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16 Debtor and Debtor in Possession

17 **UNITED STATES BANKRUPTCY COURT**
18 **DISTRICT OF NEVADA**

19 In re

20 CAL NEVA LODGE, LLC,

21 Debtor.

22 Case No. 3:16-bk-51281-gwz

23 Chapter 11

24 **DISCLOSURE STATEMENT PURSUANT**
25 **TO BANKRUPTCY CODE SECTION 1125**
26 **WITH RESPECT TO THE JOINT**
27 **CHAPTER 11 PLAN OF**
28 **REORGANIZATION FOR CAL NEVA**
LODGE, LLC AND NEW CAL-NEVA
LODGE, LLC DATED FEBRUARY 27, 2017

Disclosure Statement Hearing:

Hearing Date: [To Be Set]

Hearing Time: [To Be Set]

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SUMMARY INFORMATION¹

THE DEBTORS IN THESE CHAPTER 11 BANKRUPTCY CASES

Cal Neva Lodge, LLC is a Nevada limited liability company, and the debtor and debtor in possession in bankruptcy case no. 16-51281-gwz ("Cal Neva" or the "Debtor"). New Cal-Neva Lodge, LLC is a Nevada limited liability company, and the debtor and debtor in possession in bankruptcy case no. 16-51282-gwz ("New Cal-Neva" or the "Sub-Debtor"). Cal Neva and New Cal-Neva are referred to collectively in the Disclosure Statement and the Plan as the "Debtors". Cal Neva is the proponent of the Plan.

THE PLAN

The Plan described by this Disclosure Statement is a joint plan for both Cal Neva and New Cal-Neva. A copy of the Plan accompanies this Disclosure Statement. The Plan is the mechanism by which the Debtors will pay Creditors, complete the renovation and redevelopment of the Cal-Neva Resort Hotel & Casino (the "Resort" or the "Real Property"), and exit the pending bankruptcy cases.

In summary, the Plan is premised on an equity investment of up to \$34,000,000 (the "Preferred Equity Investment") in the Debtors by Mayer Financial, L.P. (or a comparable equity investor)(the "Preferred Member"). From the Preferred Equity Investment, the Debtors project that there will be sufficient funds to pay all Creditors of both Debtors substantially in full, and sufficient funds to complete the renovation of the Resort. From the Preferred Equity Investment, funds will be distributed as follows to: (i) pay in full any outstanding real property taxes, (ii) reinstate the secured loan obligations owing to Hall CA-NV, LLC and Ladera Development, LLC on terms acceptable to each of them, (iii) pay in full any and all Allowed Claims secured by valid and unavoidable Mechanics' Liens, (iv) pay in full any and all Allowed Administrative Claims in the New Cal-Neva Case, (v) pay in full any and all Allowed Priority Tax Claims and Priority Non-Tax

¹ A capitalized term used in this Disclosure Statement that is not defined in this Disclosure Statement, but is defined in the Plan, has the meaning assigned to that term in the Plan. A capitalized term used in this Disclosure Statement that is defined neither in this Disclosure Statement nor in the Plan has the meaning, if any, assigned to that term by the Bankruptcy Code or the Federal Rules of Bankruptcy Procedure or, if none, by common usage.

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1 Claims in the New Cal-Neva Case, (vi) pay all or substantially all of the principal amount of
2 Allowed General Unsecured Claims in the New Cal-Neva Case, (vii) pay in full any and all
3 Allowed Administrative Claims in the Cal Neva Case, (viii) pay in full any and all Allowed Priority
4 Claims and Priority Non-Tax Claims in the Cal Neva Case, (ix) pay all or substantially all of the
5 principal amount of Allowed General Unsecured Claims in the Cal Neva Case, and (x) pay all costs
6 to complete the renovation of the Resort.²

7 Following the distribution and payment of items (i)-(ix) above, New Membership Interests
8 in New Cal-Neva will be issued to the Preferred Member and Cal Neva as follows: (i) seventy-five
9 percent (75%) to the Preferred Member and (ii) twenty-five percent (25%) to Cal Neva, with
10 distributions of Net Cash Flow and Net Proceeds³ to be distributed in the following order and
11 precedence: (a) the return of the Preferred Equity Investment to the Preferred Member, (b) a
12 preferred return on the Preferred Equity Investment equal to the greater of a 20% internal rate of
13 return or a 1.70x multiple of the Preferred Equity Investment, (c) the return of the Cal Neva Equity
14 (\$22 million), (d) a preferred return on the Cal Neva Equity investment equal to a 10% internal rate
15 of return from the Effective Date, and thereafter (e) seventy-five percent (75%) to the Preferred
16 Member and twenty-five percent (25%) to Cal Neva.

17 **EFFECTIVE DATE OF THE PLAN**

18 The Effective Date of the Plan will occur on the first Business Day after entry of the
19 Confirmation Order on which no stay of the Confirmation Order is in effect and all of the conditions
20 to the occurrence of the Effective Date set forth in Article IX of the Plan have been satisfied or
21 waived in accordance with the Plan.

22 **RECOMMENDATION OF THE DEBTOR**

23 The Debtor urges and recommends that all Creditors and Interest Holders entitled to vote on
24 the Plan vote in favor of the Plan.

25 _____

26 ² A schedule of the Cash Distribution Waterfall is set forth in Section Four below and is attached to
27 the Plan as Exhibit 1.

28 ³ Net Cash Flow and Net Proceeds will be defined in the New Operating Agreement and will only
apply after payments to Creditors.

BALLOTING AND OTHER INFORMATION

Ballots, which are included in the enclosed Plan materials, should be properly completed, executed and received by the offices of Jeffer Mangels Butler & Mitchell LLP, 1900 Avenue of the Stars, 7th Floor, Los Angeles, California 90067, Attn: David M. Poitras, no later than 5:00 p.m. prevailing Pacific Time on _____, 2017. A hearing to consider Confirmation of the Plan will be held commencing at _____ a.m., on _____, 2017, before the Honorable United States Bankruptcy Judge Gregg W. Zive, at the C. Clifton Young Federal Building located at 300 Booth Street, Reno Nevada. The Confirmation Hearing may be adjourned from time to time without further notice.

QUESTIONS

All inquiries regarding the Plan or the Disclosure Statement may be directed to counsel for the Debtor as follows:

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SECTION ONE

INTRODUCTION

On June 10, 2016, Cal Neva commenced the Cal Neva Case by filing a voluntary petition for relief under chapter 11 of the Bankruptcy Code. On July 28, 2016, New Cal-Neva commenced the New Cal-Neva Case by filing a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Cases are pending before the Bankruptcy Court for the District of Nevada, Reno Division, the Honorable Gregg W. Zive, United States Bankruptcy Judge presiding. Since the petition dates, the Debtors have continued in possession of their property and assets and have continued to manage such property and assets as debtors in possession pursuant to Bankruptcy Code sections 1107(a) and 1108. No request has been made for the appointment of a trustee or an examiner in these Cases. An official committee of unsecured creditors was appointed in the New Cal-Neva Case on September 13, 2016. No committee of Creditors or Interest Holders has been appointed in the Cal Neva Case. The Debtor filed the Plan, along with this Disclosure Statement, on February 27, 2017. A copy of the Plan accompanies this Disclosure Statement.

The Debtor has prepared this Disclosure Statement in connection with the solicitation of acceptances of the Plan. The purpose of this Disclosure Statement is to set forth information regarding the Debtors and the Plan in order to assist Creditors and Interest Holders in making an informed judgment as to whether they should accept or reject the Plan. This Disclosure Statement does not reflect any events which may occur subsequent to _____, 2017, and, except as otherwise set forth herein, it is not anticipated that any amendments or supplements to the Disclosure Statement will be distributed to reflect changes subsequent to that date.

The Plan will be funded by the Preferred Equity Investment, Cash on hand as of the Effective Date, and any net proceeds received by the Debtors or the Reorganized Debtor on account of any Cause of Action.

Although the terms of the Plan are summarized in this Disclosure Statement, parties in interest should refer to the Plan itself with regard to each specific term or provision. *ALL SUMMARIES OF THE PLAN CONTAINED IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY THE PLAN, WHICH ITSELF IS CONTROLLING.*

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1 As set forth in the Notice which accompanies this Disclosure Statement and the Plan, the
2 Court has entered an order approving this Disclosure Statement as containing information of a kind
3 and in sufficient detail to enable the holders of Claims or Interests receiving this Disclosure
4 Statement to make an informed judgment concerning acceptance or rejection of the Plan. Creditors
5 and Interest Holders should read and consider this Disclosure Statement and the Plan in their
6 entirety prior to voting to accept or reject the Plan.

7 *PLEASE READ THIS DISCLOSURE STATEMENT CAREFULLY BEFORE YOU VOTE ON*
8 *THE PLAN. ALL PREVIOUS STATEMENTS AND REPRESENTATIONS MADE BY OR ON*
9 *BEHALF OF THE DEBTORS ARE EXPRESSLY SUPERSEDED BY THIS DISCLOSURE*
10 *STATEMENT. ALL OF THE STATEMENTS AND REPRESENTATIONS RESPECTING*
11 *FINANCIAL, BUSINESS AND ACCOUNTING DATA HEREIN ARE THOSE OF THE DEBTOR,*
12 *UNLESS SPECIFICALLY STATED TO BE FROM OTHER SOURCES. PROFESSIONALS*
13 *EMPLOYED BY THE DEBTOR HAVE ASSISTED IN THE PREPARATION OF THIS*
14 *DISCLOSURE STATEMENT BASED ON FACTUAL INFORMATION AND ASSUMPTIONS*
15 *RESPECTING FINANCIAL, BUSINESS AND ACCOUNTING DATA PROVIDED BY*
16 *MANAGEMENT OR REFLECTED IN PLEADINGS FILED WITH THE BANKRUPTCY COURT,*
17 *NOT PERSONAL KNOWLEDGE OR ASSUMPTIONS.*

18 **SECTION TWO**

19 **DESCRIPTION OF THE DEBTORS, THE BANKRUPTCY FILINGS,**
20 **AND DEBTORS' BUSINESS AND ASSETS**

21 **A. General Background of the Debtor LLCs**

22 1. Formation and Management of Cal Neva. Each of the Debtors is a Nevada limited
23 liability company. Cal Neva was formed in March of 2013 and New Cal-Neva was formed in April
24 2013. On March 13, 2013, CR Cal Neva, LLC ("CR") formed Cal Neva by filing its Articles of
25 Organization with the Secretary of State of Nevada pursuant to the limited liability company laws of
26 the State of Nevada and by entering into an operating agreement for Cal Neva. Cal Neva's
27 operating agreement was amended and restated on May 1, 2014. The current members of Cal Neva
28 are set forth in Exhibit 2 to the Plan. CR is the manager of Cal Neva. The principals of CR are

1 Robert Radovan and William Criswell. Cal Neva also has an Executive Committee which the
 2 manager consults for certain major decisions. The current members of the Executive Committee are
 3 William Criswell, Robert Radovan, Paul Jameson, Leslie Busick and Brandon Chaney. By order of
 4 the Bankruptcy Court entered July 11, 2016, Robert Radovan was designated as Cal Neva's
 5 Responsible Individual.

6 2. Acquisition of the Property. On April 8, 2013, Canpartners Realty Holding
 7 Company IV Cal-Neva LLC ("Canyon") (the prior owner of the Real Property) formed New Cal-
 8 Neva by filing its Articles of Organization with the Secretary of State of Nevada pursuant to the
 9 limited liability company laws of the State of Nevada and by entering into an operating agreement
 10 for New Cal-Neva. Cal Neva became a member in New Cal-Neva pursuant to that certain
 11 Amended and Restated Limited Liability Company Agreement dated April 19, 2013, and Cal Neva
 12 subsequently purchased the interest of Canyon in New Cal-Neva.

