5. Confirmation over a dissenting class (“Cram Down”).....	46
	6. Allowed Claims.....	46
21	7. Impaired Claims and Equity Securities.....	47
	8. Voting procedures.....	47
22	XII. ALTERNATIVES TO THE PLAN.....	48
23	A. Debtor’s Considerations.....	48
	B. Liquidation under Chapter 7.....	49
24	XIII. AVOIDANCE ACTIONS.....	49
25	XIV. RECOMMENDATION AND CONCLUSION.....	50
26	APPENDIX.....	52
27	I. INTRODUCTION.....	1
28		

1	<u>II. INFORMATION REGARDING THE PLAN AND DISCLOSURE STATEMENT</u>	2
2	<u>III. REPRESENTATIONS</u>	3
3	<u>IV. GENERAL OVERVIEW OF THE PLAN</u>	3
	A. General Overview.....	3
4	B. Treatment of Administrative Claims.....	4
	C. Class 1 - Other Secured Claims.....	9
5	D. Class 2 - Priority Unsecured Claims.....	10
	E. Class 3 - General Unsecured Claims.....	10
6	F. Class 4 – NH Claim.....	11
	G. Class 5 - Equity Securities.....	13
7	<u>V. SUMMARY OF VOTING PROCESS</u>	14
8	A. Who May Vote To Accept Or Reject The Plan.....	14
	B. Summary of Voting Requirements.....	14
9	<u>VI. INFORMATION ABOUT DEBTOR AND THE CHAPTER 11 CASE</u>	15
10	A. Commencement of the Chapter 11 Case and Significant Events in the Case.....	20
11	<u>VII. DETAILED DESCRIPTION OF THE PLAN</u>	23
	A. Means of Implementation of the Plan.....	23
12	1. Revesting of assets.....	23
	2. Plan Implementation Occurring on the Effective Date.....	24
13	3. Subsequent Equity Contributions.....	25
	4. Use of the CD Litigation Recovery.....	25
14	5. The Effectiveness of the NH Documents.....	25
	6. Articles of organization, by-laws, operating agreement.....	25
15	7. Notice of effectiveness.....	26
	8. No governance action required.....	26
16	9. Filing with the Nevada Secretary of State.....	26
	10. Proposed post-Effective Date Management of Reorganized Debtor.....	26
17	B. Executory Contracts and Unexpired Leases.....	27
	1. Executory contracts.....	27
18	2. Approval of assumption or rejection.....	27
	3. Cure of defaults.....	28
19	4. Objection to cure amounts.....	28
	5. Confirmation order.....	29
20	6. Post-Petition date contacts and leases.....	29
	7. Bar date.....	29
21	C. Manner of Distribution of Property under the Plan.....	29
	D. Conditions to Confirmation of the Plan.....	30
22	1. Conditions to confirmation.....	30
	2. Conditions to effectiveness.....	30
23	3. Waiver of conditions.....	30
24	<u>VIII. RISK FACTORS</u>	31
	A. Debtor Has No Duty To Update.....	31
25	B. Information Presented Is Based on Debtor’s Books and Records, And Is Unaudited.....	31
26	C. Projections And Other Forward-Looking Statements Are Not Assured, And Actual Results Will Vary.....	31
27	D. No Assurance of Refinancing or Sale.....	31
	E. No Legal Or Tax Advice Is Provided To You By This Disclosure Statement.....	32
28	F. No Admissions Made.....	32

1	<u>G. No Waiver of Right to Object or Right to Recover Transfers and Estate</u>	
	<u>Assets.....</u>	32
2	<u>H. Bankruptcy Law Risks and Considerations.....</u>	32
	<u>1. Confirmation of the Plan is not assured.....</u>	32
3	<u>2. The Effective Date might be delayed or never occur.....</u>	33
	<u>3. Allowed Claims in the various Classes may exceed projections.....</u>	33
4	<u>4. No representations outside of this Disclosure Statement are authorized.....</u>	33
	<u>5. Effect of the Chapter 11 Case.....</u>	33
5	<u>6. The volatility and disruption of the capital and credit markets and adverse</u>	
	<u>changes in the global economy have negatively impacted Debtor.....</u>	34
6		
7	<u>IX. POST EFFECTIVE DATE OPERATIONS AND PROJECTIONS.....</u>	34
	<u>A. Summary of Title to Property and Dischargeability.....</u>	34
	<u>1. Vesting of assets.....</u>	34
8	<u>2. Preservation of Avoidance Actions and Litigation Claims.....</u>	34
	<u>3. Discharge.....</u>	35
9	<u>4. Injunction.....</u>	36
	<u>B. Exculpation.....</u>	36
10	<u>C. Post-Confirmation Reporting and Quarterly Fees to the UST.....</u>	37
11	<u>X. CERTAIN FEDERAL INCOME TAX CONSEQUENCES.....</u>	37
12	<u>XI. CONFIRMATION OF THE PLAN.....</u>	38
	<u>A. Confirmation of the Plan.....</u>	38
13	<u>B. Objections to Confirmation of the Plan.....</u>	38
	<u>1. Best Interest of Creditors and liquidation analysis.....</u>	39
14	<u>2. Feasibility.....</u>	43
	<u>3. Accepting impaired class.....</u>	45
15	<u>4. Acceptance of Plan.....</u>	46
	<u>5. Confirmation over a dissenting class (“Cram Down”).....</u>	46
16	<u>6. Allowed Claims.....</u>	46
	<u>7. Impaired Claims and Equity Securities.....</u>	47
17	<u>8. Voting procedures.....</u>	47
18	<u>XII. ALTERNATIVES TO THE PLAN.....</u>	48
	<u>A. Debtor’s Considerations.....</u>	48
19	<u>B. Liquidation under Chapter 7.....</u>	49
20	<u>XIII. AVOIDANCE ACTIONS.....</u>	49
21	<u>XIV. RECOMMENDATION AND CONCLUSION.....</u>	50
22	<u>APPENDIX.....</u>	52
23		
24		
25		
26		
27		
28		

I.
INTRODUCTION

1
2 On July 16, 2015 (the “Petition Date”), Chateau De Lumiere LLC, a Nevada limited
3 liability company (“Debtor”), filed its voluntary Chapter 11 bankruptcy petition (the “Voluntary
4 Petition”) in the United States Bankruptcy Court for the District of Nevada, Las Vegas (the
5 “Bankruptcy Court”), thereby commencing case number BK-S-15-14104-~~ABL~~abl (the “Chapter
6 11 Case”).¹ Debtor [filed its initial plan and disclosure statement on February 16, 2016 \[ECF](#)
7 [Nos. 160 and 163\]](#). [As a result of events that have occurred in the Chapter 11 Case, including](#)
8 [the disallowance of Capital Velocity LLC’s claim and the entry of a judgment in favor of](#)
9 [Newton Holdings, LLC, Debtor](#) has prepared this amended Disclosure Statement (the
10 “Disclosure Statement”) in connection with the solicitation of votes on *Debtor’s Amended Plan*
11 *of Reorganization* (the “Plan”)² to treat the Claims of Creditors of Debtor and the Persons
12 holding Equity Securities in Debtor.

13 The various exhibits to this Disclosure Statement included in the Appendix are
14 incorporated into and are a part of this Disclosure Statement. The Plan is included as **Exhibit**
15 **“1”** in the Appendix. After having reviewed the Disclosure Statement and the Plan, any
16 interested party desiring further information may contact:

17 GARMAN TURNER GORDON LLP
18 Attn: Talitha Gray Kozlowski, Esq.
19 650 White Drive, Ste. 100
20 Las Vegas, Nevada 89119
Telephone: 725-777-3000; Facsimile: 725-777-3112
Email: tgray@gtg.legal

21 Interested parties may also obtain further information from the Bankruptcy Court at its PACER
22 website: <http://www.nvb.uscourts.gov>.

23 ...

24 ...

25 ¹ Unless otherwise indicated herein, all references to “Chapters” or “Sections” refer to Title 11 of the U.S. Code (the
26 “Bankruptcy Code”).

27 ² Capitalized terms not otherwise defined herein shall have the same meanings as set forth in the Plan.

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II.
INFORMATION REGARDING THE PLAN AND DISCLOSURE STATEMENT

The objective of a Chapter 11 Case is the confirmation (i.e., approval by the bankruptcy court) of a plan of reorganization for a debtor. A plan describes in detail (and in language appropriate for a legal contract) the means for satisfying the claims against, and equity interests in, a debtor. After a plan has been filed, the holders of such claims and equity securities that are impaired (as defined in Section 1124) are permitted to vote to accept or reject the plan. Before a debtor or other plan proponent can solicit acceptances of a plan, Section 1125 requires the debtor or other plan proponent to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable those parties entitled to vote on the plan to make an informed judgment about the plan and whether they should accept or reject the plan.

The purpose of this Disclosure Statement is to provide sufficient information about Debtor and the Plan to enable the Persons entitled to vote on the Plan to make an informed decision in exercising his/her/its rights to accept or reject the Plan. After the votes have been submitted with regard to whether to accept or reject the Plan, there will be a hearing on the Plan to determine whether it should be confirmed. At the Confirmation Hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including but not necessarily limited to Section 1129. The Bankruptcy Court will also receive and consider a ballot summary that will present a tally of the votes of Classes accepting or rejecting the Plan cast by those entitled to vote. Once confirmed, the Plan will be treated essentially as a contract binding on all Creditors, Holders of Equity Securities, and other parties-in-interest in the Chapter 11 Case.

THIS DISCLOSURE STATEMENT IS NOT THE PLAN. FOR THE CONVENIENCE OF CREDITORS AND HOLDERS OF EQUITY SECURITIES, THE PLAN IS SUMMARIZED IN THIS DISCLOSURE STATEMENT. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THIS DISCLOSURE STATEMENT AND THE PLAN, THE PLAN WILL CONTROL.

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III.
REPRESENTATIONS

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

Other than as stated in this Disclosure Statement, Debtor has not authorized any representations or assurances concerning Debtor and its operations or the value of its assets. Therefore, you should scrutinize any information received from any third-party and you assume any risk resulting from reliance upon such unauthorized information. In deciding whether to accept or reject the Plan, you should therefore not rely on any information relating to Debtor or the Plan other than that contained in this Disclosure Statement or in the Plan itself.

IV.
GENERAL OVERVIEW OF THE PLAN

A. General Overview.

The following is a general overview of the provisions of the Plan, and is qualified in its entirety by reference to the provisions of the Plan itself. The Plan’s treatment of each Class of Claims is summarized in the following table:

<u>Class</u>	<u>Description</u>	<u>Treatment</u>	<u>Estimated Claim</u>
Class 1	CV Claim	Impaired and Solicitation required.	\$750,000-\$2,400,000³

³ ~~The “Estimated” Claim amounts for Classes 1 and 2 assumes that CV does not make the Section 1111(b) Election. If CV makes the Section 111(b) Election, the Class 1 CV Claim is estimated to be \$5,740,000, plus reasonable attorney’s fees and costs incurred by CV post petition and prior to the Effective Date to the extent such fees and costs are approved by entry of a Final Order of the Bankruptcy Court. See Claim No. 3. If the Section 1111(b) Election is made, there will not be a Class 2 Deficiency Claim. Additionally, as discussed more fully herein, there is currently litigation (the “NH Litigation”) pending with Newton Holdings, LLC (“NH”), whereby NH has asserted that it holds a first position security interest in the Real Property and a claim amount of \$1.2 Million, plus “1/3 equity above \$1,200,000.” See Claim No. 2. NH has obtained an appraisal valuing the Property at \$2,400,000. If NH prevails in the NH Litigation, NH will hold a first position lien against Debtor ranging between approximately \$1,200,000 and \$1,650,000. In such event, Capital Velocity, LLC (“CV”) will hold a second position lien in the~~

1	Class 2	Deficiency Claim	Impaired ± Solicitation required.	\$3,340,000-\$5,000,000
2				
3	Class 3 <u>1</u>	Other Secured Claims	Impaired. Solicitation required.	Less than \$18 <u>\$2,000-\$10,000</u>
4				
5	Class 4 <u>2</u>	Priority Unsecured Claims	Unimpaired. No solicitation required.	\$0.00
6				
7	Class 5 <u>3</u>	General Unsecured Claims	Impaired. Solicitation required.	\$10,000-\$50 <u>\$15,000</u>
8				
9	Class 6 <u>4</u>	NH Claim	Impaired. Solicitation required	\$0-\$1,650 <u>200,000</u> - <u>\$1,900,000⁴</u>
10				
11	Class 7 <u>5</u>	Equity Securities	Impaired. Deemed rejected. No solicitation required.	N/A
12				
13				

B. Treatment of Administrative Claims.

Pursuant to Section 1123(a)(1), Allowed Administrative Claims⁵ are not designated as a

(continued)

~~Real Property in an amount ranging between \$750,000 and \$1,200,000 (assuming a Real Property valuation of \$2,400,000).~~

~~⁴As discussed more fully herein, through the NH Litigation, NH has asserted that it holds a first position security interest in the Real Property and a claim amount of \$1.2 Million, plus “1/3 equity above \$1,200,000.” See Claim No. 2. NH has obtained an appraisal valuing the Real Property at \$2,400,000. If NH prevails in the NH Litigation, NH will hold a first position lien against Debtor ranging between approximately \$1,200,000 and \$1,650,000. If NH does not prevail in the NH Litigation, NH will be determined to have an equity interest in the Real Property and will have no Claim against Debtor. On July 29, 2016, Judge Denton entered the *Findings of Fact and Conclusion of Law and Judgment* [ECF No. 251], thereby entering judgment in favor of NH and against Debtor in an amount to be calculated as follows: (i) \$1,200,000 in principal; (ii) interest at the legal rate from and after November 14, 2013, being the last day for Debtor’s performance under NH’s demand for payment of the Promissory Note; and (iii) attorney’s fees and costs in an amount to be determined by the State Court in post-judgment motions. As discussed more fully below, post-trial motions seeking to alter the interest award and seeking fees and costs are pending before the State Court, several of which are set for hearing on September 19, 2016. The outcome of these post-trial motions will result in a liquidated claim for NH. As the outcome of the motions is not yet determined, a range for the NH Claim has been provided; however, the amount could certainly be higher or lower than the estimate.~~

~~⁵“Administrative Claims” are defined in the Plan as “[a] Claim for any cost or expense of administration of the Chapter 11 Case allowed under Sections 503(b) or 507(b) of the Bankruptcy Code and entitled to priority under Section 507(a)(1) of the Bankruptcy Code, including, but not limited to: (i) fees payable pursuant to 28 U.S.C. § 1930; (ii) the actual and necessary costs and expenses incurred after the Petition Date of preserving the Estate, including wages, salaries, or commissions for services rendered after the commencement of the Chapter 11 Case; (iii) any Taxes payable under Sections 365(b)(1)(B) of the Bankruptcy Code; and (iv) all Professional Fees approved~~

1 Class. The Holders of such unclassified Claims shall be paid in full under the Plan consistent
2 with the requirements of Section 1129(a)(9)(A) and are not entitled to vote on the Plan. The
3 amount of Administrative Claims incurred, but unpaid as of the Confirmation Hearing is
4 estimated to include legal fees and costs to Garman Turner Gordon LLP of approximately
5 ~~\$50,000—\$7580,000~~, and special litigation counsel fees and costs to Royal and Miles, LLP of
6 ~~approximately less than~~ \$20,000—~~\$30,000~~.⁶ As Debtor and Capital Velocity, LLC are both
7 represented by Royal and Miles, LLP, the fees ~~and of~~ costs of such representation will be
8 appropriately apportioned between Debtor and Capital Velocity, LLC. Royal and Miles, LLP's
9 fees, like Garman Turner Gordon LLP's fees, are subject to Bankruptcy Court approval.
10 Additionally, on August 22, 2016, the Clark County Treasurer filed Proof of Claim No. 4
11 asserting a claim for \$20,976.71. While it is not entirely clear from the proof of claim itself, it
12 appears that the Clark County Treasurer is asserting an Administrative Claim for \$19,900.00 and
13 an Other Secured Claim for \$1,071.46. Debtor intends to confer with the Clark County
14 Treasurer to obtain clarity as to its asserted Administrative and Other Secured Claims.