13 3. Management of New Cal-Neva. Since the Debtors' acquisition of the Property, Cal
 14 Neva has been the sole member of New Cal-Neva, Cal Neva is the managing member of New Cal-
 15 Neva, and Robert Radovan serves as its President and Secretary and William Criswell is the Chief
 16 Executive Officer. By order of the Bankruptcy Court entered September 19, 2016, Robert Radovan
 17 was designated as New Cal-Neva's Responsible Individual.

18 **B. Description of the Resort and Related Assets**

19 1. The Resort. The Debtors' principal asset is an iconic hotel, spa & casino known as
 20 the Cal-Neva Resort Hotel & Casino. The Resort is comprised of over 13.5 acres located along the
 21 North Shore of Lake Tahoe, stretching over two states in Crystal Bay, Nevada and Kings Beach,
 22 California. The Resort includes 191 hotel guestrooms, cabins and terrace rooms, a full service spa,
 23 the Frank Sinatra Showroom, the Indian Room, a casino with a 17,000-square-foot gaming floor,
 24 the historic Circle Bar, a specialty restaurant, the Casino Bar, a terrace level family restaurant, the
 25 Boardroom & Wine Cellar, a gourmet market, a kids adventure center, an outdoor pool and patio,
 26 boutiques (retail), a state of the art fitness facility, approximately 16,000 square feet of
 27 indoor/outdoor meeting space, parking for 248 vehicles, the opportunity to convert 28 tourist
 28 accommodation units into condominiums that could provide up to an additional 56 room keys, and

1 rights to the Fairwinds Estate – an expansive lakefront chalet that features six suites, spacious living
2 and deck areas leading out to a beach and a 250 foot private pier.

3 The Resort was originally developed in 1926, burned down in 1937, and was reconstructed
4 within approximately thirty days. The Resort has had numerous owners since its opening, including
5 Frank Sinatra, who purchased the property in 1960. In 1963, the appearance of an alleged mobster
6 by the name of Sam Giancana at the Resort led to the revocation of Sinatra's gaming license by the
7 Nevada Gaming Control Board; and in September 1963, Sinatra closed the hotel. In 1970, the
8 Resort underwent extensive renovations that included construction of the main tower. In 1985, the
9 Resort was acquired by Charles Bluth and was renovated again and converted to the full service
10 resort that it represents today. Bluth sold the Resort to a Los Angeles businessman in 2005.
11 Canyon took control of the property in 2009. Several offers to purchase the Resort were made in
12 2012, including one offer of \$50 million; however, no sale was completed. In April 2013, Cal Neva
13 purchased the equity in New Cal-Neva Lodge and the Debtors have owned the Resort since that
14 date.

15 In 2014, the Debtors closed the Resort and acquired funds through loans and equity to
16 undertake a substantial redevelopment of the Resort into a World Class destination resort.
17 Construction progressed throughout 2015, at which point the construction ran into difficulty due to
18 various unforeseen issues with some of the older parts of the existing buildings, and it was
19 determined that the existing funding sources were inadequate to complete the renovation.
20 Construction stopped in December 2015. When construction stopped, the renovation was
21 approximately 70% complete. The Debtor projects that the cost to complete the renovation is
22 approximately \$24 million, with approximately \$15 million needed to finish the project and
23 approximately \$9 million for pre-opening expenses and working capital. When the work stopped,
24 the renovation was approximately six months from completion. As set forth in Exhibit 1 to the
25 Plan, upon the Effective of the Plan, there will be sufficient funds available to complete the
26 renovation from the Preferred Equity Investment and the remaining Hall loan availability. Since
27 2015, the property has been preserved and maintained pursuant to advances made by the senior
28 lender Hall.

1 2. The Furniture, Fixtures and Equipment. To date, New Cal-Neva has purchased
2 approximately 65-70% of the furniture, fixtures and equipment necessary to open and operate the
3 Resort (the "FF&E"). All FF&E for guest rooms has been purchased with the exception of terrace
4 rooms and cabins. Currently 5% of public area FF&E has been purchased. The FF&E is safely
5 stored off-site in Sparks, Nevada and has a cost value of approximately \$3.3 million.

6 3. The Fairwinds Estate. The Fairwinds Estate is located at 9898 Lake Street, Kings
7 Beach, California, which property is adjacent to the Resort. The Fairwinds Estate is comprised of a
8 1.7 acre lot and a 5,400 square foot house, with seven bedrooms and seven bathrooms, and lake
9 access and a multiple boat dock. The Fairwinds Estate is encumbered by a mortgage in favor of
10 Capital One Bank. The outstanding amount owed on the mortgage is \$4.5 million. In October
11 2014, the Fairwinds Estate was owned by 9898 Lake, LLC. Paul and Evy Paye, LLC ("Paye")
12 owned 100% of the membership interests in 9898 Lake, LLC. In October 2014, Paye and the
13 Debtors entered into an *Exchange Agreement*, whereby title to the Fairwinds Estate was to be
14 transferred to CR Lake Tahoe, LLC ("CR Lake Tahoe") in exchange for Paye and Marriner Real
15 Estate, LLC (Paye's broker) receiving an equity interest in the Debtor. The sole member of CR
16 Lake Tahoe is New Cal-Neva (the transaction was structured this way to allow Hall to possess a lien
17 or security interest against the property or New Cal-Neva's membership interest in the property).
18 The Debtors and Paye valued the equity in the property at \$2 million. Paye received an equity
19 interest in Cal Neva of 6.19% and Marriner received an equity interest of 0.65%. Since that date
20 and at all times relevant hereto, Paye and Marriner have held themselves out as members of Cal
21 Neva. Notwithstanding, as of the petition dates, neither Paye nor 9898 Lake have completed the
22 transfer to CR Lake Tahoe and 9898 Lake retains legal title to the property, with CR Lake Tahoe
23 being the beneficial owner of the property. If the Debtors are unable to cause Paye and 9898 Lake
24 to deliver title to the property as they are legally obligated to do, the Debtors will commence
25 litigation against Paye and/or 9898 Lake to obtain title to the property. Under the Plan, the Debtors'
26 claims against Paye and 9898 Lake are preserved, and upon the Effective Date, will vest in the
27 Reorganized Debtor. Hall asserts a security interest in the membership interests of CR Lake Tahoe
28 and/or 9898 Lake.

1 **C. The Liabilities of the Debtors**

2 1. The Cal Neva Liabilities. As of the Cal Neva Petition Date, Ladera was a secured
3 creditor of the Debtor, on account of the Debtor's pledge of its membership interest in New Cal-
4 Neva to secure Ladera's loan to New Cal-Neva. At this point in time, the Debtor believes that the
5 Ladera debt is approximately \$7.6 million. Under the Plan, Ladera's security interest in Cal Neva's
6 membership interest in New Cal-Neva will reattach and will secure New Cal-Neva's obligations to
7 Ladera as modified in Class 3 of the Plan. There are no other secured claims in the Cal Neva Case.
8 There are no known Priority or Non-Tax Priority Claims in the Cal Neva Case. General Unsecured
9 Claims in the Cal Neva Case, not duplicative of General Unsecured Claims in the New Cal-Neva
10 Case, total approximately \$600,000. The Debtor estimates that unpaid Administrative Claims in the
11 Cal Neva Case as of the Effective Date will be approximately \$200,000.

12 2. The New-Cal Neva Liabilities. Hall is the senior secured creditor of New Cal-Neva
13 and its claim is secured by substantially all of New Cal-Neva's assets, including the Real Property.
14 Hall is owed approximately \$26 million as of the date of this Disclosure Statement. Ladera is a
15 junior secured creditor of the Sub-Debtor and its claim is secured by substantially all of New Cal-
16 Neva's assets, including the Real Property. As set forth above, Ladera is owed approximately \$7.6
17 million as of the date of this Disclosure Statement. There are also outstanding claims against the
18 Sub-Debtor and the Real Property secured by mechanics' liens in varying amounts. The Debtor
19 estimates that the Mechanics' Lien Claims total between \$7.5 million and \$9.8 million. As set forth
20 below, various holders of Mechanics' Lien Claims assert a Lien priority senior to Hall (and
21 consequently Ladera), and litigation is pending in the Bankruptcy Court (removed from the state
22 courts in California and Nevada) to determine the lien priority issue. Non-Tax Priority Claims in
23 the New Cal-Neva Case total approximately \$30,000.00. There are no known Priority Tax Claims
24 in the New Cal-Neva Case. General Unsecured Claims in the New Cal-Neva Case total
25 approximately \$2.5 million. The Debtor estimates that unpaid Administrative Claims in the New
26 Cal-Neva Case as of the Effective Date will be approximately \$1,500,000.

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1 **D. Significant Events During the Cases**

2 1. The Cal Neva Case. As set forth above, the Cal Neva Case was filed on June 10,
3 2016. The Cal Neva Case was filed to stay Ladera's scheduled foreclosure sale of the Debtor's
4 membership interest in New Cal-Neva, and to preserve the Debtor's equity interest in the Real
5 Property. The Cal Neva Case was filed in the Northern District of California, Santa Rosa Division,
6 as the Debtor's management is based in St. Helena, California within that federal judicial district.
7 The Cal Neva Case was initially assigned to Bankruptcy Judge Thomas Carlson, and upon his
8 retirement from the bench, the case was reassigned to Bankruptcy Judge Jaroslovsky.

9 The Debtor timely filed its Schedules of Assets and Liabilities and Statement of Financial
10 Affairs and duly appeared and was examined at the Meeting of Creditors conducted pursuant to
11 Bankruptcy Code section 341 on July 15, 2016. The Debtor is current with its Monthly Operating
12 Reports.

13 The Claims bar date in the Cal Neva Case was October 13, 2016.

14 The only professionals employed in the Cal Neva Case is the Debtor's legal counsel, Jeffer
15 Mangels Butler & Mitchell LLP ("JMBM"), whose employment was approved by order of the
16 Bankruptcy Court entered August 4, 2016 and Hartman & Hartman, whose employment was
17 approved by order of the Bankruptcy Court entered November 28, 2016 . JMBM's First Interim
18 Application for Approval of Attorneys' Fees and Expenses was heard February 21, 2017, at which
19 hearing JMBM sought court approval of fees in the amount of \$66,132.50 and expenses of
20 \$2,216.06, and to apply the prepetition retainer it received in the amount of \$58,443.50 to such
21 amount. The JMBM fee application was approved at the February 21, 2017 hearing.

22 On August 2, 2016, The Penta Building Group, Inc. ("Penta"), the general contractor for the
23 renovation of the Real Property, filed a Motion to Transfer Venue of the Cases to the District of
24 Nevada, Reno Division (the "Venue Motion"). The Debtors duly opposed the Venue Motion.
25 Notwithstanding, pursuant to a tentative ruling issued by Judge Jaroslovsky, it was apparent that
26 venue would be transferred to the Bankruptcy Court in Reno. Accordingly, the Debtors consented
27 to a transfer of venue, and a consensual order transferring venue of the Cases from Santa Rosa to
28 Reno was entered September 28, 2016, with the effective date of the transfer being October 13,

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1 2016. Upon the transfer of the Cases to Reno, they were initially assigned to Bankruptcy Judge
2 Beasley, but were later reassigned to Bankruptcy Judge Zive.

3 On January 6, 2017, certain members of Cal Neva filed a chapter 11 plan and disclosure
4 statement in the Cal Neva Case. A hearing to consider approval of the disclosure statement took
5 place on February 21, 2017. Numerous objections to the disclosure statement were filed with the
6 Bankruptcy Court. At the hearing held February 21, 2017, the Bankruptcy Court denied approval of
7 the disclosure statement.

8 2. The New Cal-Neva Case. As set forth above, the New Cal-Neva Case was filed on
9 July 28, 2016. The Cal Neva Case was filed to stay Hall's scheduled foreclosure sale of the Real
10 Property and to preserve the Debtors' equity interest in the Real Property. The New Cal-Neva Case
11 was filed in the Northern District of California, Santa Rosa Division, as the Debtor's case was
12 already pending in that venue. Similar to the Cal Neva Case, the Cal Neva Case was initially
13 assigned to Bankruptcy Judge Thomas Carlson, and upon his retirement from the bench, the case
14 was reassigned to Bankruptcy Judge Jaroslovsky.