15 Debtor may additionally engage experts in conjunction with seeking confirmation of its
16 Plan. While such fees and costs are presently unknown, it is expected that such outstanding fees
17 and costs on the Effective Date will not exceed \$20,000. Debtor does not expect that any
18 amounts will be due and owing to the Bourassa Law Group as of the Confirmation Hearing. The
19 *foregoing amounts are an estimate only and may increase if additional contested proceedings*
20 *are undertaken* in response to actions by CV, NH, or any of the other parties-in-interest in the
21 Chapter 11 Case.

22 ~~Each~~ With the sole exception of Garman Turner Gordon LLP's Professional Fees,⁷ all
23 Allowed Administrative Claim shall be paid by Reorganized Debtor (or otherwise satisfied in
24 _____ (continued)
25 by the Bankruptcy Court pursuant to interim and final allowances. To the extent that a Claim is allowed pursuant to
26 Sections 365(d)(3) and (d)(5) of the Bankruptcy Code, such Claim shall also be deemed an 'Administrative Claim'
27 under this paragraph."

28 ⁶ Pursuant to Section 331, Debtor's duly-retained professionals are able to seek the allowance and payment of their
incurred fees and costs and may do so prior to the Confirmation Hearing.

⁷ "Professional Fees" is defined in the Plan as "[t]he Administrative Claims for compensation and reimbursement

1 accordance with its terms) upon the latest of: (i) the Effective Date or as soon thereafter as is
2 practicable; (ii) such date as may be fixed by the Bankruptcy Court, or as soon thereafter as
3 practicable; (iii) the fourteenth (14th) Business Day after such Claim is Allowed, or as soon
4 thereafter as practicable; and (iv) such date as the Holder of such Claim and Reorganized Debtor
5 shall agree upon.

6 ~~C. Class 1—Secured Lender Claim.~~

7 ~~Class 1 is comprised of the Garman Turner Gordon LLP's Allowed CV Claim.⁸ CV is~~
8 ~~owned by Mr. Cartwright and is therefore an insider of Debtor. The CV Claim is defined in the~~
9 ~~Plan as the "Claim held by CV as determined by entry of a Final Order." CV is entitled to make~~
10 ~~the election provided by Section 1111(b) of the Bankruptcy Code (the "Section 1111(b)~~
11 ~~Election"). The Section 1111(b) Election *must be made on or before the final hearing on the*~~
12 ~~*motion seeking approval of this Disclosure Statement.*~~

13 ~~If CV makes the Section 111(b) Election, the Class 1 CV Claim is estimated to be~~
14 ~~\$5,740,000, plus reasonable attorney's fees and costs incurred by CV post-petition and prior to~~
15 ~~the Effective Date to the extent such fees and costs are approved by entry of a Final Order of the~~
16 ~~Bankruptcy Court. See Claim No. 3. If the Section 1111(b) Election is not made, CV will have~~
17 ~~a Class 1 Claim ranging between approximately \$750,000 and \$2,400,000, depending on the~~
18 ~~outcome of the NH Litigation.~~

19 ~~If the Section 1111(b) Election is not made by CV, then, on the Effective Date, the CV~~
20 ~~Loan Documents Professional Fees shall remain in full force and effect, save and except that~~
21 ~~without any further action by Debtor, Reorganized Debtor, or CV, all of the CV Loan~~
22 ~~Documents⁹ shall be deemed to have been amended be paid in Cash, as follows:~~

23 _____ (continued)
24 submitted pursuant to Sections 328, 330, 331, or 503(b) of the Bankruptcy Code of Persons: (i) employed pursuant
25 to an order of the Bankruptcy Court under Section 327 or 328 of the Bankruptcy Code; or (ii) for whom
26 compensation and reimbursement has been allowed by the Bankruptcy Court pursuant to Section 503(b) of the
27 Bankruptcy Code or by other Final Order." Debtor's retained professionals' fees and expenses discussed above are
28 included in the definition of Professional Fees.

⁸ CV is owned by Andrew Cartwright, who also owns Debtor.

⁹ The "CV Loan Documents" include: (i) the Promissory Note made by 508 Regents Gate, LLC, as payor, in favor of CV, as payee, dated March 15, 2010, in the principal amount of \$4,340,000.00 (the "CV Note"); (ii) the Short

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~~a. — Principal Balance. The principal balance of the CV Note shall be the secured portion of the Allowed CV Claim, which amount shall be determined by entry of a Final Order.~~

~~b. — Lien. From and after the Effective Date, the Holder of the Class 1 CV Claim shall retain its Lien in the Real Property and all other collateral provided under the CV Loan Documents consistent with the applicable CV Loan Documents until the CV Note, as amended by the Plan, is repaid in full.~~

~~c. — Post Effective Date Interest. Interest shall accrue on the principal balance set forth in Section 4.1.1(a) of the Plan at the Secured Interest Rate.¹⁰~~

~~d.a. — Monthly Payments.~~

~~(i) — Unless one or more monthly payments are waived by CV, beginning on (i) on the later of: (i) the first (1st) Business Day of the first (1st) full month after the Allowed NH Claim has been paid in full the Effective Date and the date that Garman Turner Gordon LLP’s Professional Fees are Allowed by entry of an order of the Bankruptcy Court, Garman Turner Gordon LLP shall receive the balance of the Initial Equity Contribution (which is \$50,000) after all other Allowed Administrative Claims have been satisfied in accordance with Section 4.62.2.1 of the Plan; and (ii) the first (1st) Business Day of the first (1st) full calendar month following the entry of a Final Order determining the amount of the CV Claim, and on the beginning on January 1, 2017 and on first (1st) Business Day of each month thereafter through the maturity date set forth in Section 4.1.1(e) of the Plan, Reorganized Debtor shall distribute to CV monthly interest payments on the principal amount set forth in Section 4.1.1(a) of the Plan at the Secured Interest Rate; and~~

~~(ii) — On the maturity date set forth in Section 4.1.1(e) of the Plan, Reorganized Debtor shall pay CV all remaining amounts due and owing to CV under the CV Note, as amended by the Plan.~~

~~e. — Maturity Date. The tenth (10th) anniversary of the Effective Date.~~

(continued)

~~Form Deed of Trust and Assignment of Rents made by 508 Regents Gate, LLC, as grantor, in favor of CV, as beneficiary, recorded with the Clark County Recorder on March 9, 2010, as Book Instrument 2010-03090003346 (the “CV Deed of Trust”); and (iii) any and all other amendments or documents pertaining thereto.~~

¹⁰ ~~The “Secured Interest Rate” is “[t]he rate of 3.5% per annum or such other rate as determined by the Bankruptcy Court in accordance with Section 1129(b)(2)(A).” While a number of factors must be considered in determining the appropriate interest rate, Debtor’s research has revealed that residential mortgage rates in Nevada on a 15 year fixed jumbo mortgage are presently less than 3.3%, interest rates with a five year arm are less than 3.5%, and 30 year fixed mortgages are around 3.5–3.75%. Here, if NH has a Claim, its Claim is protected by no less than a 25%–50% equity cushion and possibly materially greater. Additionally, the term of repayment is only 4 years. As such, Debtor submits that an interest rate of 3.5% is reasonable and appropriate to compensate NH for the risk associated with repayment of its Claim under the terms of the Plan.~~

1 ~~f.a. — Prepayment. There shall be no prepayment penalty.~~

2 ~~g. — Insolvency and Bankruptcy Relief. Debtor's pre-Effective Date~~
3 ~~insolvency, inability to pay its debts as they mature, the making of an assignment~~
4 ~~for the benefit of creditors by Debtor, the appointment of a receiver of the~~
5 ~~property of Debtor, or the filing of a voluntary or involuntary petition under Title~~
6 ~~11 or similar proceeding under law against Debtor shall not constitute an event of~~
7 ~~default under the CV Loan Documents.~~

8 ~~If the Section 1111(b) Election is made by CV, then, on the Effective Date, the CV Loan~~
9 ~~Documents shall remain in full force and effect, save and except that without any further action~~
10 ~~by Debtor, Reorganized Debtor, or CV, all of the CV Loan Documents shall be deemed to have~~
11 ~~been amended as follows:~~

12 ~~a. — Principal Balance. On the Effective Date, the principal balance of~~
13 ~~the CV Note shall be the lesser of: (i) the until Garman Turner Gordon LLP's~~
14 ~~Allowed CV Claim, which amount shall be determined by entry of a Final Order;~~
15 ~~and (ii) One Million and No/100 Dollars (\$1,000,000.00).~~

16 ~~h. — Lien. From and after the Effective Date, the Holder of the Class 1~~
17 ~~CV Claim shall retain its Lien in the Real Property and all other collateral~~
18 ~~provided under the CV Loan Documents consistent with the applicable CV Loan~~
19 ~~Documents until the CV Note, as amended by the Plan, is repaid in full.~~

20 ~~i. — Monthly Payments. Beginning on the later of: (i) the first (1st)~~
21 ~~Business Day of the first (1st) full month after the NH Claim has been paid in full~~
22 ~~in accordance with Section 4.6 of the Plan; and (ii) the first (1st) Business Day of~~
23 ~~the first (1st) full calendar month following the entry of a Final Order determining~~
24 ~~the amount of the CV Claim, and on the first (1st) Business Day of each month~~
25 ~~thereafter until the amount set forth in Section 4.1.2 of the Plan has been paid to~~
26 ~~CV, Reorganized Debtor shall distribute to CV monthly payments of~~
27 ~~Three Professional Fees have been paid in full, Reorganized Debtor shall pay, Pro~~
28 ~~Rata, Two Thousand Five Hundred and No/100 Dollars (\$32,500.00).~~

~~j. — Prepayment. There shall be no prepayment penalty.~~

~~k. — Equity. If the) to Garman Turner Gordon LLP; and (iii) if Reorganized Debtor~~
~~sells the Real Property or refinances the NH Claim prior to Garman Turner Gordon LLP's~~
~~Allowed CV Claim and Professional Fees being repaid in full, on the Allowed NH Claim~~
~~collectively exceed date of the value sale of the Real Property, then, on the later of: (i) the~~
~~Effective Date; and (ii) or the date that of the CV Claim is Allowed by entry of a Final~~
~~Order refinancing of the Bankruptcy Court, CV shall receive 100% of the membership interest~~

1 ~~in~~NH Claim, Reorganized Debtor shall pay Garman Turner Gordon LLP the outstanding balance
2 of its Allowed Professional Fees.

3 ~~The Creditor in Class 1 is impaired under the Plan, and thus the Holder of the Class 1~~
4 ~~Claim is entitled to vote on the Plan.~~

5 ~~D.~~ **D. Class 2 - Deficiency Claims.**

6 ~~There will be no Deficiency Claim if the Section 1111(b) Election is made. If the Section~~
7 ~~1111(b) Election is not made, the Deficiency Claim is estimated to range between \$3,340,000~~
8 ~~and \$5,000,000.~~

9 ~~Except to the extent that the Holder of the Deficiency Claim agrees to less favorable~~
10 ~~treatment, the Holder of the Deficiency Claim shall, in full and final satisfaction of such Claim,~~
11 ~~receive 100% of the membership interest in Reorganized Debtor on the Effective Date.~~

12 ~~The Creditor in Class 2 is impaired under the Plan, and thus the Holder of the Class 2~~
13 ~~Claim is entitled to vote on the Plan.~~

14 ~~E.C.~~ **Class 3 - Class 1 - Other Secured Claims.**

15 ~~Except to the extent that a Creditor with an Allowed Other Secured Claim¹¹ agrees to less~~
16 ~~favorable treatment, each Creditor with an Allowed Other Secured Claim, shall, in full and final~~
17 ~~satisfaction of such Claim, be paid in Cash, as follows. While the Clark County Treasury has not~~
18 ~~yet filed a proof of claim, Debtor believes that it may hold an Other Secured Claim of less than~~
19 ~~\$18,000.00. Debtor is not presently aware of any additional Other Secured Claims and none~~
20 ~~have been asserted in the Chapter 11 Case.~~

21 ~~On the first (1st) Business Day of the first (1st) month that is a full calendar quarter after~~
22 ~~the Effective Date and on the first (1st) Business Day of the first (1st) month of each calendar~~
23 ~~quarter thereafter, Reorganized Debtor shall pay each Holder of an Allowed Other Secured~~
24 ~~Claim his/her/its Pro Rata share of the lesser of: (i) FiveTwo Thousand and No/100 Dollars~~

25 _____
26 ¹¹ “Other Secured Claims” is defined in the Plan as “[a]ny Secured Claim, expressly including any Secured Claim
27 held by Clark County or any other governmental agency or home owners association for Taxes or assessments that
28 are secured by the Real Property, other than the NH Claim.” Debtor believes that there may be two Other Secured
Claims, being a Claim for pre-petition real property taxes and a Claim for HOA assessments.

1 (\$52,000.00); and (ii) the remaining amount of his/her/its Allowed Other Secured Claim.
2 Interest shall accrue on each Allowed Other Secured Claim at the lower of the: (i) statutory rate;
3 (ii) contract rate; and (iii) interest rate approved by entry of a Final Order of the Bankruptcy
4 Court.

5 ~~Class 3 is Impaired under the Plan. The Holders of the Class 3 Claims are entitled to vote~~
6 ~~on the Plan.~~

7 Class 1 is Impaired under the Plan. The Holders of the Class 1 Claims are entitled to vote
8 on the Plan.

9 **F.D. Class 42 - Priority Unsecured Claims.**

10 Debtor is not presently aware of any Allowed Priority Unsecured Claims;¹² however,
11 should there be any Allowed Priority Unsecured Claims, each Holder of an Allowed Priority
12 Unsecured Claim shall, in full and final satisfaction of such Claims, be paid in full in Cash on the
13 latest of: (i) the Effective Date, or as soon thereafter as is practical; (ii) such date as may be fixed
14 by the Bankruptcy Court, or as soon thereafter as is practicable; (iii) the fourteenth (14th)
15 Business Day after such Claim is Allowed, or as soon thereafter as is practicable; or (iv) such
16 date as the Holder of such Claim and Reorganized Debtor has agreed or shall agree.

17 Class 42 is Unimpaired under the Plan, and therefore, the Holders of Class 42 Claims, if
18 any, are deemed to have accepted the Plan and are not entitled to vote on the Plan.

19 ...

20 **G.E. Class 53 - General Unsecured Claims.**

21 A General Unsecured Claim is a Claim, including a Claim arising under Section 502(g)
22 of the Bankruptcy Code that is not secured by a charge against or interest in property in which
23 the Estate has an interest and is not an unclassified Claim, Administrative Claim, Deficiency
24 Claim, or Priority Unsecured Claim.¹³

25 _____
26 ¹² “Priority Unsecured Claims” is defined in the Plan as “[a]ny and all Claims accorded priority in right of payment
under Section 507(c) of the Bankruptcy Code.”

27 ¹³ ~~As of the submission of this Disclosure Statement, only one General Unsecured Claim has been asserted, which~~
28 ~~was asserted by Royal & Miles, LLP (“Royal & Miles, LLP”). Royal & Miles was engaged by Debtor and CV to~~

1 Except to the extent that a Creditor with an Allowed General Unsecured Claim agrees to
2 less favorable treatment, each Creditor with an Allowed General Unsecured Claim, shall, in full
3 and final satisfaction of such Claim, be paid in Cash, as follows. On the first (1st) Business Day
4 of the first (1st) month that is a full calendar quarter after the Effective Date and on the first (1st)
5 Business Day of the first (1st) month of each calendar quarter thereafter, Reorganized Debtor
6 shall pay each Holder of an Allowed General Unsecured Claim his/her/its Pro Rata share of the
7 lesser of: (i) Two Thousand and Five Hundred Dollars (\$2,500.00); and (ii) the remaining
8 amount of his/her/its Allowed General Unsecured Claim.¹⁴

9 Class 3 is Impaired under the Plan. The Holders of the Class 3 Claims are entitled to vote
10 on the Plan.

11 ~~Class 5 is Impaired under the Plan. The Holders of the Class 5 Claims are entitled to vote~~
12 ~~on the Plan.~~

13 **H.F. Class 64 – NH Claim.**

14 ~~To the extent that NH is determined by entry of a Final Order to hold an Equity Security~~
15 ~~and not a Claim, there shall be no NH Claim and Section 4.6 of the Plan shall be of no force and~~
16 ~~effect. To the extent that NH is determined by entry of a Final Order to hold a Claim, on~~On
17 Effective Date, the NH Documents shall remain in full force and effect, save and except that
18 without any further action by Debtor, Reorganized Debtor, or NH, all of the NH Documents¹⁵
19 shall be deemed to have been amended as follows:

20 _____ (continued)

21 ~~represent them in the NH Litigation. As the Court granted relief from the automatic stay to liquidate the NH Claim~~
22 ~~in State Court, Royal & Miles continues to represent CV in the NH Litigation and Debtor will be seeking~~
23 ~~authorization to retain Royal & Miles as its special litigation counsel to complete the NH Litigation. — Royal &~~
Miles LLP holds a General Unsecured Claim against Debtor for services rendered to Debtor pre-petition in the NH
Litigation.

24 ¹⁴ The quarterly payment structure is necessary to enable Debtor to satisfy as expeditiously as possible its Allowed
Administrative Claims and its Allowed Secured Claims.

25 ¹⁵ The term “NH Documents” ~~include~~includes: (i) the Promissory Note made by Debtor, as payor, in favor of NH, as
26 payee, dated June 8, 2010, in the principal amount of \$1,200,000.00 (the “NH Note”); (ii) the Short Form Deed of
27 Trust and Assignment of Rents made by Debtor, as grantor, in favor of NH, as beneficiary, recorded with the Clark
County Recorder on June 14, 2010, as Book-Instrument 2010-06140001730 (the “NH Deed of Trust”); and (iii) any
28 and all other amendments or documents pertaining thereto.

1 a. Principal Balance. ~~Principal Balance.~~ The principal balance of the
2 NH Note shall be the Allowed NH Claim.

3 ~~b.a.~~ Lien. From and after the Effective Date, the Holder of the Class
4 ~~64~~ Allowed NH Claim shall retain its Lien in the Real Property and all other
5 collateral provided under the NH Documents consistent with the applicable NH
6 Documents until the NH Note as amended by the Plan is repaid in full.

7 ~~e.a.~~ Post-Effective Date Interest. Interest shall accrue on the principal
8 balance set forth in Section 4. ~~Post-Effective Date Interest.~~ ~~Interest shall accrue on~~
9 ~~the principal balance set forth in Section 4.6.14(a)~~ of the Plan at the Secured
10 Interest Rate.

11 a. Monthly Payments.

12 ~~d.~~ Monthly Payments.

13 (i) Beginning on the later of: (i) the first (1st) Business Day of
14 the first (1st) full calendar month following the Effective Date; and (ii) the
15 first (1st) Business Day of the first (1st) full calendar month following the
16 entry of a Final Order determining the ~~existence and~~ amount of the ~~CVNH~~
17 Claim, and on the first (1st) Business Day of each subsequent month up to
18 and through the twelfth (12th) month ~~after the Effective Date~~ thereafter,
19 Reorganized Debtor shall distribute to NH monthly interest payments on
20 the principal amount set forth in Section 4.6.14(a) of the Plan at the
21 Secured Interest Rate; and

22 ~~(ii)(i)~~ (i) Beginning on the first (1st) Business Day of the thirteenth
23 (13th) month ~~following the Effective Date~~ after payments commence under
24 Section 4.4(d)(i) of this Plan, and on the first (1st) Business Day of each
25 month thereafter through the maturity date set forth in Section 4.6.14(e) of
26 the Plan, Reorganized Debtor shall distribute to NH monthly principal and
27 interest payments on the principal amount set forth in Section 4.6.14(a)
28 plus any post-Effective Date fees and costs incurred pursuant to the terms
of the NH Documents as amended by the Plan amortized over a period of
thirty (30) years at the Secured Interest Rate.

~~(iii)(i)~~ (i) On the maturity date set forth in Section 4.1.14(e) of the
Plan, Reorganized Debtor shall pay NH all remaining amounts due and
owing to NH under the NH Note as amended by the Plan.

~~e.a.~~ Maturity Date. ~~The fourth (4th) anniversary of the Effective~~
~~Date~~ December 31, 2019.

a. Prepayment. There shall be no prepayment penalty.

~~f.~~ Insolvency and Bankruptcy Relief. Debtor's pre-Effective Date
insolvency, inability to pay its debts as they mature, the making of an assignment
for the benefit of creditors by Debtor, the appointment of a receiver of the

1 property of Debtor, or the filing of a voluntary or involuntary petition under Title
2 11 or similar proceeding under law against Debtor shall not constitute an event of
3 default under the ~~Prepayment~~. There shall be no prepayment penalty.

4 ~~g. Insolvency and Bankruptcy Relief. Debtor’s pre-Effective Date~~
5 ~~insolvency, inability to pay its debts as they mature, the making of an assignment~~
6 ~~for the benefit of creditors by Debtor, the appointment of a receiver of the~~
7 ~~property of Debtor, or the filing of a voluntary or involuntary petition under Title~~
8 ~~11 or similar proceeding under law against Debtor shall not constitute an event of~~
9 ~~default under the NH Documents.~~

10 b. NH Documents.

11 c. Remedy in the Event of Default. If Reorganized Debtor fails to
12 make the payments set forth in Section 4.4(d) of the Plan, NH shall provide
13 written notice to Reorganized Debtor of the default in payment and provide
14 Reorganized Debtor with a ten-day period after Reorganized Debtor’s receipt of
15 the written notice within which Reorganized Debtor must cure the default. If
16 Reorganized Debtor does not cure the default by making the outstanding payment
17 before the conclusion of the ten-day cure period, Reorganized Debtor shall be in
18 default under the NH Documents and NH may proceed with its state law
19 remedies, including foreclosure.

20 h.d. Good Standing. On the Effective Date, all pre-Effective Date
21 defaults under the NH Documents shall be deemed to have been cured and on the
22 Effective Date, Debtor and/or Reorganized Debtor shall be current and in good
23 standing under the NH Documents.

24 ~~i. Debtor’s pre-Effective Date insolvency, inability to pay its debts as they~~
25 ~~mature, the making of an assignment for the benefit of creditors by~~
26 ~~Debtor, the appointment of a receiver of the property of Debtor, or the~~
27 ~~filing of a voluntary or involuntary petition under Title 11 or similar~~
28 ~~proceeding under law against Debtor shall not constitute an event of~~
~~default under the NH Documents.~~

Class 64 is ~~impaired~~Impaired under the Plan. The Holder of the Class 64 Claim is entitled to vote on the Plan.

I.G. Class 75 - Equity Securities.

On the Effective Date, the Class 7 ~~Equity Securities will receive either the treatment set~~
forth in subsection (a) or (b) below.

(a) ~~In the event that the Allowed CV Claim and Allowed NH Claim exceed the value~~
of the Real Property, on the later of: (i) the Effective Date; and (ii) the dates that the CV Claim
and NH Claims are Allowed by Final Orders of the Bankruptcy Court, all Equity Securities shall

1 ~~be cancelled. The Holders of the Class 7 Equity Securities shall not receive or retain any~~
2 ~~property on account of their Equity Securities under the Plan. In such event, the Holders of~~
3 ~~Allowed Class 7 Equity Securities are deemed to have rejected the Plan and will not be entitled~~
4 ~~to vote on the Plan.~~

5 (b) ~~In the event that the Allowed CV Claim and Allowed NH Claim do not exceed~~
6 ~~the value of the Real Property, on the later of: (i) the Effective Date; and (ii) the dates that the~~
7 ~~CV Claim and NH Claims are Allowed by Final Orders of the Bankruptcy Court, Class 75~~
8 Equity Securities shall retain all of their legal interests. ~~In such event, the Holders in The~~
9 Holder(s) of Class 75 Equity Securities are Unimpaired, are deemed to have accepted the Plan,
10 and are not entitled to vote on the Plan.

11 **V.**
12 **SUMMARY OF VOTING PROCESS**

13 **A. Who May Vote To Accept Or Reject The Plan.**

14 Generally, holders of allowed claims or equity interests that are “impaired” under a plan
15 are permitted to vote on the plan. A claim is defined by the Bankruptcy Code and the Plan to
16 include a right to payment from a debtor. An equity security represents an ownership stake in a
17 debtor, such as a share. In order to vote, a creditor must first have an allowed claim. As
18 explained more fully below, to be entitled to vote, a Claim must be both “Allowed” and
19 “Impaired.”

20 The solicitation of votes on the Plan will be sought only from the Holders of Claims in
21 Classes 1, ~~2 (if the Section 1111(b) Election is not made), 5, and 6 (if NH is determined to hold~~
22 ~~an Allowed Claim); 3, and 4.~~

23 **B. Summary of Voting Requirements.**

24 In order for the Plan to be confirmed, the Plan must be accepted by at least one non-
25 insider, impaired class of claims, excluding the votes of insiders. A class of claims is deemed to
26 have accepted a plan when allowed votes representing at least two-thirds (2/3) in amount and a
27 majority in number of the claims of the class actually voting cast votes in favor of a plan. A
28 class of equity securities has accepted a plan when votes representing at least two-thirds (2/3) in

1 amount of the outstanding equity securities of the class actually voting cast votes in favor of a
2 plan.

3 Debtor is soliciting votes from Holders of Allowed Claims in the following Classes:

<u>Class</u>	<u>Description</u>
Class 1	<u>CV Claim</u> <u>Other Secured Claims</u>
<u>Class 2</u>	<u>Deficiency Claim</u>
Class <u>53</u>	General Unsecured Claims
Class <u>64</u>	NH Claim

11 Debtor has the right to supplement this Disclosure Statement as to additional impaired
12 Classes, if any.

13 **A VOTE FOR ACCEPTANCE OF THE PLAN BY THOSE HOLDERS OF**
14 **CLAIMS WHO ARE ENTITLED TO VOTE IS MOST IMPORTANT. DEBTOR**
15 **ASSERTS THAT THE TREATMENT OF CREDITORS UNDER THE PLAN IS THE**
16 **BEST ALTERNATIVE FOR CREDITORS, AND THUS DEBTOR RECOMMENDS**
17 **THAT THE HOLDERS OF ALLOWED CLAIMS WHO ARE ENTITLED TO VOTE ON**
18 **THE PLAN DO VOTE IN FAVOR OF THE PLAN.**

19 **VI.**
20 **INFORMATION ABOUT ~~DEBTOR'S BUSINESS~~DEBTOR AND THE CHAPTER 11**
21 **CASE**

22 Debtor is a Nevada limited liability company organized on June 4, 2010, which is owned
23 and managed by Andrew Cartwright. Debtor owns the residential real property located at 508
24 Regent Gate Drive, Henderson, NV 89012 (the "Real Property"). ~~While Debtor has not yet~~
25 ~~obtained an appraisal of the Real Property, NH has obtained an appraisal valuing it at~~
26 ~~\$2,400,000.~~

27 Debtor believes the value of the Real Property significantly exceeds \$2.4 Million, which
28 is supported by: (i) R. Scott Dugan's appraisal of the Real Property valuing it at \$2.4 Million as
of November 14, 2014; (ii) NH and Debtor's stipulation that the value of the Real Property was

1 \$2.4 Million for purposes of the NH Litigation (see ECF No. 251, p. 13, ¶ 49); (iii) Zillow.com’s
2 valuation of the Real Property at \$2,852,416 as of August 21, 2016; and (iv) NH’s July 11, 2016
3 response to an interrogatory request served on May 27, 2016 asking NH to “[s]tate the value of
4 the Real Property and Identify all Documents that support Your stated value,” stating:

5 \$2.4 Million based on Debtor’s schedules; \$2.4 million based upon
6 appraisal by Scott Dugan as of November 14, 2014; \$2.7 million
7 based on Zillow (internet website) as of June 23, 2016.

8 However, nearly a month later, in anticipation of confirmation, on August 3, 2016, NH
9 materially altered its interrogatory response to instead state:

10 No more than \$2.4 million based upon appraisal by Scott Dugan as
11 of November 14, 2014 based on the fact that the appraisal by Scott
12 Dugan does not take into account the construction defects and none
13 of the construction defects have been remedied.

14 If the Confirmation Hearing is continued beyond July 29 and 30, 2016, Debtor will obtain
15 an appraisal of the Real Property in light of NH’s very recent reversal as to its opinion of the
16 value of the Real Property.