15 The Debtor timely filed its Schedules of Assets and Liabilities and Statement of Financial
16 Affairs and duly appeared and was examined at the Meeting of Creditors conducted pursuant to
17 Bankruptcy Code section 341 on September 2, 2016. The Debtor is generally current with its
18 Monthly Operating Reports.

19 By orders entered September 19, 2016 and January 4, 2017, the Bankruptcy Court approved
20 New Cal-Neva's use of cash collateral and postpetition financing from Hall, both of which are
21 needed to maintain and preserve the Real Property, pending completion of the renovation,
22 particularly during the winter season. To date, Hall has advanced approximately \$700,000 since the
23 filing of the New Cal-Neva Case, which amount includes approximately \$300,000 of attorneys' fees
24 to counsel for Hall. Advances for expenses to preserve the Real Property are both secured advances
25 and entitled to treatment as super-priority claims.

26 The Claims bar date in the New Cal-Neva Case was December 1, 2016.

27 The Committee was appointed in the New Cal-Neva Case on September 13, 2016.

28

1 The professionals employed in the New Cal-Neva Case are (i) the Debtor's legal counsel, (a)
2 Keller & Benvenuti LLP, whose employment was approved by order of the Bankruptcy Court
3 entered August 15, 2016, (b) Hartman & Hartman, whose employment was approved by order of
4 the Bankruptcy Court entered December 5, 2016 and (c) JMBM as special Bankruptcy Code section
5 327(e) counsel, whose employment was approved by order of the Bankruptcy Court entered August
6 17, 2016, (ii) the Debtor's real estate broker, CBRE, Inc., whose employment was approved by
7 order of the Bankruptcy Court entered January 6, 2017, (iii) legal counsel employed by the
8 Committee, (a) Pachulski Stang Ziehl & Jones LLP, whose employment was approved by order
9 entered November 7, 2016, and (b) Fennemore Craig, P.C., whose employment was approved by
10 order of the Bankruptcy Court entered November 7, 2016, and (c) the Committee's financial
11 advisor, Province, Inc., whose employment was approved by order of the Bankruptcy Court entered
12 November 7, 2016.

13 Keller & Benvenuti's First Interim Application for Approval of Attorneys' Fees and
14 Expenses was heard by the Bankruptcy Court on February 21, 2017, at which hearing it sought
15 court approval of fees in the amount of \$236,240.00 and expenses of \$262.07, and to apply the
16 prepetition retainer it received in the amount of \$96,500.00 to such amount. At the February 21,
17 2017 hearing, the Bankruptcy Court approval the Keller & Benvenuti fee application.

18 The above discussion of the Venue Motion applies equally to New Cal-Neva, and the New
19 Cal-Neva Case is now pending in the Bankruptcy Court in Reno along with the Cal Neva Case.

20 On December 6, 2016, New Cal-Neva filed its *Motion for Orders (I)(A) Authorizing and*
21 *Approving Bidding Procedures; (B) Approving Notice Procedures, and (C) Setting a Date for the*
22 *Sale Hearing and (II) Authorizing and Approving (A) the Sale of Certain Assets Free and Clear of*
23 *All Liens, Claims, Encumbrances and Interests or Financing Transaction and (B) the Assumption*
24 *and Assignment of Certain Contracts* (the "Auction Motion"). The Bankruptcy Court agreed to hear
25 the Auction Motion on shortened notice and a hearing on the Auction Motion was held December
26 20, 2016. By order entered January 6, 2017, the Bankruptcy Court substantially approved the
27 Auction Motion [Docket No. 256], approved bid procedures (the "Bid Procedures"), established a
28 bid deadline of February 15, 2017 (the "Bid Deadline"), set an initial hearing to discuss the auction

1 process for February 21, 2017, and set any auction to be held in open court on February 28, 2017.
 2 The sale process involved the solicitation of over 1,600 potential purchasers, execution of 70
 3 confidentiality agreements, due diligence by ten prospective bidders and the submission of financial
 4 information by nine prospective bidders. Unfortunately, the highest bid received was less than the
 5 amount of the secured debt against the Resort. Accordingly, New Cal-Neva, in consultation with
 6 Hall, Ladera, Penta and the Committee, determined that no qualified bids were received by the Bid
 7 Deadline and the scheduled auction was cancelled. While New Cal-Neva continues to market the
 8 Real Property, at this time, there is no ongoing court-approved sale process.

9 On January 6, 2017, certain members of Cal Neva filed a chapter 11 plan and disclosure
 10 statement in the New Cal-Neva Case, which plan was filed by the same proponents as the plan filed
 11 in the Cal Neva Case, and the plans are substantially the same. A hearing to consider approval of
 12 the disclosure statement in the Cases took place on February 21, 2017. Numerous objections to the
 13 disclosure statement were filed with the Bankruptcy Court. At the hearing held February 21, 2017,
 14 the Bankruptcy Court denied approval of the disclosure statement.

15 Subsequent to the auction being cancelled, on February 23, 2017, Hall filed a motion with
 16 the Bankruptcy Court, seeking relief from the automatic stay to foreclose on the Real Property (the
 17 "Hall RFS Motion"). As of the date of this Disclosure Statement, the Hall RFS Motion has not been
 18 set for hearing. The Debtors intend to oppose the Hall RFS Motion and believe that confirmation of
 19 the Plan will resolve the issues raised by the Hall RFS Motion.

20 **E. Pending Litigation**

21 1. Cal Neva Litigation. On the Cal Neva Petition Date, Cal Neva was party to one
 22 lawsuit, generally styled as George Stuart Yount, individually and in his capacity as Owner of
 23 George Stuart Yount IRA v. Criswell Radovan, LLC, CR Cal Neva, LLC, Robert Radovan, William
 24 Criswell, Cal Neva Lodge, LLC, Powell, Coleman and Arnold LLP, David Marriner; and Marriner
 25 Real Estate, LLC, filed in the Second Judicial District Court of the State of Nevada in and for the
 26 County of Washoe, for Breach of Contract, Breach of Duty, Fraud, Negligence, Conversion, and
 27 Punitive Damages, in connection with a \$1 million loan or investment allegedly made by the
 28

1 plaintiff, concerning one or more of the above defendants. As to the Debtor, the litigation has been
2 stayed since the Cal Neva Petition Date.

3 2. New Cal-Neva Litigation. On the New Cal-Neva Petition Date, New Cal-Neva was
4 a party to three lawsuits.

5 The first, generally styled as *Xavier Moulin v. Criswell Radovan, LLC, New Cal-Neva*
6 *Lodge, et al.*, filed in the Second Judicial District Court of the State of Nevada in and for the County
7 of Washoe, is for breach of contract arising out of an alleged employment agreement, which
8 complaint seeks damages of approximately \$103,000. As to New Cal-Neva, the litigation has been
9 stayed since the New Cal-Neva Petition Date.

10 The second and third lawsuits are interrelated, and are between Penta and other holders of
11 Mechanics' Lien Claims against Hall and New Cal-Neva, concerning lien priority between the
12 holders of Mechanics' Lien Claims (including Penta) and Hall. As the Real Property is situated in
13 both California and Nevada, similar lawsuits were pending in the Superior Court of the State of
14 California for Placer County and in the Second Judicial District Court of the State of Nevada in and
15 for the County of Washoe. Since the New Cal-Neva Petition Date, both of these state court actions
16 were removed and otherwise transferred to the Bankruptcy Court in Reno. Since the New Cal-Neva
17 Petition Date, there has been no substantive activity in either of these cases. The Debtor submits
18 that if the Plan is confirmed and becomes effective, this litigation will be resolved as there will be
19 sufficient funds to pay all Secured Claims in full, thereby obviating any issues concerning lien
20 priority.

21 SECTION THREE

22 **DESCRIPTION AND SUMMARY OF THE PLAN**

23 **A. Description and Treatment of Unclassified Claims**

24 In accordance with Bankruptcy Code section 1123(a)(1), Administrative Claims and Priority
25 Tax Claims have not been classified in the Plan and, therefore, are excluded from the Classes of
26 Claims and Interests set forth in the Plan. The Plan provides the following treatment of
27 Administrative Claims and Priority Tax Claims:

28

1 **B. Administrative Claims**

2 Generally speaking, Administrative Claims consist of Claims that accrued or were incurred
3 by the Debtors following the filing of the Cases, including, but not limited to fees and costs incurred
4 by Professionals, costs incurred to maintain and preserve the Property of the Estates, and
5 obligations incurred in the ordinary course of business of the Debtors. Pursuant to Bankruptcy
6 Code section 1129(a)(9)(A), Allowed Administrative Claims must be paid in full in order to
7 confirm a chapter 11 plan, unless the holder of such claim agrees to less favorable treatment.
8 Accordingly, the Plan provides that except to the extent that a Holder of an Allowed Administrative
9 Claim agrees to less favorable treatment, each Holder of an Allowed Administrative Claim shall be
10 paid in full, in Cash, on the later of (i) the Effective Date of the Plan or as soon as practicable
11 thereafter; (ii) the first date such Administrative Claim becomes Allowed or as soon as practicable
12 thereafter; and (iii) the date such Allowed Administrative Claim becomes due and payable by its
13 terms or as soon as practicable thereafter. The Debtor conservatively estimates that Allowed
14 Administrative Claims will total no more than \$2 million in the aggregate for both Cases as of the
15 Effective Date of the Plan.

16 **C. Administrative Claims Bar Date**

17 Pursuant to Article III.B. of the Plan, requests for payment of Administrative Claims, other
18 than Claims for Professional fees and expenses, must be Filed and served on the Reorganized
19 Debtor no later than forty-five (45) days after the Effective Date of the Plan. Holders of
20 Administrative Claims that are required to, but do not, File and serve a request for payment of such
21 Claims by such date shall be forever barred, estopped, and enjoined from asserting such Claims
22 against the Debtors, the Reorganized Debtor, or their assets or Property and such Claims shall be
23 deemed discharged as of the Effective Date of the Plan. Objections to such requests, if any, must be
24 Filed and served on the Reorganized Debtor and the requesting party no later than ninety (90) days
25 after the Effective Date of the Plan. Notwithstanding the foregoing, no request for payment of an
26 Administrative Claim need be Filed with respect to an Administrative Claim previously Allowed by
27 a Final Order, including any and all Administrative Claims expressly Allowed under the Plan.

28

1 **D. Professional Fees and Expenses**

2 Pursuant to Article III.C. of the Plan, Professionals asserting a Claim for fees and expenses
3 for services rendered before the Effective Date of the Plan shall (i) File and serve on the
4 Reorganized Debtor and such other Persons who are designated by the Bankruptcy Rules, the
5 Confirmation Order, or other order of the Bankruptcy Court a final application for the allowance of
6 such Claim no later than sixty (60) days after the Effective Date of the Plan and, if granted such an
7 award by the Bankruptcy Court, be paid in full in Cash in such amounts as are Allowed by the
8 Bankruptcy Court on the date such Claim becomes Allowed or as soon as practicable thereafter.
9 Holders of Claims for Professional fees and expenses that do not File and serve such application by
10 the required deadline shall be forever barred, estopped, and enjoined from asserting such Claims
11 against the Debtors, the Reorganized Debtor, or their assets or Property, and such Claims shall be
12 deemed discharged as of the Effective Date of the Plan. On and after the Effective Date, the
13 Reorganized Debtor is authorized to employ and compensate Professionals or Persons without the
14 need for Bankruptcy Court approval.

15 **E. Priority Tax Claims**

16 Priority Tax Claims are those Claims entitled to priority pursuant to Bankruptcy Code
17 section 507(a)(8). Pursuant to Bankruptcy Code section 1129(a)(9)(C), Allowed Priority Tax
18 Claims must be paid in full in order to confirm a chapter 11 plan, unless the holder of such claim
19 agrees to less favorable treatment. Accordingly, except to the extent that a Holder of an Allowed
20 Priority Tax Claim agrees to less favorable treatment, in full and final satisfaction, settlement,
21 release, and discharge of and in exchange for each Allowed Priority Tax Claim, each Holder of an
22 Allowed Priority Tax Claim due and payable on or before the Effective Date of the Plan shall
23 receive, Cash, payable by the Debtor or the Reorganized Debtor on the later of (a) the Effective
24 Date of the Plan and (b) the date on which such Priority Tax Claim becomes Allowed, or as soon as
25 practicable thereafter, in an amount equal to the amount of such Allowed Priority Tax Claim. The
26 Debtor is not aware of any Priority Tax Claims in the Cases.