17 While substantially complete, the Real Property has a number of construction defects that
18 must be corrected by Las Vegas Custom Building Concepts Inc. (“LVCBC”) and/or its
19 subsidiaries subcontractors and contractors. Specifically, on October 15, 2013, Debtor notified
20 LVCBC of construction deficiencies and incomplete work pursuant to NRS 40.600 *et seq.* These
21 defects and deficiencies include, but are not limited to cracking interior drywall, cracking and
22 heaving concrete flatwork, and roofing defects and leaks, as well as improper and/or unfinished
23 repairs through the home. Despite numerous demands beginning on or about October 15, 2013
24 that LVCBC complete the necessary repairs, no action was taken. As such, on May 6, 2014,
25 Debtor commenced a construction defect case in the Eighth Judicial District Court, Clark
26 County, Nevada, Case Number A-14-700322-D (the “CD Litigation”), against LVCBC.
27 Because LVCBC contends it is underinsured, the CD Litigation is being amended to individually
28 name all of the subcontractors. After its counsel withdrew and LVCBC failed to retain new
counsel, an order to show cause was entered against LVCBC on August 3, 2016, requiring it to

1 [appear on September 6, 2016, and show cause why its answer should not be stricken pursuant to](#)
2 [EDCR 7.42\(b\).](#)

3 [Counsel for Debtor in the CD Litigation has also begun providing the required notices to](#)
4 [the subcontractors to allow for the Complaint to be amended to add them as defendants if](#)
5 [necessary.](#) Specifically, in Nevada, before any claimant may pursue a cause of action for
6 construction defects in court, the claimant must comply with the pre-litigation requirements of
7 NRS 40.600, *et. seq.* (hereinafter “[Chapter 40](#)”). To begin the process, a claimant must provide
8 written notice of the claim to the contractor (the “[Chapter 40 Notice](#)”). Within thirty days of
9 receiving the Chapter 40 Notice, the contractor must provide the notice to each subcontractor
10 that may be responsible for the defect allegations if the general contractor wants to pursue its
11 subcontractors.

12 As indicated in the [initiallyinitial](#) summary of the CD Litigation proceedings, Debtor
13 previously served a Chapter 40 Notice on the general contractor, LVCBC. ~~However,~~LVCBC
14 did not ~~choose to~~ forward Debtor’s Chapter 40 notice to the subcontractors. After the CD
15 Litigation commenced, LVCBC represented that it did not have sufficient insurance coverage or
16 funds to sustain a verdict. ~~Therefore, in order to ensure recovery, Debtor needed to~~
17 ~~serve~~[However, despite such representations, Debtor has been advised that LVCBC does, in fact,](#)
18 [have insurance and Debtor is seeking to obtain additional information regarding LVCBC](#)
19 [insurance coverage. Nonetheless, in order to ensure recovery, Debtor has also begun serving the](#)
20 subcontractors with a Chapter 40 Notice.

21 ~~However, since~~[Since](#) the CD Litigation was commenced, the pre-litigation requirements
22 of Chapter 40 have changed. In order to comply with the present provisions of Chapter 40, the
23 Bourassa Law Group, Debtor’s counsel in the CD Litigation, prepared an updated Chapter 40
24 Notice that contained the required verification (NRS 40.645(1)(d)), which ~~was~~[has been](#) sent to
25 the subcontractors at [varying times since](#) the end of 2015.

26 Pursuant to NRS 40.647, after the subcontractors receive the Chapter 40 Notice, they
27 have the right to request an inspection of the ~~property~~[Real Property](#). Previously, the inspection
28 was a simple issue of access to the property. However, when the Nevada Legislature amended

1 Chapter 40 in 2015, it changed the requirements for this inspection. Now, pursuant to NRS
2 40.647, if the Chapter 40 Notice includes an expert opinion concerning the alleged construction
3 defects, the expert or an expert representative, must be present at the inspection to identify the
4 exact location of each alleged ~~construction~~construction defect.

5 Debtor's Chapter 40 Notice contained expert reports identifying the construction defect
6 claims, which requires the experts' attendance at any requested inspection. Because Debtor has
7 received formal requests for inspection and to minimize costs while complying with the new
8 requirements of Chapter 40, Debtor is seeking to coordinate an inspection with the expert and
9 any interested subcontractors on a single day in order to avoid having to incur additional expert
10 fees and costs.

11 ~~To date, Debtor has received one formal request for an inspection. Therefore, in order to~~
12 ~~comply with the new requirements of Chapter 40, Debtor is currently seeking to coordinate an~~
13 ~~inspection with the expert and any interested parties on one day in order to avoid having to incur~~
14 ~~additional expert fees and costs.~~

15 Pursuant to NRS 40.6472, after having the opportunity to inspect the ~~property~~Real
16 Property, each subcontractor is required to provide a written response to Debtor's construction
17 defect allegations within ninety days of receiving the Chapter 40 Notice, ~~which ninety day~~
18 ~~period will run by the end of March 2016.~~ In the response, the subcontractor must do one of
19 three things: (i) elect to repair the alleged defects; (ii) make a settlement offer; or (iii) disclaim
20 liability. If the subcontractor elects to offer repairs, pursuant to NRS 40.648, ~~the subcontractor~~
21 must complete the repairs within 105 days after the subcontractor received the Chapter 40
22 Notice, unless the subcontractor cannot reasonably complete the repairs within this timeframe.

23 After this initial pre-litigation period has ended, pursuant to NRS 40.680, for any
24 subcontractors that have disclaimed liability, Debtor must next give such subcontractor the
25 opportunity to mediate, unless mediation is waived in writing. If the claims are not resolved in
26 mediation, Debtor can then move to amend its pending Complaint to name the subcontractors as
27 direct defendants. Again, in an effort to minimize costs, Debtor is seeking to coordinate the
28 mediation process with the various subcontractors that have disclaimed liability.

1 ~~Trial in the~~The CD Litigation ~~was originally~~^{is} scheduled for ~~March 14, 2016, but has~~
2 ~~been continued for~~ a bench trial on January 3, 2017; however, it may be necessary to provide
3 time to add~~continue the trial date depending on~~ the ~~subcontractors~~^{subcontractors'} responses and
4 actions in the litigation should they be added as defendants.

5 Debtor expects that ~~the~~ some, if not most, of the subcontractors (or their insureds)¹⁶ will
6 either settle with Debtor or agree to correct the repairs without further litigation. For those
7 subcontractors that do not agree, Debtor anticipates that the CD Litigation will result in
8 judgments that will either: (i) result in the subcontractors correcting (at no cost to Reorganized
9 Debtor) the construction defects; (ii) the payment of sufficient damages to allow Reorganized
10 Debtor to hire the necessary professionals to complete the repairs; or (iii) a combination of (i)
11 and (ii). While the CD Litigation remains pending, based on Debtor's analysis of the issues and
12 the estimate of cost repair prepared by LiMa Consulting, Inc., one of Debtor's experts, the cost to
13 complete the necessary repairs is approximately \$419,644.¹⁷16.

14 Based on Debtor's construction knowledge and information learned from its experts in
15 the CD Litigation, Debtor believes that the remaining repairs can be completed within three to
16 six months of the conclusion of the CD Litigation. In the event that not all of the necessary
17 repairs are completed by the contractor and subcontractors and/or the monetary judgment is
18 insufficient to cover the cost of the necessary repairs, Debtor's manager, Mr. Cartwright, will
19 complete the repairs he is able to make. Mr. Cartwright, as the manager, oversaw the
20 construction of the Real Property, has previously managed a construction company, and has
21 ample experience in the construction industry. Reorganized Debtor will thereafter engage
22 professionals to complete the balance of the necessary repairs. These repair costs will be paid by

23 _____
24 ¹⁶ Debtor's counsel, the Bourassa Law Group, is seeking to determine the identity and amount of insurance coverage
by the various subcontractors.

25 ¹⁷ ~~In the unlikely event that not all of the necessary repairs are completed by the subcontractors and/or the monetary~~
26 ~~judgment is insufficient to cover the cost of the necessary repairs, Debtor's manager, Mr. Cartwright, will complete~~
27 ~~the repairs he is able to make. Mr. Cartwright, as the manager, oversaw the construction of the Real Property, has~~
28 ~~previously owned a construction company, and has ample experience in the construction industry. The Reorganized~~
~~Debtor will thereafter engage necessary professionals to complete the balance of the necessary repairs. These repair~~
~~costs will be paid by Debtor, or, if necessary, by Mr. Cartwright and/or Capital Velocity.~~

1 Debtor, or, if necessary, by Mr. Cartwright through equity contributions, a refinancing that
2 includes additional funds to complete the necessary repairs, or a short term bridge loan to
3 provide sufficient time to complete the repairs and either sell or refinance the Real Property.

4 ~~However, as a result of the defects and the cloud on title resulting from the~~
5 ~~commencement of the CD Litigation, Debtor has been unable to refinance or sell the Real~~
6 ~~Property. Debtor therefore~~Debtor sought Chapter 11 protection in order to preserve the value of
7 the Real Property, to allow it to complete the CD Litigation, thereby increasing the value of the
8 Real Property, and to provide a mechanism to restructure and repay its debts.

9 **A. The Asserted Claims.**

10 ~~On or about March 9, 2010, CV entered into the CV Note and recorded the CV Deed of~~
11 ~~Trust in the principal amount of \$4,340,000 against the Real Property. The CV Claim is the~~
12 ~~obligations due and owing by Debtor under the CV Loan Documents. Thereafter, NH and~~
13 ~~Debtor entered into the NH Note and on June 14, 2010, the NH Deed of Trust was recorded~~
14 ~~against the Real Property. On June 14, 2010, a Subordination Agreement was also recorded~~
15 ~~against the Real Property, thereby subordinating the CV Deed of Trust to the NH Deed of Trust.~~
16 ~~Various mechanic lien holders and other creditors have formally and informally asserted claims~~
17 ~~against Debtor.~~

18 ~~Despite agreeing to Debtor's commencement of the CD Litigation,¹⁸ which, again,~~
19 ~~resulted in a cloud on title, on April 21, 2014, NH commenced the NH Litigation in the Eighth~~
20 ~~Judicial District Court, Clark County, Nevada (the "State Court"), Case Number A-14-699503-~~
21 ~~C, seeking Judicial Foreclosure. As more fully discussed herein, the Bankruptcy Court has~~
22 ~~granted relief from the automatic stay to allow the State Court to liquidate (but not enforce) NH's~~
23 ~~asserted claim.~~

24 **B.A. Commencement of the Chapter 11 Case and Significant Events in the Case.**

25 Debtor commenced its Chapter 11 Case on July 16, 2015. Thereafter, on July 23, 2014,

26 _____
27 ¹⁸ ~~NH's agreement is disputed by Francis Stacy, who, at the time of the commencement of the CD Litigation,~~
28 ~~managed NH.~~

1 Debtor filed an *Application for Order Approving Employment of Garman Turner Gordon as*
2 *Attorneys for Debtor* [ECF No. 11], whereby Debtor sought to employ Garman Turner Gordon
3 LLP as its bankruptcy counsel in its Chapter 11 Case, which application was approved by entry
4 of an order of the Bankruptcy Court on September 10, 2015 [ECF No. 27]. Debtor ~~has~~ also
5 sought to retain the Bourassa Law Group as its special counsel to prosecute the CD Litigation,
6 which application ~~is set for hearing on November 25, 2015. See ECF Nos. 56 and 59. was~~
7 approved by entry of an order of the Bankruptcy Court on December 4, 2015. See ECF Nos. 56
8 and 90. Debtor additionally sought to retain Royal & Miles LLP as its counsel in the NH
9 Litigation [ECF No. 173], which application was approved by entry of an order of the
10 Bankruptcy Court on April 12, 2016 [ECF No. 194].

11 On August 26, 2015, Debtor filed its complaint seeking to recharacterize NH's asserted
12 claim as equity, thereby commencing Adversary Number 15-1137 (the "Adversary"). On
13 September 30, 2015, NH filed its *Motion to Abstain and to Lift Stay to Allow State Court to*
14 *Proceed to Judgment* [ECF No. 6 in the Adversary], which motion was granted by entry of an
15 order of the Bankruptcy Court on November 17, 2015 [ECF No. 16], thereby staying all
16 proceedings in the Adversary pending further order of the Bankruptcy Court.

17 Despite agreeing to Debtor's commencement of the CD Litigation,¹⁹ which, again,
18 resulted in a cloud on title, on April 21, 2014, NH commenced litigation in the Eighth Judicial
19 District Court, Clark County, Nevada (the "State Court"), Case Number A-14-699503-C, seeking
20 Judicial Foreclosure (the "NH Litigation"). Concurrently with filing its abstention motion, NH
21 filed its *Motion to Lift Stay to Allow State Court to Proceed to Judgment* [ECF No. 30] (the
22 "Stay Relief Motion"). ~~Debtor opposed the Stay Relief Motion on several basis, including that~~
23 ~~NH's former manager, Ms. Stacy, had been removed as manager, and that NH's current manager~~
24 ~~has directed the withdrawal of the Stay Relief Motion (the "Corporate Authority Issue").")~~
25 seeking to allow the NH Litigation to proceed in State Court. The Stay Relief Motion was

26
27 ¹⁹ NH's agreement is disputed by Francis Stacy, who, at the time of the commencement of the CD Litigation,
28 managed NH.

1 granted in part by entry of an order of the Bankruptcy Court on November 13, 2015 [ECF No.
2 68] (the “Stay Relief Order”), providing in part, as follows: (i) the NH Litigation is authorized to
3 proceed to judgment determining Debtor’s liability (if any) for the claim held against it by NH;
4 but *is not* authorized to enter judgment of foreclosure in favor of NH against Debtor; (ii) the
5 State Court is authorized to enter judgment determining whether any Claim is owned by Debtor
6 to NH; (iii) the State Court is authorized to determine whether NH has a lien against the Real
7 Property and the priority of that Lien; and (iv) the State Court may adjudicate Debtor’s
8 counterclaims against NH.

9 Debtor filed a motion seeking reconsideration of the order granting the Stay Relief
10 Order, which Debtor subsequently withdrew. ~~Debtor also sought to extend its exclusivity period,~~
11 ~~which was denied by entry of an order of the Court.~~

12 Debtor filed its initial Plan on November 13, 2015 [ECF No. 67], which Plan has been
13 amended concurrently herewith, and After a non-jury trial on July 6 and 7, 2016, on July 29,
14 2016, the State Court entered its *Findings of Fact and Conclusions of Law and Judgment* (the
15 “State Court FFCL”) in the NH Litigation, thereby entering judgment in favor of NH and against
16 Debtor in an amount to be calculated as follows: (i) \$1,200,000 in principal; (ii) interest at the
17 legal rate from and after November 14, 2013, being the last day for Debtor’s performance under
18 NH’s demand for payment of the Promissory Note; and (iii) attorney’s fees and costs in an
19 amount to be determined by this Court in post-judgment motions. Since entry of the State Court
20 FFCL, NH and Debtor have filed the following post-trial motions:

21 (i) On August 3, 2016, NH filed its *Memorandum of Costs and Disbursements* seeking
22 payment of costs of \$10,673.48;

23 (ii) On August 9, 2016, Debtor filed its *Motion to Retax Costs* seeking entry of an order
24 rejecting many of the costs sought by NH in its *Memorandum of Costs and Disbursements*; and

25 (iii) On August 16, 2016, NH filed its *Motion to Amended Findings of Fact, Conclusions*
26 *of Law and Judgment Pursuant to NRC 52(b)* seeking to have interest run at the legal rate from
27 and after July 14, 2010, instead of November 14, 2013.

28 These three motions are set for hearing before the State Court on September 12 and 19,

1 2016. Debtor additionally anticipates that NH will be filing its motion seeking the allowance of
2 its attorney's fees and costs in the near future. The outcome of all of these post-trial motions will
3 result in the determination of NH's liquidation claim amount.