27
28

1 **F. U.S. Trustee Fees**

2 Pursuant to Article III.E. of the Plan, on the Effective Date of the Plan or as soon as
3 practicable thereafter, the Reorganized Debtor shall pay all U.S. Trustee Fees that are due and
4 owing in both Cases as of the Effective Date. For the avoidance of doubt, nothing in the Plan shall
5 release the Debtors or the Reorganized Debtor from their obligations to pay all U.S. Trustee Fees
6 due and owing after the Effective Date before an order or final decree is entered by the Bankruptcy
7 Court concluding or closing the Cases.

8 **G. Description and Treatment of Classified Claims and Interests**

9 As required by the Bankruptcy Code, the Plan places Claims and Interests into various
10 Classes according to their right to priority and other relative rights. The Plan specifies whether each
11 Class of Claims or Interests is Impaired or Unimpaired, and the Plan sets forth the treatment each
12 Class will receive. The table below lists the Classes of Claims and Interests established under the
13 Plan.

Class	Claim	Impairment	Voting Rights
1	Priority Non-Tax Claims	Unimpaired	Not entitled to vote (conclusively presumed to accept)
2	Hall Secured Claim in New-Cal Neva Case	Impaired	Entitled to vote
3	Ladera Secured Claim in New Cal-Neva Case	Impaired	Entitled to vote
4	Ladera Secured Claim in Cal Neva Case	Impaired	Entitled to vote
5	Mechanics' Lien and Priority Tax Secured Claims in New Cal-Neva Case	Unimpaired	Not entitled to vote (conclusively presumed to accept)
6	General Unsecured Claims in New Cal-Neva Case	Impaired	Entitled to vote
7	General Unsecured Claims in Cal Neva Case	Impaired	Entitled to vote
8	Intercompany Claims	Impaired	Entitled to vote

9	Equity Interest in New Cal-Neva Case	Impaired	Entitled to vote
10	Equity Interest in Cal Neva Case	Unimpaired	Not entitled to vote (conclusively presumed to accept)

H. Treatment of Claims and Interests

The following summarizes the treatment of each Class in the Plan:

1. Class 1 – Priority Non-Tax Claims.

(i) *Classification:* Class 1 consists of all Priority Non-Tax Claims in the Cases.

(ii) *Treatment:* In full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Priority Non-Tax Claim in the Cases, on the later of (a) the Effective Date and (b) the date on which such Priority Non-Tax Claim becomes Allowed, or as soon as practicable thereafter, each Holder of such Allowed Priority Non-Tax Claim shall be paid in full in Cash. A description of the projected Allowed Priority Non-Tax Claims in the Cases is set forth in Exhibit 1 to the Plan.

(iii) *Voting:* Class 1 is Unimpaired. Pursuant to Bankruptcy Code section 1126(f), Holders of Allowed Priority Non-Tax Claims are conclusively presumed to accept the Plan.

2. Class 2 – Hall Secured Claim in the New Cal-Neva Case.

(i) *Classification:* Class 2 consists of the Hall Secured Claim in the New Cal-Neva Case.

(ii) *Treatment:* As of the Effective Date, the Holder of the Class 2 Claim shall retain its underlying Liens on the applicable collateral pending full payment of all amounts due under this Plan.

[To Be Determined by Agreement with Hall]

Pursuant to orders entered by the Bankruptcy Court in the New Cal-Neva Case, to the extent any postpetition advances made by Hall on behalf of New Cal-Neva and the Real Property are not fully paid as Secured Claims, any deficiency shall be Allowed as a (Unclassified) super-priority Administrative Claim.

1 (iii) *Voting:* Class 2 is Impaired. The Holder of the Class 2 Claim is entitled to
2 vote to accept or reject the Plan.

3 3. Class 3 – Ladera Secured Claim in the New Cal-Neva Case.

4 (i) *Classification:* Class 3 consists of the Ladera Secured Claim in the New Cal-
5 Neva Case.

6 (ii) *Treatment:* As of the Effective Date, the Holder of the Class 3 Claim shall
7 retain its underlying Liens on the applicable collateral pending full payment of all amounts due
8 under this Plan.

9 [To Be Determined by Agreement with Ladera]

10 (iii) *Voting:* Class 3 is Impaired. The Holder of the Class 3 Claim is entitled to
11 vote to accept or reject the Plan.

12 4. Class 4 – Ladera Secured Claim in the Cal Neva Case.

13 (i) *Classification:* Class 4 consists of the Ladera Secured Claim in the Cal Neva
14 Case.

15 (ii) *Treatment:* The Holder of the Lien in Class 4 on the Debtor's membership
16 interest in New Cal-Neva shall retain its Lien and security interest in Cal Neva's 25% member
17 interest in New Cal-Neva, which Lien and security interest will secure Ladera's rights and Claims as
18 allowed and altered by Class 3 of the Plan. The Holder of the Class 4 Claim shall not receive any
19 Cash distributions under the Plan.

20 (iii) *Voting:* Class 4 is Impaired. The Holder of the Class 4 Claim is entitled to
21 vote to accept or reject the Plan.

22 5. Class 5 – Mechanics' Lien and Property Tax Secured Claims in the New Cal-Neva
23 Case.

24 (i) *Classification:* Class 5 consists of the Mechanics' Lien and Property Tax
25 Secured Claims in the New Cal-Neva Case.

26 (ii) *Treatment:* In full and final satisfaction, settlement, release, and discharge of
27 and in exchange for each Allowed Mechanics' Lien and Property Tax Secured Claim in the New
28 Cal-Neva Case, on the later of (a) the Effective Date and (b) the date on which such Mechanics'

1 Lien and Property Tax Secured Claim becomes Allowed, or as soon as practicable thereafter, each
2 Holder of such Allowed Mechanics' Lien and Property Tax Secured Claim in the New Cal-Neva
3 Case shall be paid the full principal amount of its Claim in Cash, plus interest, fees and costs as may
4 be allowable pursuant to applicable state law. A description of the projected Allowed Mechanics'
5 Lien and Property Tax Secured Claims in the New Cal-Neva Case is set forth in Exhibit 1 to the
6 Plan.

7 (iii) *Voting:* Class 5 is *Unimpaired*. Pursuant to Bankruptcy Code section
8 1126(f), Holders of Allowed Mechanics' Lien Secured Claims are conclusively presumed to accept
9 the Plan.

10 6. Class 6 – General Unsecured Claims in the New Cal-Neva Case.

11 (i) *Classification:* Class 6 consists of the General Unsecured Claims in the New
12 Cal-Neva Case.

13 (ii) *Treatment:* In full and final satisfaction, settlement, release, and discharge of
14 and in exchange for each Allowed General Unsecured Claim in the New Cal-Neva Case, on the
15 later of (a) the Effective Date and (b) the date on which such General Unsecured Claim becomes
16 Allowed, or as soon as practicable thereafter, each Holder of such Allowed General Unsecured
17 Claim in the New Cal-Neva Case shall be paid either (c) the full principal amount of its Claim in
18 Cash without interest if there is sufficient Cash remaining from the Preferred Equity Investment, or
19 (d) the Pro Rata amount on account of its Claim without interest if there is not sufficient Cash
20 remaining from the Preferred Equity Investment to pay such Claims in full. The projected Allowed
21 General Unsecured Claims in the New Cal-Neva Case and the proposed Plan distribution on
22 account of such claims is set forth in Exhibit 1 to the Plan.

23 (iii) *Voting:* Class 6 is *Impaired*. The Holders of the Class 6 Claims are entitled
24 to vote to accept or reject the Plan.

25 7. Class 7 – General Unsecured Claims in the Cal Neva Case.

26 (i) *Classification:* Class 7 consists of the General Unsecured Claims in the Cal
27 Neva Case.

28

1 (ii) *Treatment:* In full and final satisfaction, settlement, release, and discharge of
2 an in exchange for each Allowed General Unsecured Claim in the Cal Neva Case, on the later of (a)
3 the Effective Date and (b) the date on which such General Unsecured Claim becomes Allowed, or
4 as soon as practicable thereafter, each Holder of such Allowed General Unsecured Claim in the Cal
5 Neva Case shall be paid either (c) the full principal amount of its Claim in Cash without interest if
6 there is sufficient Cash remaining from the Preferred Equity Investment, or (d) the Pro Rata amount
7 on account of its Claim without interest if there is not sufficient Cash remaining from the Preferred
8 Equity Investment to pay such Claims in full. The projected Allowed General Unsecured Claims in
9 the Cal Neva Case and the proposed Plan distribution on account of such claims is set forth in
10 Exhibit 1 to the Plan.

11 (iii) *Voting:* Class 7 is impaired. The Holders of the Class 7 Claims are entitled to
12 vote to accept or reject the Plan.

13 8. Class 8 – Intercompany Claims.

14 (i) *Classification:* Class 8 consists of all Intercompany Claims.

15 (ii) *Treatment:* All Intercompany Claims are extinguished under the Plan and
16 neither Cal Neva nor New Cal-Neva shall receive any distribution on account of any Intercompany
17 Claim and such Claims shall be deemed satisfied, settled, released, and discharged on the Effective
18 Date.

19 (iii) *Voting:* Class 8 is Impaired. The Holders of the Class 8 Claims are entitled
20 to vote to accept or reject the Plan.

21 9. Class 9 – Equity Interests in New Cal-Neva.

22 (i) *Classification:* Class 9 consists of the Cal Neva equity interest in New Cal-
23 Neva.

24 (ii) *Treatment:* On the Effective Date, all existing Interests in New Cal-Neva
25 shall be cancelled, and extinguished and the New Membership Interests shall be issued to the
26 Preferred Member and Cal Neva in accordance with the New Operating Agreement as follows: (i)
27 seventy-five percent (75%) to the Preferred Member and (ii) twenty-five percent (25%) to Cal Neva
28 with distributions of Net Cash Flow and Net Proceeds to be distributed in the following order and

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1 precedence: (iii) the return of the Preferred Equity Investment to the Preferred Member, (iv) a
2 preferred return on the Preferred Equity Investment equal to the greater of a 20% internal rate of
3 return or a 1.70x multiple of the Preferred Equity Investment, (v) the return of the Cal Neva Equity,
4 (vi) a preferred return on the Cal Neva Equity equal to a 10% internal rate of return from the
5 Effective Date, and thereafter (vii) seventy-five percent (75%) to the Preferred Member and twenty-
6 five percent (25%) to Cal Neva.

7 (iii) *Voting:* Class 9 is Impaired. The Holder of the Class 9 Interest is entitled to
8 vote to accept or reject the Plan.

9 10. Class 10 – Equity Interests in Cal Neva.

10 (i) *Classification:* Class 10 consists of the equity interests in Cal Neva.

11 (ii) *Treatment:* On the Effective Date, the Cal Neva Members shall retain their
12 Interests in Cal Neva unaltered and as such Interests otherwise existed on the Cal Neva Petition
13 Date, as set forth in Exhibit 2 to the Plan.

14 (iii) *Voting:* Class 10 is Unimpaired. Pursuant to Bankruptcy Code section
15 1126(f), the Holders of the Class 10 Interests are conclusively presumed to accept the Plan.

16 **SECTION FOUR**

17 **MEANS FOR IMPLEMENTATION OF THE PLAN**

18 **A. The Preferred Equity Investment**

19 As set forth in the Plan, the New Operating Agreement and related agreements, in exchange
20 for 75% of the New Membership Interests in the Reorganized Debtor and a preferred return of
21 twenty percent (20%), the Preferred Member will invest up to \$34,000,000 in the Reorganized
22 Debtor. As such forth below, the amount of the Preferred Equity Investment, coupled with the
23 remaining loan availability from Hall, is sufficient to generally pay all Creditors in full **AND**
24 complete the renovation and redevelopment of the Resort.