4 On February 16, 2016, Debtor filed its final version of its prior plan of reorganization
5 [ECF No. 160] (the "Initial Plan").²⁰ The Initial Plan, included seven classes of claims and
6 creditors, which included the five classes from the current Plan, as well as two classes treating a
7 claim asserted by Capital Velocity, LLC ("CV"). CV, the holder of a promissory note and a
8 deed of trust recorded against Debtor's Real Property, filed a proof of claim for \$5,740,000 (the
9 "CV Claim"). See Claim No. 3. On November 19, 2015, NH filed its *Objection to Proof of*
10 *Claim of Capital Velocity, LLC* [ECF No. 149] (the "CV Objection") seeking the disallowance of
11 the CV Claim. After an evidentiary hearing on the CV Objection, the Bankruptcy Court
12 sustained the CV Objection and disallowed CV's Claim. See ECF No. 229. The disallowance of
13 the substantial CV Claim, as well as the pending liquidation of the NH Claim, necessitated an
14 amendment to the Plan to remove the former two classes of claims that treated the CV Claim, as
15 well as to revise Debtor's liquidation analysis and projections.

16 The following three motions were also filed by Debtor and NH, each of which are set for
17 hearing on August 26, 2016:

- 18 i. NH filed its *Motion to Designate Vote of Royal & Miles* [ECF No. 251];
19 ii. NH filed its *Motion to Convert Case to Chapter 7* [ECF No. 255]; and
20 iii. Debtor filed its *Motion to Continue Confirmation Hearing* [ECF No. 260].

21 Debtor is current on all of its monthly operating reports.

22 **VII.**
23 **DETAILED DESCRIPTION OF THE PLAN**

24 **A. Means of Implementation of the Plan.**

25 **1. RetestingRevesting of assets.**

26 _____
27 ²⁰ Debtor sought to extend its exclusivity period, which was denied by entry of an order of the Court [ECF Nos. 123
28 and 132].

1 On and after the Effective Date, all of Debtor's assets shall vest in Reorganized Debtor
 2 and Reorganized Debtor shall continue to exist as a separate entity in accordance with applicable
 3 law. Debtor's existing articles of organization, by-laws, and operating agreements (as amended,
 4 supplemented, or modified) will continue in effect for Reorganized Debtor following the
 5 Effective Date, except to the extent that such documents are amended in conformance with the
 6 Plan or by proper corporate action after the Effective Date. As permitted by Section
 7 1123(a)(5)(B), on the Effective Date, all of Debtor's Assets, including the Litigation Claims²¹
 8 and right, title, and interest being assumed by Reorganized Debtor in the assumed Executory
 9 Contracts shall vest in Reorganized Debtor. Thereafter, Reorganized Debtor may operate its
 10 business and may use, acquire, and dispose of such property free and clear of any restrictions of
 11 the Bankruptcy Code, the Bankruptcy Rules, and the Bankruptcy Court. Except as specifically
 12 provided in the Plan or the Confirmation Order, as of the Effective Date, all property of
 13 Reorganized Debtor shall be free and clear of all Claims and Interests.

14 2. ~~The Effectiveness of the CV Loan Documents.~~

15 2. ~~On Plan Implementation Occurring on the Effective Date, the CV Loan~~
 16 ~~Documents shall remain in full force and effect, save and except that.~~

17 On the Effective Date: (i) without any further action by ~~Reorganized~~ Debtor or

18 ²¹ Debtor has enumerated the following Litigation Claims in its schedules: (i) the CD Litigation discussed
 19 ~~below~~above; (ii) litigation claims against Malcom Butler of the Fiduciary Group, which claims arise from Mr.
 20 Butler's misrepresentations and improper conduct in connection with the transaction between NH and Debtor and
 21 the NH Litigation; (iii) litigation claims against Francis Newton and Newton Holdings, LLC. ~~The~~ claims against
 22 Newton Holdings are being addressed in the NH Litigation discussed above. The claims against Francis Newton
 23 arise from her misrepresentations and improper conduct in connection with the transaction between Debtor and NH
 24 and the NH Litigation, including, without limitation, material misrepresentations upon which Debtor relied in
 25 entering into the NH Note and NH Deed of Trust and commencing the CD Litigation; (iv) malpractice and related
 26 tort claims against Michael Van and Shumway Van & Hansen in connection with their services as pre-petition
 27 counsel to Debtor in the NH Litigation; and (v) malpractice and related tort claims against Harold Gewerter and
 28 Harold P. Gewerter, Esq. Ltd. in connection with their services as pre-petition counsel to Debtor in the NH
 Litigation. These claims were scheduled in an "unknown" value as the amount of damages suffered by Debtor
 cannot be fully ascertained and quantified until the NH Litigation is concluded. For example, ~~if had~~ Debtor
~~prevails~~prevailed in the NH Litigation and ~~is been~~ awarded its attorneys' fees and costs, then the damages against its
 former counsel (Michael Van, Shumway Van & Hansen, Harold Gewerter, and Harold P. Gewerter, Esq. Ltd.)
~~may would~~ be limited to the costs of the Chapter 11 Case. Conversely, ~~if Debtor does not prevail~~depending on the
 ultimate liquidation of the NH Claim in the NH Litigation, ~~then~~ the damages suffered as a result of the asserted
 malpractice and related claims may be significantly higher. ~~Similarly, the damages recoverable against Ms. Stacy~~
 and Mr. Butler will be impacted by the outcome of the NH Litigation, ~~and the ultimate determination of the~~
 claims and counterclaims asserted therein.

1 ~~CV~~Reorganized Debtor, all of ~~the CV Loan Documents~~ Debtor's assets shall vest in Reorganized
2 Debtor; and (ii) Andrew Cartwright shall ~~be deemed~~ make the Initial Equity Contribution to
3 Reorganized Debtor.

4 **3. Subsequent Equity Contributions.**

5 Commencing on the Effective Date and continuing until all Allowed Claims have been
6 amended as set forth in Sections 4.1 and 4.2 of the Plan. ~~All amendments necessary to~~
7 implement and effectuate the provisions ~~paid in accordance with the terms~~ of the Plan by
8 Reorganized Debtor, Andrew Cartwright shall ~~be deemed to have been~~ tender the Subsequent
9 Equity Contributions to Reorganized Debtor. If the Subsequent Equity Contributions are not
10 made. ~~All potential discrepancies or inconsistencies between the CV Loan Documents and the~~
11 Plan shall be construed and resolved in favor and Reorganized Debtor is not able to make its
12 payments to NH, NH will be entitled to pursue its state law remedies, including foreclosure, as
13 expressly set forth in Section 4.4(h) of the Plan.

14 **4. Use of the effectuation and implementation of CD Litigation Recovery.**

15 Reorganized Debtor shall use any damages awarded and recovered from any contractors
16 or subcontractors in the provisions and intentions of CD Litigation solely to compensate its
17 counsel, the Plan-Bourassa Law Group, in accordance with its engagement agreement, and to
18 complete the repairs to the Real Property for which the damages are awarded.

19 **3.5. The Effectiveness of the NH Documents.**

20 On the Effective Date, the NH Documents shall remain in full force and effect, save and
21 except that without any further action by Reorganized Debtor or NH, all of the NH Documents
22 shall be deemed to have been amended as set forth in ~~Sections~~ Section 4.6 and 4.7, as applicable,
23 of the Plan. All amendments necessary to implement and effectuate the provisions of the Plan
24 shall be deemed to have been made. All potential discrepancies or inconsistencies between the
25 NH Documents and the Plan shall be construed and resolved in favor of the effectuation and
26 implementation of the provisions and intentions of the Plan.

27 **4.6. Articles of organization, by-laws, operating agreement.**

28

1 The articles of organization, by-laws, and/or operating agreement, as applicable, of
2 Debtor shall be amended as necessary to satisfy the provisions of the Plan and the Bankruptcy
3 Code and shall include, among other things, pursuant to Section 1123(a)(6) of the Bankruptcy
4 Code, a provision prohibiting the issuance of non-voting equity securities, but only to the extent
5 required by Section 1123(a)(6) of the Bankruptcy Code.

6 **5.7. Notice of effectiveness.**

7 When all of the steps for effectiveness have been completed, Reorganized Debtor shall
8 file with the Bankruptcy Court and serve upon all Creditors and all potential Holders of
9 Administrative Claims known to Reorganized Debtor (whether or not disputed), a notice of
10 Effective Date of Plan. The notice of Effective Date of Plan shall include notice of the
11 Administrative Claim Bar Date.

12 **6.8. No governance action required.**

13 As of the Effective Date: (i) the adoption, execution, delivery, and implementation or
14 assignment of all contracts, leases, instruments, releases, and other agreements related to or
15 contemplated by the Plan; and (ii) the other matters provided for under or in furtherance of the
16 Plan involving corporate action to be taken by or required of Debtor shall be deemed to have
17 occurred and be effective as provided herein, and shall be authorized and approved in all respects
18 without further order of the Bankruptcy Court or any requirement of further action by the
19 members or managers of Debtor.

20 ...

21 ...

22 **7.9. Filing with the Nevada Secretary of State.**

23 To the extent applicable, in accordance with NRS 78.622, on or as soon as practical after
24 the Effective Date, a certified copy of the Plan and the Confirmation Order shall be filed with the
25 Nevada Secretary. Again, to the extent applicable, Debtor, from the Confirmation Date until the
26 Effective Date, is authorized and directed to take any action or carry out any proceeding
27 necessary to effectuate the Plan pursuant to NRS 78.622.

28 **8.10. Proposed post-Effective Date Management of Reorganized Debtor.**

1 From and after the Effective Date, Reorganized Debtor will continue to be managed by
2 Debtor's pre-petition manager, Andrew Cartwright, which management may subsequently be
3 modified to the extent provided by Reorganized Debtor's articles of organization, by-laws, and
4 operating agreement (as amended, supplemented, or modified). On and after the Effective Date,
5 the appropriate managers or members of Reorganized Debtor are authorized to issue, execute,
6 deliver, and consummate the transactions contemplated by or described in the Plan in the name
7 of and on behalf of Reorganized Debtor without further notice to or order of the Bankruptcy
8 Court, act or action under applicable law, regulation, order, rule, or any requirements of further
9 action, vote, or other approval or authorization by any Person.

10 The continuation of management post-confirmation is consistent with the interests of
11 Creditors, Holders of Equity Securities, and public policy pursuant to Section 1129(a)(5) because
12 Mr. Cartwright is intimately knowledgeable about Debtor's Real Property, Debtor's debt
13 obligations, and the CD Litigation and is thus uniquely qualified to effectuate Debtor's Plan
14 and thereby maximize the value for all Creditors of the Estate.

15 **B. Executory Contracts and Unexpired Leases.**

16 **1. Executory contracts.**

17 Except for Executory Contracts and Unexpired Leases specifically addressed in the Plan
18 or set forth on the schedule of rejected Executed Contracts and Unexpired Leases attached as
19 Schedule 6.1 to the Plan (which may be supplemented and amended up to the date that the
20 Bankruptcy Court enters the Confirmation Order), all Executory Contracts and Unexpired Leases
21 that exist on the Confirmation Date shall be deemed assumed by Debtor on the Effective Date.
22 Debtor, up to the Effective Date, may modify the schedule of rejected executory contracts, with
23 notice to the non-debtor party to the contract affected by such modification. All executory
24 contracts and unexpired leases not identified on Schedule 6.1 to the Plan shall be deemed
25 assumed on the Effective Date.

26 **2. Approval of assumption or rejection.**

27 Entry of the Confirmation Order shall constitute as of the Effective Date: (i) approval,
28 pursuant to Section 365(a), of the assumption by Reorganized Debtor of each Executory Contract

1 and Unexpired Lease to which Debtor is a party that is not listed on Schedule 6.1 to the Plan, not
2 otherwise provided for in the Plan, and neither assigned, assumed and assigned, nor rejected by
3 separate order of the Bankruptcy Court prior to the Effective Date; and (ii) rejection by Debtor of
4 each Executory Contract and Unexpired Lease to which Debtor is a party that is listed on
5 Schedule 6.1 to the Plan. Upon the Effective Date, each counter party to an assumed Executory
6 Contract or Unexpired Lease listed shall be deemed to have consented to an assumption
7 contemplated by Section 365(c)(1)(B), to the extent such consent is necessary for such
8 assumption. To the extent applicable, all Executory Contracts or Unexpired Leases of
9 Reorganized Debtor assumed pursuant to Article 6 shall be deemed modified such that the
10 transactions contemplated by the Plan shall not be a “change of control,” regardless of how such
11 term may be defined in the relevant Executory Contract or Unexpired Lease and any required
12 consent under any such Executory Contract or Unexpired Lease shall be deemed satisfied by
13 confirmation of the Plan.

14 **3. Cure of defaults.**

15 Reorganized Debtor shall Cure any defaults respecting each Executory Contract or
16 Unexpired Lease assumed pursuant to Section 6.1 of the Plan upon the latest of: (i) the Effective
17 Date or as soon thereafter as practicable; (ii) such dates as may be fixed by the Bankruptcy Court
18 or agreed upon by Debtor, and after the Effective Date, Reorganized Debtor; or (iii) the
19 fourteenth (14th) Business Day after the entry of a Final Order resolving any dispute regarding:
20 (a) a Cure amount; (b) the ability of Reorganized Debtor to provide “adequate assurance of
21 future performance” under the Executory Contract or Unexpired Lease assumed pursuant to the
22 Plan in accordance with Section 365(b)(1); or (c) any matter pertaining to assumption,
23 assignment, or the Cure of a particular Executory Contract or an Unexpired Lease.

24 **4. Objection to cure amounts.**

25 Any party to an Executory Contract or Unexpired Lease who objects to the Cure amount
26 determined by Debtor to be due and owing must file and serve an objection on Debtor’s counsel
27 no later than thirty (30) days after the Effective Date. Failure to file and serve a timely objection
28 shall be deemed consent to the Cure amounts paid by Debtor in accordance with Section 6.3 of

1 the Plan. If there is a dispute regarding: (i) the amount of any Cure payment; (ii) the ability of
2 Reorganized Debtor to provide “adequate assurance of future performance” under the Executory
3 Contract or Unexpired Lease to be assumed or assigned; or (iii) any other matter pertaining to
4 assumption, the Cure payments required by Section 365(b)(1) will be made following the entry
5 of a Final Order resolving the dispute and approving the assumption.

6 **5. Confirmation order.**

7 The Confirmation Order will constitute an order of the Bankruptcy Court approving the
8 assumptions described in this Article 6 pursuant to Section 365 as of the Effective Date.
9 Notwithstanding the forgoing, if, as of the date the Bankruptcy Court enters the Confirmation
10 Order, there is pending before the Bankruptcy Court a dispute concerning the cure amount or
11 adequate assurance for any particular Executory Contract or Unexpired Lease, the assumption of
12 such Executory Contract or Unexpired Lease shall be effective as of the date the Bankruptcy
13 Court enters an order resolving any such dispute and authorizing assumption by Debtor.