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27
28

Cal Neva/New Cal Neva Lodge, LLC Chapter 11 Plan Cash Waterfall

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Preferred Equity Investment	\$34,000,000
Hall Loan Availability	<u>\$4,100,000</u>
Available Cash to Fund Chapter 11 Plan and Complete Redevelopment of Cal Neva Real Property	<u><u>\$38,100,000</u></u>

Cash Payments Under Chapter 11 Plan

1. Hall Structured Finance		\$25,900,000
	Assumed Hall balance left in place	
	Cash payment to cure and reinstate	<u>\$100,000</u>
		\$100,000
2. Ladera Development	Assumed Ladera balance left in place	\$7,579,000
	Cash payment to cure and reinstate	<u>\$100,000</u>
		\$100,000
3. Mechanics' Lien Claims	Penta & Subs	\$9,150,000
		Estimated per Penta Debtors balance number is approx. \$7.5 m
4. Administrative Expenses, both cases		\$1,750,000
5. Other Priority Claims		\$50,000
6. NCNL – Other Accounts Payable and Other Non-Priority Unsecured Claims		\$2,500,000
7. CNL – Other Accounts Payable and Other Non-Priority Unsecured Claims		\$600,000
Total Cash Payments Under Chapter 11 Plan		<u>\$13,650,000</u>

Funds Remaining to Complete Redevelopment of Cal Neva Property	\$24,450,000
Amount necessary to Complete Redevelopment of Cal Neva Property Through Opening	\$24,200,000

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1 **B. Sources of Consideration for Plan Distributions**

2 All consideration necessary to make all monetary payments in accordance with the Plan
 3 shall be obtained from the Preferred Equity Investment and Cash of the Debtors or the Reorganized
 4 Debtor, applicable. In sum, as set forth above and in the Plan, the Cash available from the Preferred
 5 Equity Investment is sufficient to: (i) pay in full all Allowed Administrative and Non-Tax Priority
 6 Claims (Unclassified Claims), (ii) cure and reinstate the Secured Claims of Hall and Ladera
 7 (Classes 2-4) on terms acceptable to each of them, (iii) pay in full all Allowed Mechanics' Lien and
 8 Priority Tax Secured Claims (Class 5), (iv) pay the full principal or Pro Rata amount of Allowed
 9 General Unsecured Claims in the Cases (Classes 6 and 7), and (v) complete the renovation of the
 10 Resort. The Preferred Member has produced its proof of funds to support its ability to fund the
 11 Preferred Equity Investment to the Debtors, Hall, Ladera, Penta and the Committee. The Debtors
 12 will submit evidence in advance of Confirmation as part of the Plan Filing Supplement to establish
 13 that the Preferred Member has deposited the full amount of the Preferred Equity Investment prior to
 14 Confirmation.

15 **C. The Preferred Member**

16 The Preferred Member is Mayer Financial, L.P. ("Mayer"). Mayer is a California limited
 17 partnership. The principals of Mayer are Robert L. Mayer, II ("RJ") and Robert L. Mayer, III
 18 ("Bob"). In addition to being the equity sponsor under the Plan (for which it has already established
 19 its ability to fund), Mayer will be the managing member of the Reorganized Debtor. Mayer's real
 20 estate and hospitality development and operating expertise includes the financing and development
 21 of more than 25,000 residential units, numerous commercial projects and the construction and
 22 operation of fourteen hotels, including the 517-room Hyatt Regency Huntington Beach Resort &
 23 Spa, and the 290-room Waterfront Beach Resort, a Hilton hotel, both located on the coast in
 24 Huntington Beach, California. Beginning in 1971, Mayer began to build and operate a successful
 25 chain of hotels known as the Ambassador Inns of America beginning with its first hotel built in Las
 26 Vegas, Nevada. Over the next few years, the chain expanded to include hotels in twelve cities in
 27 California, Nevada and Arizona. A total of 2,600 rooms were built over a period of approximately
 28 ten years. Once built and stabilized the hotels were sold off on an individual basis. By 1996 Mayer

1 had sold all but the original hotel in Las Vegas. In 1996, Bob and RJ were approved and licensed to
2 run and operate casinos in Nevada. The hotel was then expanded to include a full-service casino,
3 known as the Key Largo Hotel and Casino. Mayer operated the hotel for the next ten years until it
4 was sold in 2006.

5 **D. Renovation of the Resort**

6 As set forth above, the renovation of the Resort is approximately 70% complete, with the
7 remaining work projected to take approximately six months, at a total cost to complete of
8 approximately \$24 million. As set forth above and in the Plan, after the payment of Creditors in
9 accordance with the Plan, coupled with the remaining loan availability of Hall, the Preferred Equity
10 Investment provides sufficient Cash to complete the renovation of the Resort, at which time, the
11 Resort will be reopened and operated as a World Class hotel, spa & casino. From future income to
12 be generated by hotel and related operations, or a future sale of the Resort, funds may be generated
13 to: (i) repay the Preferred Equity Investment with a premium, (ii) repay the \$22 million of equity
14 invested by Cal Neva in New Cal-Neva, (iii) pay Cal Neva a premium on its equity investment in
15 New Cal-Neva, and thereafter (iv) divide any additional future income between the Preferred
16 Member and Cal Neva. Operating assumptions, a five year hotel operating pro forma, and the
17 consolidated financial performance summarizing the revenues, expenses and operating income for a
18 five year period post-renovation are attached to the Disclosure Statement as Exhibit A, which
19 information was provided by Debtors' management.

20 **E. New Organizational Documents**

21 The Debtors' organizational documents shall be amended as necessary in order to satisfy the
22 provisions of the Plan, the Bankruptcy Code and the Preferred Equity Investment. The new
23 organizational documents shall include, among other things, the New Operating Agreement and
24 related documents, and a provision, pursuant to Bankruptcy Code section 1123(a)(6), prohibiting
25 the issuance of non-voting equity securities.

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1 **F. Continued Corporate Existence**

2 In accordance with the laws of the State of Nevada, the New Operating Agreement, and the
3 Cal Neva operating agreement, after the Effective Date, the Debtors shall continue to exist as
4 separate corporate entities.

5 **G. Vesting of Assets and Property in the Reorganized Debtor**

6 Except as otherwise provided in the Plan, on the Effective Date of the Plan, all property of
7 the Estates and any property acquired by the Debtors pursuant to the Plan shall vest in the
8 Reorganized Debtor, free and clear of all Liens and Claims.⁴ On and after the Effective Date of the
9 Plan, except as otherwise provided in the Plan, the New Operating Agreement or the loan
10 agreements with Hall and Ladera, the Reorganized Debtor may operate its business and use,
11 acquire, or dispose of Property and compromise or settle any Claims without supervision or
12 approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or
13 Bankruptcy Rules.

14 **H. New Membership Interests**

15 Pursuant to the terms set forth in the Plan and the New Operating Agreement, on the
16 Effective Date of the Plan or as soon as reasonably practicable thereafter, the Reorganized Debtor
17 shall issue the New Membership Interests for distribution to the Preferred Member and Cal Neva as
18 set forth in Article III of the Plan. All of the New Membership Interests issued pursuant to the Plan
19 shall be duly authorized, validly issued, fully paid and non-assessable.

20 **I. Section 1145 Exemption**

21 The issuance of the New Membership Interests in accordance with the Plan shall be
22 authorized under Bankruptcy Code section 1145 without further act or action by any Person.

23 **J. Cancellation of Interests**

24 On the Effective Date of the Plan, except as otherwise provided in the Plan or Confirmation
25 Order, all instruments, certificates and other documents or agreements evidencing the perpetuation

26 _____
27 ⁴ For the avoidance of doubt, the vesting of Property in the Reorganized Debtor remains subject to the
28 Liens held by Hall and Ladera against the Real Property, and until indefeasibly paid, the Property of
the Reorganized Debtor will remain subject to the Liens asserted by the Holders of the Mechanics'
Lien Claims.

1 Interests in New Cal-Neva, shall be deemed automatically cancelled and shall be of no further force
2 or effect, whether surrendered for cancellation or otherwise, and the obligations of New Cal-Neva
3 or the Reorganized Debtor thereunder or in any way related thereto shall be discharged.

4 **K. Management of the Reorganized Debtor**

5 The Preferred Member will be the managing member of the Reorganized Debtor. The
6 principals of the Preferred Member will be identified in the Plan Supplement along with a statement
7 of their qualifications to satisfy Bankruptcy Code section 1123(a)(7).

8 **L. Corporate Actions**

9 Except as otherwise provided in the Plan, each of the matters provided for by the Plan
10 involving corporate or related actions to be taken or required of the Reorganized Debtor shall, as of
11 the Effective Date of the Plan, be deemed to have occurred and be effective as provided in the Plan,
12 and shall be authorized, approved, and, to the extent taken prior to the Effective Date, ratified in all
13 respects without any requirement of further action by Holders of Claims or Interests, management
14 of the Debtors, or any other Person. On or prior to the Effective Date, the appropriate officers of
15 the Debtors or the Reorganized Debtor, as applicable, shall be authorized and directed to issue,
16 execute, and deliver the agreements, instruments or other documents contemplated by the Plan, or
17 necessary or desirable to effect the transactions contemplated by the Plan, in the name of and on
18 behalf of the Reorganized Debtor, including the New Operating Agreement and any all agreements
19 or other documentation relating thereto. Notwithstanding any requirements under nonbankruptcy
20 law, the authorizations and approvals contemplated by this provision shall be effective.

21 **M. Exemption from Certain Taxes and Fees**

22 Pursuant to Bankruptcy Code section 1146(a), any transfers of property pursuant to the Plan
23 shall not be subject to any stamp, real estate transfer, sales, use tax or other similar state or local tax
24 or governmental assessment in the United States, and the Confirmation Order shall direct and be
25 deemed to direct the appropriate state or local governmental officials or agents to forego the
26 collection of any such tax or governmental assessment and to accept for filing and recordation
27 instruments or other documents pursuant to such transfers of property without the payment of any
28 such tax or governmental assessment.

1 **N. No Substantive Consolidation**

2 Nothing in the Plan is intended to, nor does effect, the substantive consolidation of the
3 Debtors or their Estates. Each Estate's votes will be separately calculated and the Debtor will
4 demonstrate that the requirements for Confirmation are satisfied on a case by case basis.

5 **O. Preservation of Causes of Action**

6 In accordance with Bankruptcy Code section 1123(b)(3), the Reorganized Debtor shall
7 retain and may (but is not required to) enforce all rights to commence and pursue any and all Causes
8 of Action that are not specifically released under the Plan or an order of the Bankruptcy Court,
9 whether arising before or after the Cal Neva Petition Date or the New Cal-Neva Petition Date,
10 including but not limited to claims against Paul and Evy Paye, LLC or their successors or assigns
11 arising out of that certain Exchange Agreement concerning the property generally described as the
12 Fairwinds Lodge or Fairwinds Estate, 9898 Lake Street, Kings Beach, California, and all such
13 Causes of Action shall vest in the Reorganized Debtor as of the Effective Date. The Debtors or the
14 Reorganized Debtor, in their sole and absolute discretion, shall determine whether to bring, settle,
15 release, compromise, or enforce such Causes of Action (or decline to do any of the foregoing), and
16 shall not be required to seek further approval of the Bankruptcy Court for such action. The
17 Reorganized Debtor or any successors may pursue such litigation claims in accordance with the best
18 interests of the Reorganized Debtor or any successor holding such rights of action. **No Person may**
19 **rely on the absence of a specific reference in the Plan or the Disclosure Statement to any**
20 **Cause of Action against them as any indication that the Debtors or the Reorganized Debtor**
21 **will not pursue any and all available Causes of Action against them. The Debtors and the**
22 **Reorganized Debtor expressly reserve all rights to prosecute any and all Causes of Action**
23 **against any Person except at otherwise provided in the Plan.** Unless any Cause of Action
24 against a Person is expressly waived, relinquished, exculpated, released, compromised, or settled in
25 this Plan or an order of the Bankruptcy Court, the Reorganized Debtor expressly reserves all Causes
26 of Action for later adjudication and, therefore, no preclusion doctrine, including the doctrines of res
27 judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or

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1 otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of
 2 Confirmation or the Effective Date of the Plan.

3 SECTION FIVE

4 **TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

5 **A. Assumption or Rejection of Executory Contracts and Unexpired Leases**

6 Exhibit 3 to the Plan designates all of the unexpired leases and executory contracts of the
 7 Debtors that the Debtor proposes to assume, or assume and assign, under the Plan, and the proposed
 8 cure amount for each lease or contract. Pursuant to Bankruptcy Code section 365(b)(1), in order to
 9 assume an unexpired lease or executory contract, the plan proponent must "cure" (pay outstanding
 10 amounts due under such agreement) or provide adequate assurance of a prompt cure to the non-
 11 debtor party to such agreement. Moreover, in limited circumstances, notwithstanding a cure or
 12 prompt cure, pursuant to applicable law, certain contracts may not be assumed and assigned without
 13 the non-debtor party's consent. In the present case, Marriott, the proposed franchisor under the
 14 Franchise Agreement, asserts that the Franchise Agreement cannot be assumed or assigned by the
 15 Debtors without its consent. The Debtor does not concede that Marriott's position is correct, but to
 16 the extent that the Debtor designates the Franchise Agreement for assumption and/or assignment
 17 (the Franchise Agreement is presently designated in Exhibit 3 to be assumed but that designation
 18 may change prior to the Confirmation Hearing), the Bankruptcy Court will determine if such
 19 agreement may be assumed and/or assigned by the Debtors.

20 Except as otherwise provided in the Plan, each of the Debtors' prepetition executory
 21 contracts and unexpired leases shall be deemed rejected as of the Effective Date, unless such
 22 executory contract or unexpired lease (i) was assumed or rejected previously by the Debtors; (ii)
 23 previously expired or terminated pursuant to its terms; (iii) is the subject of a motion to assume or
 24 reject Filed on or before the Effective Date; or (iv) is identified on the Schedule of Assumed
 25 Executory Contracts and Unexpired Leases attached as Exhibit 3 to the Plan. Except as otherwise
 26 provided in the Confirmation Order, entry of the Confirmation Order shall, subject to the
 27 occurrence of the Effective Date, constitute the approval by the Bankruptcy Court of the
 28 assumptions or rejections of prepetition executory contracts and unexpired leases as set forth in the

1 Plan. Except as otherwise provided in the Plan, all assumptions or rejections of prepetition
2 executory contracts and unexpired leases pursuant to the Plan are effective as of the Effective Date.
3 Notwithstanding anything to the contrary in the Plan, the Debtor reserves the right to amend,
4 modify, or supplement the Schedule of Assumed Executory Contracts and Unexpired Leases at any
5 time before the Effective Date.

6 **B. Cure of Defaults for Assumed Executory Contracts and Unexpired Leases**

7 Any monetary defaults under each executory contract and unexpired lease to be assumed
8 pursuant to the Plan shall be satisfied, pursuant to Bankruptcy Code section 365(b)(1), by payment
9 of the default amount in Cash on the Effective Date or as soon as practicable thereafter, subject to
10 the limitations described below, or on such other terms as the parties to such executory contracts or
11 unexpired leases may otherwise agree. At least twenty-one (21) days before the Confirmation
12 Hearing, the Debtor shall distribute, or cause to be distributed, to the appropriate third parties,
13 notices of proposed assumption of executory contracts and unexpired leases and proposed amounts
14 to cure any monetary defaults under such assumed contract or lease, which notices shall include
15 procedures for objecting to proposed assumptions of executory contracts and unexpired leases and
16 any cure amounts to be paid in connection therewith. Any objection by a counterparty to an
17 executory contract or unexpired lease to a proposed assumption or related cure amount must be
18 Filed, served, and actually received by counsel to the Debtor at least seven (7) days before the
19 Confirmation Hearing. Any counterparty to an executory contract or unexpired lease that fails to
20 object timely to the proposed assumption or cure amount will be deemed to have assented to such
21 assumption and cure amount. In the event of a dispute regarding (i) the amount of any payments to
22 cure such a default, (ii) the ability of the Reorganized Debtor or any assignee to provide “adequate
23 assurance of future performance,” within the meaning of Bankruptcy Code section 365, under the
24 executory contract or unexpired lease to be assumed, or (iii) any other matter pertaining to
25 assumption, the cure payments required by Bankruptcy Code section 365(b)(1) shall be made
26 following the entry of a Final Order or orders resolving the dispute and approving the assumption.
27 Assumption of any executory contract or unexpired lease pursuant to the Plan or otherwise shall
28 result in the full release and satisfaction of any Claims or defaults, whether monetary or

1 nonmonetary, arising under any assumed executory contract or unexpired lease at any time before
2 the effective date of the assumption.

3 **C. Claims Based on Rejection of Executory Contracts and Unexpired Leases**

4 All Proofs of Claim with respect to Claims arising from the rejection of executory contracts
5 or unexpired leases, including any executory contracts or unexpired leases rejected or deemed
6 rejected under the Plan, must be Filed within thirty (30) days after the date of an order approving
7 such rejection, including the Confirmation Order, is entered. Any Claims arising from the rejection
8 of an executory contract or unexpired lease not Filed within such time will be automatically
9 disallowed, forever barred from assertion, and shall not be enforceable against the Debtors, the
10 Reorganized Debtor, or their assets or properties without the need for any objection by the
11 Reorganized Debtor or further notice to, or action, order, or approval of the Bankruptcy Court. All
12 Allowed Claims arising from the rejection of the Debtors' executory contracts or unexpired leases
13 shall be classified as a General Unsecured Claim and shall be treated in accordance with Article III
14 of the Plan. The deadline to object to Claims arising from the rejection of executory contracts or
15 unexpired leases, if any, shall be ninety (90) days following the date on which such Proof of Claim
16 was Filed.

17 **SECTION SIX**

18 **DISTRUBTIONS TO CREDITORS**

19 **A. Timing and Calculation of Amounts to be Distributed**

20 Except as otherwise provided in the Plan, on the Effective Date or as soon as practicable
21 thereafter (or if a Claim is not an Allowed Claim on the Effective Date, on the date that such a
22 Claim becomes an Allowed Claim), each Holder of an Allowed Claim against the Debtors shall
23 receive the full amount of the distributions that the Plan provides for Allowed Claims in the
24 applicable Class. In the event that any payment or act under the Plan is required to be made or
25 performed on a date that is not a Business Day, then the making of such payment or the
26 performance of such act may be completed on the next succeeding Business Day, but shall be
27 deemed to have been completed as of the required date. If and to the extent that there are Disputed
28 Claims, distributions on account of any such Disputed Claims shall be made in accordance with the

1 provisions set forth in Article VII of the Plan. Except as otherwise provided in the Plan, Holders of
2 Claims shall not be entitled to interest, dividends, or accruals on the distributions provided for in the
3 Plan, regardless of whether such distributions are delivered on or at any time after the Effective
4 Date.

5 **B. Disbursing Agent**

6 On the Effective Date or as soon as practicable thereafter, all distributions under the Plan
7 shall be made by the Reorganized Debtor as the Disbursing Agent or such other Person designated
8 by the Reorganized Debtor as a disbursing agent. Except as otherwise ordered by the Bankruptcy
9 Court, a Disbursing Agent shall not be required to give any bond or surety or other security for the
10 performance of its duties.

11 **C. Rights and Powers of Disbursing Agent**

12 1. Powers of the Disbursing Agent. The Disbursing Agent shall be empowered to: (i)
13 effect all actions and execute all agreements, securities, instruments, and other documents necessary
14 to perform its duties under the Plan; (ii) make all distributions contemplated by the Plan; (iii)
15 employ professionals to represent it with respect to its responsibilities; and (iv) exercise such other
16 powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the
17 Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions
18 of the Plan.

19 2. Expenses Incurred On or After the Effective Date. Except as otherwise ordered by
20 the Bankruptcy Court, the amount of any reasonable fees and expenses incurred by the Disbursing
21 Agent on or after the Effective Date (including taxes) and any reasonable compensation and
22 expense reimbursement claims (including reasonable attorney fees and expenses) made by the
23 Disbursing Agent shall be paid in Cash by the Reorganized Debtor.

24 **D. Delivery of Distributions and Undeliverable or Unclaimed Distributions**

25 1. Delivery of Distributions. Except as otherwise provided in the Plan, the Disbursing
26 Agent shall make distributions to Holders of Allowed Claims at the address for each such Holder as
27 indicated on the Debtors' books and records as of the date of any such distribution or as set forth in
28 any Proof of Claim Filed by such Holder; *provided, however,* that the manner of such distributions

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1 shall be determined at the discretion of the Disbursing Agent. If a Holder holds more than one
2 Claim in any one Class, all Claims of the Holder will be aggregated into one Claim and one
3 distribution will be made with respect to the aggregated Claim.

4 2. Undeliverable Distributions and Unclaimed Property.

5 (i) *Failure to Claim Undeliverable Distributions:* In the event that any
6 distribution to any Holder is returned as undeliverable, no distribution to such Holder shall be made
7 unless and until the Disbursing Agent has determined the then current address of such Holder, at
8 which time such distribution shall be made to such Holder without interest; *provided, however*, that
9 such distributions shall be deemed unclaimed property under Bankruptcy Code section 347(b) at the
10 expiration of six (6) months from the Effective Date. After such date, all unclaimed property or
11 interests in property shall revert to the Reorganized Debtor (notwithstanding any applicable federal
12 or state escheat, abandoned, or unclaimed property laws to the contrary), and the Claim of any
13 Holder to such property or interest in property shall be released, settled, compromised, and forever
14 barred.

15 (ii) *Failure to Present Checks:* Checks issued by the Disbursing Agent on
16 account of Allowed Claims shall be null and void if not negotiated within ninety (90) days after the
17 issuance of such check. Requests for reissuance of any check shall be made directly to the
18 Disbursing Agent by the Holder of the relevant Allowed Claim with respect to which such check
19 originally was issued. Any Holder of an Allowed Claim holding an un-negotiated check that does
20 not request reissuance of such un-negotiated check within ninety (90) days after the issuance of
21 such check shall have its Claim for such un-negotiated check discharged and be discharged and
22 forever barred, estopped, and enjoined from asserting any such Claim against the Debtors, the
23 Reorganized Debtor, or their assets and properties.

24 **E. Compliance with Tax Requirements**

25 In connection with the Plan, to the extent applicable, the Disbursing Agent shall comply
26 with all tax withholding and reporting requirements imposed upon it by any Governmental Unit,
27 and all distributions pursuant to the Plan shall be subject to such withholding and reporting
28 requirements. Notwithstanding the above, each Holder of an Allowed Claim that is to receive a

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1 distribution under the Plan shall have the sole and exclusive responsibility for the satisfaction and
 2 payment of any taxes imposed on such holder by any Governmental Unit, including income,
 3 withholding and other tax obligations, on account of such distribution. The Disbursing Agent has
 4 the right, but not the obligation, not to make a distribution until such Holder has made arrangements
 5 satisfactory to the Disbursing Agent for payment of any such withholding tax obligations and, if the
 6 Disbursing Agent fails to withhold with respect to any such Holder's distribution, and is later held
 7 liable for the amount of such withholding, the Holder shall reimburse the Disbursing Agent.
 8 Notwithstanding any provision in the Plan to the contrary, the Disbursing Agent shall be authorized
 9 to take all actions necessary or appropriate to comply with such withholding and reporting
 10 requirements, including liquidating a portion of the distribution to be made under the Plan to
 11 generate sufficient funds to pay applicable withholding taxes, withholding distributions pending
 12 receipt of information necessary to facilitate such distributions, or establishing any other
 13 mechanisms it believes are reasonable and appropriate. The Disbursing Agent may require, as a
 14 condition to the receipt of a distribution, that the Holder complete the appropriate Form W-8 or
 15 Form W-9, as applicable to each Holder. If the Holder fails to comply with such a request within
 16 six months, such distribution shall be deemed an unclaimed distribution. Finally, the Disbursing
 17 Agent reserves the right to allocate all distributions made under the Plan in compliance with all
 18 applicable wage garnishments, alimony, child support, and other spousal awards, Liens, and
 19 encumbrances.