14 **6. Post-Petition date contacts and leases.**

15 Executory Contracts and Unexpired Leases entered into and other obligations incurred
16 after the Petition Date by Debtor shall be assumed by Debtor on the Effective Date. Each such
17 Executory Contract and Unexpired Lease shall be performed by Debtor or Reorganized Debtor,
18 as applicable, in the ordinary course of its business.

19 ...

20 ...

21 ...

22 **7. Bar date.**

23 All proofs of Claims with respect to Claims arising from the rejection of any executory
24 contract or unexpired lease shall be filed no later than thirty (30) days after the Effective Date.
25 Any Claim not filed within such time shall be forever barred.

26 **C. Manner of Distribution of Property under the Plan.**

27 Reorganized Debtor shall be responsible for making the Distributions described in the
28 Plan. Except as otherwise provided in the Plan or the Confirmation Order, the Cash necessary

1 for Reorganized Debtor to make payments pursuant to the Plan may be obtained from existing
2 Cash balances and Debtor's operations.

3 Reorganized Debtor shall maintain a record of the names and addresses of all Holders of
4 Allowed General Unsecured Claims as of the Effective Date and all Holders as of the Record
5 Date of Equity Securities of Debtor for purposes of mailing Distributions to them. Reorganized
6 Debtor may rely on the name and address set forth in Debtor's Schedules and/or proofs of Claim
7 and the ledger and records regarding Holders of Equity Securities as of the Record Date as being
8 true and correct unless and until notified in writing. Reorganized Debtor shall file all tax returns
9 and other filings with governmental authorities on behalf of Reorganized Debtor and the Assets
10 it holds.

11 **D. Conditions to Confirmation of the Plan.**

12 **1. Conditions to confirmation.**

13 The Confirmation Order shall have been entered and be in form and substance reasonably
14 acceptable to Debtor.

15 **2. Conditions to effectiveness.**

16 The following are conditions precedent to occurrence of the Effective Date:

17 (1) The Confirmation Order shall be a Final Order, except that Debtor reserves the
18 right to cause the Effective Date to occur notwithstanding the pendency of an appeal of the
19 Confirmation Order, under circumstances that would moot such appeal;

20 (2) No request for revocation of the Confirmation Order under Section 1144 of the
21 Bankruptcy Code shall have been made, or, if made, shall remain pending, including any appeal;
22 and

23 (3) All documents necessary to implement the transactions contemplated by the Plan
24 shall be in form and substance reasonably acceptable to Debtor.

25 **3. Waiver of conditions.**

26 Debtor, in its sole discretion, may waive any and all of the other conditions set forth in
27 the Plan and specifically Sections 8.1 and 8.2 of the Plan without leave of or order of the
28 Bankruptcy Court and without any formal action.

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VIII.
RISK FACTORS

In addition to risks discussed elsewhere in this Disclosure Statement, the Plan involves the following risks, which should be taken into consideration.

A. Debtor Has No Duty To Update.

The statements in this Disclosure Statement are made by Debtor as of the date hereof, unless otherwise specified herein. The delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. Debtor has no duty to update this Disclosure Statement unless ordered to do so by the Bankruptcy Court.

B. Information Presented Is Based on Debtor's Books and Records, And Is Unaudited.

While Debtor has endeavored to present information fairly and accurately in this Disclosure Statement, there is no assurance that Debtor's books and records upon which this Disclosure Statement is based are complete and accurate. The financial information contained herein has not been audited.

C. Projections And Other Forward-Looking Statements Are Not Assured, And Actual Results Will Vary.

Certain information in this Disclosure Statement is, by nature, forward looking, and contains estimates and assumptions which might ultimately prove to be incorrect, and projections which may differ materially from actual future results. There are uncertainties associated with all assumptions, projections, and estimates, and they should not be considered assurances or guarantees of the amount of Claims in the various Classes that will be allowed. The allowed amount of Claims in each Class, as well as Administrative Claims, could be significantly more than projected, which in turn, could cause the value of Distributions to be reduced or to be tendered over a longer period of time than anticipated.

D. No Assurance of Refinancing or Sale.

1 The Plan contemplates a balloon ~~payments~~payment to ~~CV and NH (to the extent that NH~~
2 ~~has an Allowed Claim)~~. There is no assurance that Debtor will be able to refinance the NH ~~and~~
3 ~~CV Notes~~Note or to sell the Real Property prior to ~~the respective~~its maturity ~~dates~~date.

4 **E. No Legal Or Tax Advice Is Provided To You By This Disclosure Statement.**

5 The contents of this Disclosure Statement should not be construed as legal, business, or
6 tax advice. Each Creditor or Holder of an Equity ~~Interest~~Security should consult his, her, or its
7 own legal counsel and accountant as to legal, tax, and other matters concerning his, her, or its
8 Claim or Equity ~~Interest~~Security.

9 **F. No Admissions Made.**

10 Nothing contained herein shall constitute an admission of any fact or liability by any
11 party (including Debtor) or shall be deemed evidence of the tax or other legal effects of the Plan
12 on Debtor or on Holders of Claims or Equity Interests.

13 **G. No Waiver of Right to Object or Right to Recover Transfers and Estate Assets.**

14 A Creditor's vote for or against the Plan does not constitute a waiver or release of any
15 claims or rights of Debtor (or any other party in interest) to object to that Creditor's Claim, or
16 recover any preferential, fraudulent, or other voidable transfer or Estate assets, regardless of
17 whether any claims of Debtor or its Estate is specifically or generally identified herein.

18 **H. Bankruptcy Law Risks and Considerations.**

19 **1. Confirmation of the Plan is not assured.**

20 Confirmation requires, among other things, a finding by the Bankruptcy Court that it is
21 not likely there will be a need for further financial reorganization and that the value of
22 distributions to dissenting members of Impaired Classes of Creditors and Holders of Equity
23 Interests would not be less than the value of distributions such Creditors and Holders of Equity
24 Interests would receive if Debtor were liquidated under Chapter 7 of the Bankruptcy Code.
25 Although Debtor believes that the Plan will not be followed by a need for further financial
26 reorganization and that dissenting members of Impaired Classes of Creditors and Holders of
27 Equity Interests will receive distributions at least as great as they would receive in a liquidation
28

1 under Chapter 7, there can be no assurance that the Bankruptcy Court will conclude that this test
2 has been met.

3 Although Debtor believes the Plan satisfies all additional requirements for Confirmation,
4 the Bankruptcy Court might not reach that conclusion. It is also possible that modifications to
5 the Plan will be required for Confirmation and that such modifications would necessitate a
6 resolicitation of votes.

7 **2. The Effective Date might be delayed or never occur.**

8 There is no assurance as to the timing of the Effective Date or that it will occur. If the
9 conditions precedent to the Effective Date have not occurred or been waived within the
10 prescribed time frame, the Confirmation Order will be vacated. In that event, the Holders of
11 Claims and Equity Interests would be restored to their respective positions as of the day
12 immediately preceding the Confirmation Date, and Debtor's obligations for Claims and Equity
13 Interests would remain unchanged as of such day.

14 **3. Allowed Claims in the various Classes may exceed projections.**

15 Debtor has projected the amount of Allowed Claims in each Class in the Best Interests
16 Analysis. Certain Classes, and the Classes below them in priority, could be affected by the
17 allowance of Claims in an amount that is greater than projected.

18 **4. No representations outside of this Disclosure Statement are authorized.**

19 No representations concerning or related to Debtor, the Chapter 11 Case, or the Plan are
20 authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this
21 Disclosure Statement. Any representations or inducements made to secure your acceptance or
22 rejection of the Plan that are other than as contained in, or included with this Disclosure
23 Statement should not be relied upon by you in arriving at your decision.

24 ...

25 **5. Effect of the Chapter 11 Case.**

26 If the Chapter 11 Case continues for a prolonged period of time, the proceedings could
27 adversely affect Debtor. So long as the Chapter 11 Case continues, Debtor will be required to
28 incur substantial costs for professional fees and other expenses associated with the proceedings.

1 **6. The volatility and disruption of the capital and credit markets and adverse**
2 **changes in the global economy have negatively impacted Debtor.**

3 Beginning in 2007 to 2008, the United States economy, as well as virtually the entire
4 world economy, went into a severe recession. Nevada was no exception, with foreclosure and
5 unemployment rates among the highest in the country. The result has been reduced real estate
6 values and a surplus of residential property, which have not yet fully recovered.

7 **IX.**
8 **POST EFFECTIVE DATE OPERATIONS AND PROJECTIONS**

9 **A. Summary of Title to Property and Dischargeability.**

10 **1. Vesting of assets.**

11 Subject to the provisions of the Plan, pursuant to Section 5.1 of the Plan and as permitted
12 by Section 1123(a)(5)(B), the Assets shall be transferred to Reorganized Debtor on the Effective
13 Date. As of the Effective Date, all such property shall be free and clear of all Liens, Claims, and
14 Equity Securities except as otherwise provided herein. On and after the Effective Date,
15 Reorganized Debtor may operate its business and may use, acquire, and dispose of property and
16 compromise or settle any Claim without the supervision of or approval of the Bankruptcy Court
17 and free and clear of any restrictions of the Bankruptcy Code or the Bankruptcy Rules, other than
18 restrictions expressly imposed by the Plan or the Confirmation Order.

19 **2. Preservation of Avoidance Actions and Litigation Claims.**

20 In accordance with Section 1123(b)(3), and except as otherwise expressly provided in the
21 Plan, all Litigation Claims shall be assigned and transferred to Reorganized Debtor pursuant to
22 Section 5.1 of the Plan. Notwithstanding the foregoing, on and after the Effective Date, the
23 prosecution of the Litigation Claims lies in the sole and absolute discretion of Reorganized
24 Debtor.

25 There may also be other Litigation Claims which currently exist or may subsequently
26 arise that are not set forth in this Disclosure Statement because the facts underlying such
27 Litigation Claims are not currently known or sufficiently known by Debtor. The failure to list
28 any such unknown Litigation Claim in the Disclosure Statement is not intended to limit the rights
of Debtor or Reorganized Debtor to pursue any unknown Litigation Claim to the extent the facts

1 underlying such unknown Litigation Claim become more fully known in the future.
2 Furthermore, any potential net proceeds from Litigation Claims identified in the Disclosure
3 Statement or any notice filed with the Bankruptcy Court, or which may subsequently arise or
4 otherwise be pursued, are speculative and uncertain.

5 Unless Litigation Claims against any individual or entity are expressly waived,
6 relinquished, released, compromised, or settled by the Plan or any Final Order, Debtor expressly
7 reserves for its benefit, and the benefit of Reorganized Debtor, all Litigation Claims, including,
8 without limitation, all unknown Litigation Claims for later adjudication and therefore no
9 preclusion doctrine (including, without limitation, the doctrines of res judicata, collateral
10 estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or
11 laches) shall apply to such Litigation Claims after the confirmation or consummation of the Plan.
12 In addition, Debtor expressly reserves for its benefit, and the benefit of Reorganized Debtor, the
13 right to pursue or adopt any claims alleged in any lawsuit in which Debtor is a defendant or an
14 interested party, against any individual or entity, including plaintiffs and co-defendants in such
15 lawsuits.

16 **3. Discharge.**

17 **On the Effective Date, unless otherwise expressly provided in the Plan or the**
18 **Confirmation Order, Debtor shall be discharged from any and all Claims to the fullest**
19 **extent provided in the Bankruptcy Code, including Sections 524 and 1141. All**
20 **consideration distributed under the Plan or the Confirmation Order shall be in exchange**
21 **for, and in complete satisfaction, settlement, discharge, and release of all Claims of any**
22 **kind or nature whatsoever against Debtor or any of its Assets or properties, and regardless**
23 **of whether any property shall have been distributed or retained pursuant to the Plan on**
24 **account of such Claims. Except as otherwise expressly provided by the Plan or the**
25 **Confirmation Order, upon the Effective Date, Debtor shall be deemed discharged and**
26 **released under and to the fullest extent provided under Section 1141(d)(1)(A) from any and**
27 **all Claims of any kind or nature whatsoever, including, but not limited to, demands and**
28

1 liabilities that arose before the Confirmation Date, and all debts of the kind specified in
2 ~~Section~~Sections 502(g), 502(h), or 502(i).

3 **4. Injunction.**

4 From and after the Effective Date, and except as provided in the Plan and the
5 Confirmation Order, all entities that have held, currently hold, or may hold a Claim or an
6 Equity Security or other right of an Equity Security Holder that is terminated pursuant to
7 the terms of the Plan are permanently enjoined from taking any of the following actions on
8 account of any such Claims or terminated Equity Securities or rights: (i) commencing or
9 continuing in any manner any action or other proceeding against Reorganized Debtor or
10 its property; (ii) enforcing, attaching, collecting, or recovering in any manner any
11 judgment, award, decree, or order against Reorganized Debtor or its property; (iii)
12 creating, perfecting, or enforcing any Lien or encumbrance against Reorganized Debtor or
13 its property; (iv) asserting a right of subrogation of any kind against any debt, liability, or
14 obligation due to Reorganized Debtor or its property; and (v) commencing or continuing
15 any action, in any manner or any place, that does not comply with or is inconsistent with
16 the provisions of the Plan or the Bankruptcy Code.

17 **B. Exculpation.**

18 From and after the Effective Date, neither Debtor, Reorganized Debtor, the
19 professionals employed on behalf of the Estate, nor any of their respective present or
20 former members, directors, officers, managers, employees, advisors, attorneys, or agents,
21 shall have or incur any liability, including derivative claims, but excluding direct claims, to
22 any Holder of a Claim or Equity Security or any other party-in-interest, or any of their
23 respective agents, employees, representatives, financial advisors, attorneys, or Affiliates, or
24 any of their successors or assigns, for any act or omission in connection with, relating to, or
25 arising out of (from the Petition Date forward), the Chapter 11 Case, Reorganized Debtor,
26 the pursuit of confirmation of the Plan, or the consummation of the Plan, except for gross
27 negligence and willful misconduct, and in all respects shall be entitled to reasonably rely
28

1 **upon the advice of counsel with respect to their duties and responsibilities under the Plan**
2 **or in the context of the Chapter 11 Case.**

3 **C. Post-Confirmation Reporting and Quarterly Fees to the UST.**

4 Prior to the Effective Date, Debtor, and after the Effective Date, Reorganized Debtor,
5 shall pay all quarterly fees payable to the UST consistent with the sliding scale set forth in 28
6 U.S.C. § 1930(a)(6) and the applicable provisions of the Bankruptcy Code and Bankruptcy
7 Rules. These fees accrue throughout the pendency of the Chapter 11 Case, until entry of a final
8 decree. UST fees paid prior to confirmation of the Plan will be reported in operating reports
9 required by Sections 704(8), 1106(a)(1), and 1107(a), as well as the UST Guidelines. All UST
10 quarterly fees accrued prior to confirmation of the Plan will be paid on or before the Effective
11 Date pursuant to Section 1129(a)(12). All UST fees accrued post-confirmation will be timely
12 paid on a calendar quarterly basis and reported on post-confirmation operating reports. Final
13 fees will be paid on or before the entry of a final decree in the Chapter 11 Case.

14 **X.**
15 **CERTAIN FEDERAL INCOME TAX CONSEQUENCES**

16 THE FOLLOWING SUMMARY DOES NOT CONSTITUTE EITHER A TAX
17 OPINION OR TAX ADVICE TO ANY PERSON. NO REPRESENTATIONS REGARDING
18 THE EFFECT OF IMPLEMENTATION OF THE PLAN ON INDIVIDUAL CREDITORS
19 ARE MADE HEREIN OR OTHERWISE. RATHER, THE TAX DISCLOSURE IS
20 PROVIDED FOR INFORMATIONAL PURPOSES ONLY. ALL CREDITORS ARE URGED
21 TO CONSULT THEIR RESPECTIVE TAX ADVISORS REGARDING THE TAX
22 CONSEQUENCES OF THE PLAN.

23 Creditors, Equity Security Holders, and any Person affiliated with the foregoing are
24 strongly urged to consult their respective tax advisors regarding the federal, state, local, and
25 foreign tax consequences which may result from the confirmation and consummation of the Plan.
26 This Disclosure Statement shall not in any way be construed as making any representations
27 regarding the particular tax consequences of the confirmation and consummation of the Plan to
28 any Person. This Disclosure Statement is general in nature and is merely a summary discussion

1 of potential tax consequences and is based upon the Internal Revenue Code of 1986, as amended
2 (the “IRC”), and pertinent regulations, rulings, court decisions, and treasury decisions, all of
3 which are potentially subject to material and/or retroactive changes. Under the IRC, there may
4 be federal income tax consequences to Debtor, its Creditors, its Equity Security Holders, and/or
5 any Person affiliated therewith as a result of confirmation and consummation of the Plan.

6 Upon the confirmation and consummation of the Plan, the federal income tax
7 consequences to Creditors and their affiliates arising from the Plan will vary depending upon,
8 among other things, the type of consideration received by the Creditor in exchange for its Claim,
9 whether the Creditor reports income using the cash or accrual method of accounting, whether the
10 Creditor has taken a “bad debt” deduction with respect to its Claim, whether the Creditor
11 received consideration in more than one tax year, and whether the Creditor is a resident of the
12 United States. If a Creditor’s Claim is characterized as a loss resulting from a debt, then the
13 extent of the deduction will depend on whether the debt is deemed wholly worthless or partially
14 worthless, and whether the debt is construed to be a business or nonbusiness debt as determined
15 under the 26 U.S.C. § 166, and/or other applicable provisions of the Internal Revenue Code.

16 CREDITORS SHOULD CONSULT THEIR TAX ADVISOR REGARDING THE TAX
17 TREATMENT (INCLUDING FEDERAL, STATE, LOCAL, AND FOREIGN TAX
18 CONSEQUENCES) OF THEIR RESPECTIVE ALLOWED CLAIMS. THIS DISCLOSURE IS
19 NOT A SUBSTITUTE FOR TAX PLANNING AND SPECIFIC ADVICE FOR PERSONS
20 AFFECTED BY THE PLAN.

21 **XI.**
22 **CONFIRMATION OF THE PLAN**

23 **A. Confirmation of the Plan.**

24 Pursuant to Section 1128(a), the Bankruptcy Court will hold hearings regarding
25 confirmation of the Plan at the U.S. Bankruptcy Court, 300 Las Vegas Blvd. South, Las Vegas,
26 Nevada 89101, on _____, 2016, at __:__ .m. To the extent necessary, the Bankruptcy
27 Court will schedule additional hearing dates.

28 **B. Objections to Confirmation of the Plan.**

1 Section 1128(b) provides that any party-in-interest may object to confirmation of a plan.
2 Any objections to confirmation of the Plan must be in writing, must state with specificity the
3 grounds for any such objections, and must be timely filed with the Bankruptcy Court and served
4 upon counsel for Debtor at the following address:

5 GARMAN TURNER GORDON LLP
6 Attn: Talitha Gray Kozlowski, Esq.
7 650 White Drive, Ste. 100
8 Las Vegas, Nevada 89119
9 Telephone: 725-777-3000; Facsimile: 725-777-3112
10 Email: tgray@gtg.legal

11 For the Plan to be confirmed, the Plan must satisfy the requirements stated in Section 1129. In
12 this regard, the Plan must satisfy, among other things, the following requirements.

13 **1. Best Interest of Creditors and liquidation analysis.**

14 Pursuant to Section 1129(a)(7), for the Plan to be confirmed, it must provide that
15 Creditors and Holders of Equity Securities will receive at least as much under the Plan as they
16 would receive in a liquidation of Debtor under Chapter 7 of the Bankruptcy Code (the “Best
17 Interest Test”). The Best Interest Test with respect to each impaired Class requires that each
18 Holder of an Allowed Claim or Equity Security of such Class either: (i) accepts the Plan; or (ii)
19 receives or retains under the Plan property of a value, as of the Effective Date, that is not less
20 than the value such Holder would receive or retain if Debtor was liquidated under Chapter 7 of
21 the Bankruptcy Code. The Bankruptcy Court will determine whether the value received under
22 the Plan by the Holders of Allowed Claims in each Class of Creditors or Equity Securities equals
23 or exceeds the value that would be allocated to such Holders in a liquidation under Chapter 7 of
24 the Bankruptcy Code. Debtor believes that the Plan meets the Best Interest Test and provides
25 value which is not less than that which would be recovered by each such holder in a Chapter 7
26 bankruptcy proceeding.

27 Generally, to determine what Holders of Allowed Claims and Equity Securities in each
28 impaired Class would receive if Debtor were liquidated, the Bankruptcy Court must determine
what funds would be generated from the liquidation of Debtor’s Assets and properties in the
context of a Chapter 7 liquidation case, which for unsecured creditors would consist of the

1 proceeds resulting from the disposition of the Assets of Debtor, including the unencumbered
2 Cash held by Debtor at the time of the commencement of the liquidation case. Such Cash
3 amounts would be reduced by the costs and expenses of the liquidation and by such additional
4 Administrative Claims and Priority Claims as may result from the termination of Debtor's
5 businesses and the use of Chapter 7 for the purpose of liquidation.

6 In a Chapter 7 liquidation, Holders of Allowed Claims would receive distributions based
7 on the liquidation of the non-exempt assets of Debtor. Such assets would include the same assets
8 being collected and liquidated under the Plan. However, the net proceeds from the collection of
9 property of the Estate available for distribution to Creditors would be reduced by any
10 commission payable to the Chapter 7 trustee and the trustee's attorney's and accounting fees, as
11 well as the administrative costs of the Chapter 11 estate (such as the compensation for Chapter
12 11 professionals). The Estate has already absorbed much of the cost of realizing upon Debtor's
13 Assets. In a Chapter 7 case, the Chapter 7 trustee would be entitled to seek a sliding scale
14 commission based upon the funds distributed by such trustee to creditors, even though Debtor
15 has already incurred some of the expenses associated with generating those funds. Accordingly,
16 there is a reasonable likelihood that Creditors would "pay again" for the funds accumulated by
17 Debtor because the Chapter 7 trustee would be entitled to receive a commission in some amount
18 for all funds distributed from the Estate.

19 It is further anticipated that a Chapter 7 liquidation would result in significant delay in the
20 payment, if any, to Creditors. Among other things, a Chapter 7 case could trigger a new bar date
21 for filing Claims that would be more than ninety (90) days following conversion of the Chapter
22 11 Case to Chapter 7. Hence, a Chapter 7 liquidation would not only delay distribution but
23 raises the prospect of additional claims that were not asserted in the Chapter 11 Case. Moreover,
24 Claims that may arise in the Chapter 7 case or result from the Chapter 11 Case would be paid in
25 full from the Assets before the balance of the Assets would be made available to pay pre-Chapter
26 11 Allowed Priority Claims, Allowed Deficiency Claim, Allowed General Unsecured Claims,
27 and Equity Securities.

28

1 The distributions from the Assets would be paid Pro Rata according to the amount of the
2 aggregate Claims held by each Creditor. Debtor believes that the most likely outcome under
3 Chapter 7 would be the application of the “absolute priority rule.” Under that rule, no junior
4 Creditor may receive any distribution until all senior Creditors are paid in full, with interest, and
5 no Equity Security holder may receive any distribution until all Creditors are paid in full.

6 As set forth in the following liquidation analysis, Debtor has determined that
7 confirmation of the Plan will provide each Holder of a Claim in an Impaired Class²² with no less
8 of a recovery than he/she/it would receive if Debtor were liquidated under Chapter 7.

9 In a Chapter 7 case, the Chapter 7 trustee must liquidate the Debtor’s Assets and
10 distribute the proceeds thereof to Holders of Allowed Claims. However, the change in
11 management would hinder the Chapter 7 trustee’s ability to complete the CD Litigation and
12 maximize the sales price of the Real Property. If a sale could not be quickly effectuated at a
13 price greater than the ~~CV and NH Claims, CV and/or NH Claim~~, NH would presumably seek
14 relief from the automatic stay to foreclose on the Real Property or the Chapter 7 trustee would
15 abandon the collateral.

16 Without a prompt sale by the Chapter 7 trustee, relief from the automatic stay would
17 likely be granted or the collateral abandoned by the Chapter 7 trustee, which would likely be
18 followed by a foreclosure sale, which results in additional sale and foreclosure costs.

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27 ²² The Impaired Classes are Class 1 (~~CV Claim~~), Class 2 (~~Deficiency Claim~~), Class 3 (Other Secured Claims), Class
28 53 (General Unsecured Claims), and Class 64 (NH Claim).

LIQUIDATION ANALYSIS ASSUMING NH DOES NOT HAVE AN ALLOWED

CLAIM

Amount Percentage Recovery

Assets²³

Real Property \$2,~~1,600~~16,000²⁴

Payments of Secured Claims

Class ~~34~~ (NH Claim) \$1,200,000-\$1,900,000 100%

Class 1 (Other Secured Claims) \$18,000 100%

Class 1 (CV Claim) \$2,~~1,600~~000-\$10,000 100%

Chapter 7 Administrative Secured Tax Claims \$0 019,905.25

100%

Payment of Administrative Claims

Chapter 7 Trustee Fees \$83,730 97%-100%²⁵

Chapter 7 Attorney's Fees \$25,000 97.5%-100%

Chapter 11 Administrative Attorney's Fees \$100,000 0%-

100%

Payment of Priority and Unsecured Claims \$0

Class 2 (Priority Unsecured Claims) \$0 0%

²³ No value has been assigned to the Litigation Claims as, without Mr. Cartwright's personal knowledge of the facts and circumstances underlying the Claims, the Litigation Claims lack viability.

²⁴ The stated value is \$2,400,000, which has been discounted by 10% to account for the fact that a foreclosure sale or a sale effectuated in a Chapter 7 context will achieve a lower sales price than the \$2,400,000 appraised value as the appraised value contemplates a sale after a normal marketing period, not a distressed sale. While Debtor believes that the Real Property has a value in excess of \$2.4 Million if properly marketed and sold under normal market conditions, 6% (or \$144,000) has been deducted for broker and other closing costs and 10% (\$240,000) has been deducted to account for the distressed sale conditions in which the Real Property would be sold in a Chapter 7 proceeding. NH now contends that the Real Property could not be sold for \$2,016,000. If NH is correct, it is possible that Debtor would be administratively insolvent in the event of a Chapter 7 liquidation.

²⁵ The percentage recovery for Allowed Administrative Claims, Allowed Priority Claims, and Allowed General Unsecured Claims will vary depending on the final determination of the NH Claim. If NH has an Allowed Claim of \$1,900,000, in a Chapter 7, it is likely that Debtor will be rendered administratively insolvent, particularly if NH's newly reduced opinion of value is correct. However, if NH has an Allowed Claim of \$1,700,000 or less, even in a Chapter 7 liquidation, all Allowed Claims will likely be paid in full unless NH is correct that the value of the Real Property in a Chapter 7 liquidation is less than \$2,016,000.

1	<u>Class 3 (General Unsecured Claims) \$10,000-\$15,000</u>	<u>0%-100%</u>
2	<u>Classes 2, 4, 5, and 6</u>	<u>\$0</u> <u>0%</u>
3	<u>Class 7</u>	<u>\$0</u> <u>0%</u>

LIQUIDATION ANALYSIS ASSUMING NH HAS AN ALLOWED CLAIM

	<i>Amount</i>	<i>Percentage Recovery</i>
<i>Assets</i>		
<u>Real Property</u>	<u>\$2,160,000</u>	
<i>Payments of Claims</i>		
<u>Class 6 (NH Claim)</u>	<u>\$1,200,000-\$1,650,000</u>	<u>100%</u>
<u>Class 2 (Other Secured Claims)</u>	<u>\$18,000</u>	<u>100%</u>
<u>Class 1 (CV Claim)</u>	<u>\$750,000-\$1,200,000</u>	<u>30.5-49.3% (Equity</u>
<u>Securities)</u>	<u>n/a</u>	
<u>Classes 2, 4, 5, and 6</u>	<u>\$0</u>	<u>0%</u>
<u>Classes 7</u>	<u>\$0</u>	<u>0%</u>

15 Thus, as evidenced by the foregoing Liquidation Analyses, the value provided under the
 16 Plan to the Holders of Claims in the ~~impaired~~Impaired Classes is equal to or better than they
 17 would receive under a Chapter 7 liquidation. *Specifically, if the Plan is confirmed, CV, NH and*
 18 *the ~~Holder(s)~~Holders of ~~other~~Other Secured Claims will receive at least as much (and likely*
 19 *more) ~~than~~as they would in a Chapter 7 proceeding. ~~Additionally, all Allowed Administrative~~
 20 *Claims and all Allowed General Unsecured Claims will be paid in full. In the event of a*
 21 *Chapter 7 liquidation, if NH has an Allowed Claim in excess of \$1,700,000, it is unlikely that*
 22 *Allowed Administrative Claims and Allowed General Unsecured Claims will be repaid in full,*
 23 *particularly if NH's new opinion of value is correct. Thus, Debtor strongly encourages all*
 24 *impaired Classes to vote in favor of confirmation of the Plan.**

25 **2. Feasibility.**

26 The Bankruptcy Code requires that in order to confirm the Plan, the Bankruptcy Court
 27 must find that Confirmation of the Plan is not likely to be followed by liquidation or the need for
 28 further financial reorganization of Debtor (the "Feasibility Test"). For the Plan to meet the

1 Feasibility Test, the Bankruptcy Court must find by a preponderance of the evidence that Debtor
2 will possess the resources and working capital necessary to meet its obligations under the Plan.