SECTION SEVEN

THE CLAIMS RESOLUTION PROCESS

A. Resolution of Disputed Claims

23 1. Allowance of Claims. On or after the Effective Date, the Reorganized Debtor shall
 24 have and shall retain any and all rights and defenses that the Debtors had with respect to any Claim,
 25 except with respect to any Claim deemed Allowed as of the Effective Date. Except as otherwise
 26 provided in the Plan or in any order entered in the Cases prior to the Effective Date, including,
 27 without limitation, the Confirmation Order, no Claim shall become an Allowed Claim unless and
 28

1 until such Claim is deemed Allowed (i) under the Plan or the Bankruptcy Code or (ii) by Final
2 Order of the Bankruptcy Court, including, without limitation, the Confirmation Order.

3 2. No Distribution Pending Allowance. Except as otherwise provided in the Plan, if
4 any portion of a Claim is a Disputed Claim, no payment or distribution provided under the Plan
5 shall be made on account of such Claim unless and until such Disputed Claim becomes an Allowed
6 Claim. To the extent a Disputed Claim becomes an Allowed Claim, in accordance with the
7 provisions of the Plan, distributions shall be made to the Holder of such Allowed Claim, without
8 interest.

9 3. Disputed Claims Reserve.

10 (i) *Disputed Claims Reserve:* On the Effective Date or as soon as practicable
11 thereafter, the Debtors or the Reorganized Debtor, as applicable, shall deposit into the Disputed
12 Claims Reserve the amount of Cash that would have been distributed to Holders of all Disputed
13 Claims as if such Disputed Claims had been Allowed on the Effective Date, with the amount of
14 such Allowed Claims to be determined, solely for the purpose of establishing reserves and for
15 maximum distribution purposes, to be the lesser of (i) the asserted amount of the Disputed Claim
16 Filed with the Bankruptcy Court, or if no Proof of Claim was Filed, listed by the Debtors in the
17 Schedules, (ii) the amount, if any, estimated by the Bankruptcy Court pursuant to Bankruptcy Code
18 section 502(c), and (iii) the amount otherwise agreed to by the Debtors or the Reorganized Debtor,
19 as applicable, and the Holder of such Disputed Claim for reserve purposes.

20 (ii) *Distribution of Excess Amounts in the Disputed Claims Reserve:* When all
21 Disputed Claims are resolved and either become Allowed or are disallowed by Final Order, to the
22 extent Cash remains in the Disputed Claims Reserve after all Holders of Disputed Claims that have
23 become Allowed have been paid the full amount they are entitled to pursuant to the treatment set
24 forth for the appropriate Class under the Plan, then such remaining Cash shall vest in the
25 Reorganized Debtor.

26 4. Prosecution of Objections to Claims. The Debtors, prior to and on the Effective
27 Date, or the Reorganized Debtor, after the Effective Date, shall have the exclusive authority to File
28 objections to Claims or settle, compromise, withdraw or litigate to judgment objections to any and

1 all Claims, regardless of whether such Claims are in a Class or otherwise. From and after the
2 Effective Date, the Reorganized Debtor may settle or compromise any Disputed Claim without any
3 further notice to or action, order or approval of the Bankruptcy Court. From and after the Effective
4 Date, the Reorganized Debtor shall have the sole authority to administer and adjust the claims
5 register to reflect any such settlements or compromises without any further notice, action, order, or
6 approval of the Bankruptcy Court.

7 5. Claims Estimation. The Debtors, prior to and on the Effective Date, or the
8 Reorganized Debtor, after the Effective Date, may request that the Bankruptcy Court estimate any
9 contingent or unliquidated claim to the extent permitted by Bankruptcy Code section 502(c)
10 regardless of whether the Debtors or the Reorganized Debtor has previously objected to such Claim
11 or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall
12 have jurisdiction to estimate any Claim at any time during litigation concerning any objection to
13 such Claim, including during the pendency of any appeal relating to any such objection.

14 6. Expungement or Adjustment of Claims Without Objection. Any Claim that has been
15 paid, satisfied, or superseded may be expunged on the claims register by the Debtors or the
16 Reorganized Debtor, as applicable, and any Claim that has been amended may be adjusted thereon
17 by the Debtors or the Reorganized Debtor, in both cases without a Claims objection having to be
18 Filed and without any further notice to or action, order or approval of the Bankruptcy Court.

19 7. Deadline to File Claims Objections. Any objections to Claims shall be Filed by no
20 later than the Claims Objection Bar Date.

21 **B. Disallowance of Claims**

22 Any Claims held by a Person from which property is recoverable under Bankruptcy Code
23 sections 542, 543, 550, or 553, or that is a transferee of a transfer avoidable under Bankruptcy Code
24 section 522(f), 522(h), 544, 545, 547, 548, 549, or 724(a), shall be deemed disallowed pursuant to
25 Bankruptcy Code section 502(d), and Holders of such Claims may not receive any Distributions on
26 account of such Claims until such time as such Causes of Action against that Person have been
27 settled or a Final Order with respect thereto has been entered and all sums due, if any, by that
28 Person have been turned over or paid by such Person to the Debtors or the Reorganized Debtor.

1 EXCEPT AS OTHERWISE AGREED BY THE DEBTORS OR THE REORGANIZED
2 DEBTOR, AS APPLICABLE, ANY AND ALL PROOFS OF CLAIM FILED AFTER THE
3 CLAIMS BAR DATE SHALL BE DEEMED DISALLOWED AND EXPUNGED AS OF THE
4 EFFECTIVE DATE WITHOUT ANY FURTHER NOTICE TO OR ACTION, ORDER, OR
5 APPROVAL OF THE BANKRUPTCY COURT, AND HOLDERS OF SUCH CLAIMS MAY
6 NOT RECEIVE ANY DISTRIBUTIONS ON ACCOUNT OF SUCH CLAIMS, UNLESS SUCH
7 LATE PROOF OF CLAIM IS DEEMED TIMELY FILED BY A FINAL ORDER OF THE
8 BANKRUPTCY COURT.

9 **C. Amendments to Claims**

10 On or after the Effective Date, a Claim may not be Filed or amended without prior
11 authorization of the Bankruptcy Court or the Reorganized Debtor, and any such new or amended
12 Claim Filed without such prior authorization shall be deemed disallowed in full and expunged
13 without any further action.

14 **SECTION EIGHT**

15 **SETTLEMENT, RELEASE, INJUNCTION AND RELATED PROVISIONS**

16 **A. Discharge of Claims and Termination of Interests**

17 Pursuant to and to the fullest extent permitted by Bankruptcy Code section 1141(d), and
18 except as otherwise provided in the Plan, the distributions, rights, and treatment that are provided in
19 the Plan shall be in full and final satisfaction, settlement, release, and discharge, effective as of the
20 Effective Date, of all Claims and Interests of any nature whatsoever, including any interest accrued
21 on Claims or Interests from and after the Cal Neva Petition Date or the New Cal-Neva Petition
22 Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and
23 Interests in the Debtors, the Reorganized Debtor, or their assets or properties, regardless of whether
24 any property shall have been distributed or retained pursuant to the Plan on account of such Claims
25 or Interests, including demands and liabilities that arose before the Effective Date, any contingent or
26 non-contingent liability on account of representations or warranties issued on or before the Effective
27 Date, and all debts of the kind specified in Bankruptcy Code sections 502(g), 502(h), or 502(i), in
28 each case whether or not: (i) a Proof of Claim or Interest based upon such Claim, debt, right, or

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1 Interest is Filed or deemed Filed pursuant to Bankruptcy Code section 501; (ii) a Claim or Interest
2 based upon such Claim, debt, right, or Interest is Allowed pursuant to Bankruptcy Code section
3 502; or (iii) the Holder of such a Claim or Interest has accepted the Plan. The Confirmation Order
4 shall be a judicial determination of the discharge of all Claims against in the Debtors, subject to the
5 Effective Date occurring.

6 **B. Injunction**

7 Except as otherwise provided in the Plan, from and after the Effective Date, all Persons that
8 have held, hold, or may hold Claims against the Debtors, or Claims that may result in
9 reimbursement, contribution, or indemnification by the Debtors on account of such Claims, or
10 Interests in the Debtors or the Estates are permanently enjoined from taking any of the following
11 actions against the Debtors, the Reorganized Debtor, or the Estates: (i) commencing or continuing
12 in any manner any action or other proceeding of any kind on account of or in connection with or
13 with respect to any such Claims or Interests; (ii) enforcing, attaching, collecting, or recovering by
14 any manner or means any judgment, award, decree, or order against such Persons on account of or
15 in connection with or with respect to any such Claims or Interests; (iii) creating, perfecting, or
16 enforcing any Lien of any kind against such Persons or the property or estates of such Persons on
17 account of or in connection with or with respect to any such Claims or Interests; (iv) asserting any
18 right of setoff, subrogation, or recoupment of any kind against any obligation due from such
19 Persons or against the property of such Persons on account of or in connection with or with respect
20 to any such Claims or Interests, unless such Holder has Filed a motion requesting the right to
21 perform such setoff, subrogation, or recoupment on or before the Confirmation Date, and
22 notwithstanding an indication in a Proof of Claim or otherwise that such Holder asserts, has, or
23 intends to preserve any right of setoff, subrogation, or recoupment pursuant to Bankruptcy Code
24 section 553 or otherwise.

25 **C. Exculpation**

26 Except as otherwise provided in the Plan, none of the Released Parties shall have or incur
27 any liability to any holder of any Claim or Interest for any act or omission in connection with or
28 arising out of the Debtors' restructuring, including, without limitation, the negotiation and execution

1 of the Plan, the Cases, the Disclosure Statement, the solicitation of votes for and the pursuit of the
 2 Plan, the Consummation of the Plan, or the administration of the Plan or the Cash, New
 3 Membership Interests, if issued, to be distributed under the Plan, and further including, without
 4 limitation, all documents ancillary thereto, all decisions, actions, inactions and alleged negligence or
 5 misconduct relating thereto, and all prepetition activities leading to the promulgation and
 6 confirmation of the Plan; *provided, however*, that the foregoing shall not apply to any act which
 7 constitutes a bankruptcy crime under title 18 of the United States Code. Nothing in this section
 8 shall be construed to exculpate any Person from fraud, gross negligence, willful misconduct,
 9 malpractice, criminal conduct, misuse of confidential information that causes damages.

10 **D. Release of Liens**

11 Except as otherwise provided in the Plan and footnote 4 above, on the Effective Date and
 12 concurrently with the applicable distributions made pursuant to the Plan, all mortgages, deeds,
 13 trusts, Liens, pledges, or other security interests against any property of the Estates shall be fully
 14 released and discharged, and all of the right, title, and interest of any Holder of such mortgages,
 15 deeds, trusts, Liens, pledges, or other security interests shall revert to the Reorganized Debtor.

16 **SECTION NINE**

17 **CONDITIONS PRECEDENT TO CONFIRMATION**

18 **AND EFFECTIVE DATE OF THE PLAN**

19 **A. Conditions Precedent to Confirmation**

20 It shall be a condition to Confirmation of the Plan that the following conditions shall have
 21 been satisfied or waived pursuant to the Plan: (i) the Bankruptcy Court shall have approved the
 22 Disclosure Statement with respect to the Plan; and (ii) the proposed Confirmation Order shall be in
 23 form and substance reasonably satisfactory to the Debtors, Hall, Ladera and the Committee.