3 ~~As demonstrated by Debtor's Projections attached hereto as Exhibit "2,"²⁶ Debtor will~~
4 ~~generate sufficient cash flow to meet its payment obligations under the Plan, as well as to~~
5 ~~facilitate a refinancing or a sale of Real Property prior to the respective maturity dates to repay in~~
6 ~~full the Allowed CV and NH Claims consistent with the provisions of the Plan. Prior to the~~
7 ~~completion of the CD Litigation, Debtor anticipates that~~ As demonstrated by Debtor's
8 Projections attached hereto as Exhibit "2," Debtor's sole member, Andrew Cartwright, will
9 contribute an Initial Equity Contribution of \$50,000 on the Effective Date. This Initial Equity
10 Contribution will be used to pay all of the Allowed Administrative Claims, with the sole
11 exception of the Garman Turner Gordon LLP Professional Fees, which will be treated as
12 discussed above. Each month after the Effective Date until all of the Allowed Claims have been
13 repaid in full, Mr. Cartwright will contribute the greater of: (i) \$13,000; and (ii) the sum
14 necessary to allow Reorganized Debtor to tender all of the payments required under the Plan,
15 expressly including Sections 4.1 to 4.4 of the Plan, for the month in which the contribution is
16 being made (the "Subsequent Equity Contributions").²⁷ Mr. Cartwright, through his wholly-
17 owned company, CV, will present bank statements at the Confirmation Hearing memorializing
18 that he has over \$200,000 available to make the Initial Equity Contribution and the Subsequent
19 Equity Contributions. Since the Petition Date, Mr. Cartwright has funded over \$31,000 to
20 Debtor to enable Debtor to pay its obligations.

21 Debtor is additionally pursuing the CD Litigation in furtherance of obtaining either
22 damage awards with which to complete the repairs and/or agreement by the contractor and/or
23 subcontractors to complete the necessary repairs at their expense. In the event that the CD
24 Litigation does not result in sufficient funds to complete all of the necessary repairs, Mr.

25 _____
26 ²⁶ ~~The notes to the Projections explain how the Plan payments were calculated.~~

27 ²⁷ If the Subsequent Equity Contributions are not made and Reorganized Debtor is not able to make its payments to
28 NH, NH will be entitled to pursue its state law remedies, including foreclosure, as expressly set forth in Section
4.4(h) of the Plan.

1 Cartwright, who has considerable construction experience, will engage the necessary
 2 professionals to complete the repairs. Debtor will fund the expense either through contributions
 3 from Mr. Cartwright, a refinancing that includes additional funds to complete the necessary
 4 repairs, or a short term bridge loan to provide sufficient time to complete the repairs and either
 5 sell or refinance the Real Property.

6 ~~Mr. Cartwright will contribute the necessary revenue contemplated in the Projections~~
 7 ~~until an alternate tenant may be located. Until such time as the necessary construction defect~~
 8 ~~repairs are completed, it is unlikely that an alternate tenant could be located to rent the Real~~
 9 ~~Property. As such, Mr. Cartwright intends to pre-pay at least six months of the projected~~
 10 ~~revenue set forth in the Projections on the Plan's Effective Date (the "Funding Contribution") to~~
 11 ~~ensure that the Debtor can meet its debt service obligations under the Plan while the CD~~
 12 ~~Litigation is prosecuted.²⁸ Mr. Cartwright presently intends to obtain the Funding Contribution~~
 13 ~~through a personal loan; however, the source of funding may change prior to the Confirmation~~
 14 ~~Hearing. Debtor will present evidence of the Funding Contribution at the Confirmation Hearing.~~

15 ~~As discussed above, the pending CD Litigation has, to date, precluded a refinancing or a~~
 16 ~~sale. Upon the conclusion of the CD Litigation and the completion of the necessary repairs,~~
 17 ~~Reorganized Debtor will be able to sell and/or refinance the Real Property in order to satisfy the~~
 18 ~~Class 1 Claim and the Class 6 Claim (if any). Reorganized Debtor anticipates that it will also be~~
 19 ~~able to obtain a tenant at a market rate upon the completion of the CD Litigation if it chooses to~~
 20 ~~refinance and retain the Real Property. Provided the foregoing, Debtor is confident that it can~~
 21 ~~establish, and the Bankruptcy Court will find, that the Plan is feasible within the meaning of~~
 22 ~~Section 1129(a)(11).~~

23 **3. Accepting impaired class.**

24 Since various Classes of Claims are ~~impaired~~Impaired under the Plan, for the Plan to be
 25 confirmed, the Plan must be accepted by at least one impaired Class of Claims (not including the

26 _____
 27 ²⁸~~Since the Petition Date, Mr. Cartwright has been contributing funds to Debtor to allow Debtor to pay its ordinary~~
 28 ~~course operating expenses. No post petition payments have been made on any Administrative Claims.~~

1 votes of insiders of Debtor). ~~By virtue of the acceptance of the Initial Plan by Class 5 (General~~
2 ~~Unsecured Claims) and that the votes of the Holders of the General Unsecured Claims will not~~
3 ~~be resolicited, this requirement for confirmation of the Plan has been satisfied~~ Debtor anticipates
4 that at least one Class of Impaired Claims will vote in favor of the Plan. However, as discussed
5 above, NH has sought to designate Royal and Miles' vote to decrease the likelihood of Debtor
6 satisfying this requirement. The designation motion is set for hearing on August 26, 2016.

7 **4. Acceptance of Plan.**

8 For an impaired Class of Claims to accept the Plan, those representing at least two-thirds
9 (2/3) in amount and a majority in number of the Allowed Claims voted in that Class must be cast
10 for acceptance of the Plan. ~~As Class 5 unanimously voted in favor of confirmation of the Initial~~
11 ~~Plan, votes will only be solicited from Classes 1 and 2.~~

12 **5. Confirmation over a dissenting class ("Cram Down").**

13 If there is less than unanimous acceptance of the Plan by Impaired Classes of Claims, the
14 Bankruptcy Court nevertheless may confirm the Plan at Debtor's request. Section 1129(b)
15 provides that if all other requirements of Section 1129(a) are satisfied and if the Bankruptcy
16 Court finds that: (i) the Plan does not discriminate unfairly; and (ii) the Plan is fair and equitable
17 with respect to the rejecting Class(es) of Claims or Equity Securities impaired under the Plan, the
18 Bankruptcy Court may confirm the Plan despite the rejection of the Plan by dissenting impaired
19 Class of Claims or Equity Securities.

20 Debtor will request confirmation of the Plan pursuant to Section 1129(b) with respect to
21 any Impaired Class of Claims that does not vote to accept the Plan. Debtor believes that the Plan
22 satisfies all of the statutory requirements for Confirmation, that Debtor has complied with or will
23 have complied with all the statutory requirements for Confirmation of the Plan, and that the Plan
24 is proposed in good faith. At the Confirmation Hearing, the Bankruptcy Court will determine
25 whether the Plan satisfies the statutory requirements for Confirmation.

26 **6. Allowed Claims.**

27 You have an Allowed Claim if: (i) you or your representative timely file a proof of Claim
28 and no objection has been filed to your Claim within the time period set for the filing of such

1 objections; (ii) you or your representative timely filed a proof of Claim and an objection was
2 filed to your Claim upon which the Bankruptcy Court has ruled and Allowed your Claim; (iii)
3 your Claim is listed by Debtor in its Schedules or any amendments thereto (which are on file
4 with the Bankruptcy Court as a public record) as liquidated in amount and undisputed and no
5 objection has been filed to your Claim; or (iv) your Claim is listed by Debtor in its Schedules as
6 liquidated in amount and undisputed and an objection was filed to your Claim upon which the
7 Bankruptcy Court has ruled to Allow your Claim.

8 Under the Plan, the deadline for filing objections to Claims is ninety (90) calendar days
9 following the Effective Date. If your Claim is not an Allowed Claim, it is a Disputed Claim and
10 you will not be entitled to vote on the Plan unless the Bankruptcy Court temporarily or
11 provisionally allows your Claim for voting purposes pursuant to Bankruptcy Rule 3018. If you
12 are uncertain as to the status of your Claim or Equity Security or if you have a dispute with
13 Debtor, you should check the Bankruptcy Court record carefully, including the Schedules of
14 Debtor, and you should seek appropriate legal advice. Debtor and its professionals cannot advise
15 you about such matters.

16 [...](#)

17 [...](#)

18 **7. Impaired Claims and Equity Securities.**

19 Impaired Claims and Equity Securities include those whose legal, equitable, or
20 contractual rights are altered by the Plan, even if the alteration is beneficial to the Creditor or
21 Equity Security Holder, or if the full amount of the Allowed Claims will not be paid under the
22 Plan. Holders of Claims which are not impaired under the Plan are deemed to have accepted the
23 Plan pursuant to Section 1126(f) and Debtor need not solicit the acceptances of the Plan of such
24 unimpaired Claims. As such, only Holders of Claims in impaired Classes 1, [23](#), and [54](#) under the
25 Plan are entitled to vote.

26 **8. Voting procedures.**

27 a. **Submission of ballots.**

28

1 All Creditors entitled to vote will be sent a Ballot, together with instructions for voting, a
2 copy of this approved Disclosure Statement, and a copy of the Plan. You should read the Ballot
3 carefully and follow the instructions contained therein. Please use only the Ballot that was sent
4 with this Disclosure Statement. You should complete your Ballot and return it as follows:

5 GARMAN TURNER GORDON LLP
6 Attn: Talitha Gray Kozlowski, Esq.
7 650 White Drive, Ste. 100
8 Las Vegas, Nevada 89119
9 Telephone: 725-777-3000; Facsimile: 725-777-3112
10 Email: tgray@gtg.legal

11 TO BE COUNTED, YOUR BALLOT MUST BE **RECEIVED** AT THE ADDRESS LISTED
12 ABOVE BY _____, 2016, 5:00 p.m. (PACIFIC TIME).

13 b. **Incomplete ballots.**

14 Unless otherwise ordered by the Bankruptcy Court, Ballots which are signed, dated, and
15 timely received, but on which a vote to accept or reject the Plan has not been indicated, will be
16 counted as a vote to accept the Plan.

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c. **Withdrawal of ballots.**

A Ballot may not be withdrawn or changed after it is cast unless authorized in writing by
Debtor or the Bankruptcy Court permits you to do so after notice and a hearing to determine
whether sufficient cause exists to permit the change.

d. **Questions and lost or damaged ballots.**

If you have any questions concerning these voting procedures, if your Ballot is damaged
or lost, or if you believe you should have received a Ballot but did not receive one, you may
contact Debtor’s counsel as listed above regarding the submission of Ballots.

XII.
ALTERNATIVES TO THE PLAN

A. Debtor’s Considerations.

1 Debtor believes that the Plan provides Creditors with the best and most complete form of
 2 recovery available. As a result, Debtor believes that the Plan serves the best interests of all
 3 Creditors and parties-in-interest in the Chapter 11 Case. In formulating and developing the Plan,
 4 Debtor has explored other alternatives. Debtor believes not only that the Plan, as described
 5 herein, fairly adjusts the rights of various Classes of Creditors and enables the Creditors to
 6 realize the greatest sum possible under the circumstances, but also that rejection of the Plan in
 7 favor of some theoretical alternative method of reconciling the Claims and Equity Securities of
 8 the various Classes will not result in a better recovery for any Class.

9 **B. Liquidation under Chapter 7.**

10 If a plan cannot be confirmed, a Chapter 11 case may be converted to a case under
 11 Chapter 7, in which a Chapter 7 trustee would be elected or appointed to liquidate the assets of
 12 debtor for distribution to their creditors and Holders of equity security in accordance with the
 13 priorities established by the Bankruptcy Code.

14 As previously stated, Debtor believes that a liquidation under Chapter 7 would result in a
 15 substantially reduced recovery of funds because of: (i) additional Administrative
 16 ~~Expenses~~ Claims involved in the appointment of a Chapter 7 trustee for Debtor and attorneys and
 17 other professionals to assist such Chapter 7 trustee; (ii) additional expenses and Claims, some of
 18 which may be entitled to priority, which would be generated during the Chapter 7 liquidation;
 19 ~~and~~ (iii) the possibility that ~~Secured Lender~~ NH would be entitled to relief from the automatic
 20 stay in such Chapter 7 bankruptcy case, thereby likely resulting in a foreclosure sale of the Real
 21 Property, which may reduce or delay the recovery by Debtor's other Creditors and Equity
 22 Security Holders; and (iv) a sale of the Real Property under distressed conditions in a Chapter 7
 23 liquidation may result in a lower sale price rendering Debtor administratively insolvent.
 24 Accordingly, Debtor believes that in Chapter 7 liquidation, it is possible that not all Holders
 25 of Allowed Claims will receive a smaller, if any, distribution under a Chapter 7 liquidation be paid
 26 in full.

27 **XIII.**
 28 **AVOIDANCE ACTIONS**

1 A bankruptcy trustee (or the entity as debtor-in-possession) may avoid as a preference a
2 transfer of property made by a debtor to a creditor on account of an antecedent debt while a
3 debtor was insolvent, where that creditor receives more than it would have received in a
4 liquidation of the entity under Chapter 7 of the Bankruptcy Code had the payment not been
5 made, if: (i) the payment was made within ninety (90) days before the date the Chapter 11 Case
6 was commenced; or (ii) if the creditor is found to have been an “insider” as defined in the
7 Bankruptcy Code, within one (1) year before the commencement of the Chapter 11 Case. A
8 debtor is presumed to have been insolvent during the ninety (90) days preceding the
9 commencement of the case.

10 A bankruptcy trustee (or the entity as debtor-in-possession) may avoid as a fraudulent
11 transfer a transfer of property made by a debtor within two (2) years (and under applicable
12 Nevada law, four (4) years) before the date the Chapter 11 Case was commenced if: (i) debtor
13 received less than a reasonably equivalent value in exchange for such transfer; and (ii) was
14 insolvent on the date of such transfer or became insolvent as a result of such transfer, such
15 transfer left debtor with an unreasonably small capital, or debtor intended to incur debts that
16 would be beyond debtor’s ability to pay as such debts matured. In addition, this reachback may
17 be extended further to within one (1) year of reasonable discovery of the facts underlying the
18 transfer and its actual fraudulent nature.

19 ~~Provided the brief period of time that has transpired since the commencement of the~~
20 ~~Chapter 11 Case, Debtor has not fully analyzed various potential preference or other avoidance~~
21 ~~actions, and it is possible that additional pre-petition transactions may be avoidable and~~
22 ~~recoverable under various theories in Chapter 5 of the Bankruptcy Code. Debtor thus Debtor~~
23 hereby expressly reserves its right to commence any appropriate actions pursuant to Chapter 5 of
24 the Bankruptcy Code.

25 **XIV.**
26 **RECOMMENDATION AND CONCLUSION**

1 In Debtor's opinion, the Plan provides the best possible recovery for all Creditors as a
2 whole, and therefore recommends that all Creditors who are entitled to vote on the Plan vote to
3 accept the Plan.

4 DATED this ~~16th day of February~~, August, 2016.

5 CHATEAU DE LUMIERE, LLC
6 a Nevada limited liability company,

7 /s/ Andrew Cartwright

8 By: Andrew Cartwright

9 Its: Manager

10
11
12 **Prepared and Submitted:**

13 GARMAN TURNER GORDON LLP

14 By: /s/ Talitha Gray Kozlowski
15 TALITHA GRAY KOZLOWSKI, ESQ.
16 MARK M. WEISENMILLER, ESQ.
17 650 White Drive, Suite 100
18 Las Vegas, Nevada 89119
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APPENDIX

EXHIBIT "1" DEBTOR'S AMENDED PLAN OF REORGANIZATION

EXHIBIT "2" DEBTOR'S PROJECTIONS