24 **B. Conditions Precedent to Effective Date**

25 It shall be a condition to the Plan going effective, *i.e.*, the Effective Date that the following
 26 conditions shall have been satisfied or waived: (i) the Confirmation Order shall have become a Final
 27 Order; (ii) the Bankruptcy Court shall have approved any plan supplement filed with respect to the
 28 Plan; (iii) the New Operating Agreement shall have been effected; (iv) the Debtors or the

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1 Reorganized Debtor, as applicable, shall have executed and delivered all documents necessary to
2 effectuate the issuance of the New Membership Interests; (v) the Preferred Equity Investment has
3 been fully funded and deposited with the Debtors; (vi) all authorizations, consents, and regulatory
4 approvals required, if any, in connection with the consummation of the Plan shall have been
5 obtained; (vii) all other actions, documents, certificates, and agreements necessary to implement the
6 Plan shall have been effected or executed and delivered to the required parties and, to the extent
7 required, filed with the applicable Governmental Units in accordance with applicable laws.

8 **C. Waiver of Conditions**

9 With the consent of Hall, Ladera, and the Committee, the Debtors shall have the right to
10 waive one or more of the conditions to Confirmation or the Effective Date of the Plan set forth in
11 Article IX of the Plan at any time without notice, leave, or order of the Bankruptcy Court or any
12 formal action other than proceeding to confirm or consummate the Plan; *provided, however*, that the
13 Debtors shall not waive the conditions precedent to the Effective Date set forth in Article IX.B.(iii),
14 (iv), or (v) of the Plan.

15 **SECTION TEN**

16 **MODIFICATION, REVOCATION OR WITHDRAWAL OF THE PLAN**

17 **A. Modification and Amendments**

18 The Debtor may amend, modify, or supplement the Plan pursuant to Bankruptcy Code
19 section 1127(a) at any time prior to the Confirmation Date. After the Confirmation Date, but prior
20 to the Effective Date of the Plan, the Debtor may amend, modify, or supplement the Plan without
21 further order of the Bankruptcy Court to remedy any defect or omission or reconcile any
22 inconsistencies in the Plan or the Confirmation Order.

23 **B. Effect of Confirmation on Modifications**

24 Pursuant to Bankruptcy Code section 1127(a), entry of a Confirmation Order shall mean that
25 all modifications or amendments to the Plan since the solicitation thereof are approved and do not
26 require additional disclosure or re-solicitation under Bankruptcy Rule 3019.

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1 **C. Revocation or Withdrawal of the Plan**

2 The Debtor reserves the right to revoke or withdraw the Plan prior to the Confirmation Date
3 and to File subsequent chapter 11 plans. If the Debtor revokes or withdraws the Plan, or if
4 Confirmation or the Effective Date does not occur, then: (i) the Plan shall be null and void in all
5 respects; (ii) any settlement or compromise embodied in the Plan, assumption or rejection of
6 executory contracts or unexpired leases effected by the Plan, and any document or agreement
7 executed pursuant to the Plan shall be deemed null and void except as may be set forth in a separate
8 order entered by the Bankruptcy Court; and (iii) nothing contained in the Plan shall constitute a
9 waiver or release of any Claims by or against, or any Interests in, the Debtors or any other Person,
10 prejudice in any manner the rights of the Debtors or any other Person, or constitute an admission,
11 acknowledgement, offer, or undertaking of any sort by the Debtors or any other Person.

12 **SECTION ELEVEN**

13 **RETENTION OF JURISDICTION**

14 Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective
15 Date, the Bankruptcy Court shall, after the Effective Date, retain such jurisdiction over the Cases
16 and all Persons with respect to all matters related to the Cases, the Debtors, and the Plan as legally
17 permissible, including, without limitation, jurisdiction to:

- 18 1. allow, disallow, determine, liquidate, classify, estimate, or establish the priority,
19 secured, or unsecured status, or amount of any Claim or Interest, including the
20 resolution of any request for payment of any Administrative Claim, including Claims
21 of a Professional for services rendered to the Debtor or any Committee, and the
22 resolution of any and all objections to the secured or unsecured status, priority,
23 amount, or allowance of Claims or Interests;
- 24 2. decide and resolve all matters related to the granting and denying, in whole or in
25 part, any applications for allowance of compensation or reimbursement of expenses
26 to Professionals authorized pursuant to the Bankruptcy Code or the Plan;
- 27 3. resolve any matters related to: (i) the assumption, assumption and assignment, or
28 rejection of any executory contract or unexpired lease to which the Debtors are party
or with respect to which the Debtors may be liable, and the hearing, determination,
and, if necessary, liquidation of any Claims arising therefrom, including cure claims
pursuant to Bankruptcy Code section 365; (ii) any potential contractual obligation
under any executory contract or unexpired lease that is assumed; and (iii) any dispute
regarding whether a contract or lease is or was executory or expired;
- 4. ensure that distributions to Holders of Allowed Claims and Interests are
accomplished pursuant to the provisions of the Plan;

- 1 5. adjudicate, decide, or resolve any motions, adversary proceedings, Causes of Action,
2 contested or litigated matters, and any other matters, and grant or deny any
3 applications involving the Debtors that may be pending on the Effective Date;
- 4 6. adjudicate, decide, or resolve any and all matters related to Bankruptcy Code
5 sections 1141 and 1145;
- 6 7. enter and implement such orders as may be necessary or appropriate to execute,
7 implement, or consummate the provisions of the Plan and all contracts, instruments,
8 releases, indentures, and other agreements or documents created in connection with
9 the Plan or the Disclosure Statement;
- 10 8. implement, interpret, or enforce any and all matters relating to the Confirmation
11 Order;
- 12 9. enter and enforce any order pursuant to Bankruptcy Code sections 363, 1123, or
13 1146(a) for the sale of property;
- 14 10. resolve any cases, controversies, suits, disputes, or Causes of Action that may arise
15 in connection with the Effective Date, interpretation, or enforcement of the Plan or
16 any Person's obligations in connection with the Plan;
- 17 11. issue injunctions, enter and implement other orders, or take such other actions as
18 may be necessary or appropriate to restrain interference by any Person with the
19 Effective Date or enforcement of the Plan;
- 20 12. resolve any cases, controversies, suits, disputes, or Causes of Action with respect to
21 the releases, injunctions, and other provisions contained in Article VIII of the Plan
22 and enter such orders as may be necessary or appropriate to implement such releases,
23 injunctions, and other provisions;
- 24 13. enter and implement such orders as are necessary or appropriate if the Confirmation
25 Order is for any reason modified, stayed, reversed, revoked, or vacated;
- 26 14. enter an order or final decree concluding or closing the Cases;
- 27 15. adjudicate any and all disputes arising from or relating to distributions under the
28 Plan;
16. consider any modifications of the Plan, to cure any defect or omission, or reconcile
any inconsistency in any Bankruptcy Court order, including the Confirmation Order;
17. determine requests for the payment of Administrative Claims or Claims entitled to
priority pursuant to Bankruptcy Code section 507;
18. hear and determine disputes arising in connection with the interpretation,
implementation, or enforcement of the Plan, or the Confirmation Order including
disputes arising under agreements, securities, instruments, or other documents;
19. hear and determine matters in accordance with Bankruptcy Code sections 346, 505,
and 1146;

- 1 20. hear and determine all disputes involving the existence, nature, or scope of the
- 2 Debtors' discharge, including any dispute relating to any liability arising out of the
- 3 termination of employment or the termination of any employee or retiree benefit
- 4 program, regardless of whether such termination occurred prior to or after the
- 5 Effective Date;
- 6 21. enforce all orders previously entered by the Bankruptcy Court; and
- 7 22. hear any other matter not inconsistent with the Bankruptcy Code.

8 **SECTION TWELVE**

9 **MISCELLANEOUS PLAN PROVISIONS**

10 **A. Immediate Binding Effect**

11 Subject to Article IX.B of the Plan and notwithstanding Bankruptcy Rules 3020(e), 6004(g),
12 7062, or otherwise, upon the occurrence of the Effective Date, the terms of the Plan shall be
13 immediately effective and enforceable and deemed binding upon the Debtors, the Reorganized
14 Debtor, and any and all Holders of Claims or Interests (irrespective of whether such Claims or
15 Interests are deemed to have accepted the Plan), all Persons that are parties to or are subject to the
16 settlements, compromises, releases, discharges, and injunctions described in the Plan, each Person
17 acquiring property under the Plan, and any and all non-Debtor parties to executory contracts and
18 unexpired leases with the Debtors.

19 **B. Additional Documents**

20 On or before the Effective Date, the Debtors may File with the Bankruptcy Court any and all
21 agreements and other documents that may be necessary or appropriate in order to effectuate and
22 further evidence the terms and conditions of the Plan.

23 **C. Payment of Statutory Fees**

24 All fees payable pursuant to 28 U.S.C. § 1930 and, if applicable, 28 U.S.C. § 3717, as
25 determined by the Bankruptcy Court at a hearing pursuant to Bankruptcy Code section 1128, shall
26 be paid for each quarter (including any fraction thereof) until the Cases are converted, dismissed, or
27 closed, whichever occurs first.

28 **D. Dissolution of Committee**

On the Effective Date the Committee shall dissolve automatically, whereupon its members,
Professionals, and agents shall be released from any further authority, duties obligations and

1 responsibilities in the New Cal-Neva Case and under the Bankruptcy Code; *provided, however*, that,
2 following the Effective Date, the Committee shall (a) continue to have standing and a right to be
3 heard with respect to (1) Claims and/or applications for compensation by Professionals and requests
4 for allowance of Administrative Expenses, including, but not limited to, filing applications for
5 Professional compensation and (2) any appeals of the Confirmation Order that remain pending as of
6 the Effective Date, and (b) continue to respond to creditor inquiries for one hundred twenty (120)
7 days following the Effective Date.

8 **E. Reservation of Rights**

9 Except as otherwise provided in the Plan, the Plan shall have no force or effect unless the
10 Bankruptcy Court enters the Confirmation Order. None of the Filing of the Plan, any statement or
11 provision contained in the Plan, or the taking of any action by the Debtors with respect to the Plan
12 or the Disclosure Statement shall be or shall be deemed to be an admission or waiver of any rights
13 of the Debtors with respect to the Holders of Claims or Interests prior to the Effective Date.

14 **F. Successors and Assigns**

15 The rights, benefits, and obligations of any Person named or referred to in the Plan shall be
16 binding on, and shall inure to the benefit of any heir, executor, administrator, successor or assign,
17 affiliate, officer, director, agent, representative, attorney, beneficiaries, or guardian, if any, of each
18 Person.

19 **G. Further Assurances**

20 The Debtors or the Reorganized Debtor, as applicable, all Holders of Claims receiving
21 distributions pursuant to the Plan, and all other Persons shall, from time to time, prepare, execute,
22 and deliver any agreements or documents and take any other actions as may be necessary or
23 advisable to effectuate the provisions and intent of the Plan or the Confirmation Order.

24 **H. Term of Injunctions or Stays**

25 Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays
26 in effect in the Cases pursuant to Bankruptcy Code sections 105 or 362 or any order of the
27 Bankruptcy Court, and extant on the Confirmation Date (excluding any injunctions or stays
28 contained in the Plan or the Confirmation Order) shall remain in full force and effect until the

1 Effective Date. All injunctions or stays contained in the Plan and the Confirmation Order shall
2 remain in full force and effect in accordance with their terms.

3 **I. Entire Agreement**

4 Except as otherwise indicated, the Plan supersedes all previous and contemporaneous
5 negotiations, promises, covenants, agreements, understandings, and representations on such
6 subjects, all of which have become merged and integrated into the Plan.

7 **J. Exhibits and Related Documents**

8 All exhibits and documents Filed in relation to the Plan are incorporated into and are a part
9 of the Plan as if set forth in full in the Plan. After any exhibits and documents are Filed, copies of
10 such exhibits and documents shall be available upon written request to the Debtors' counsel at the
11 address above or the Bankruptcy Court's website, <http://www.nvb.uscourts.gov> (a PACER login
12 and password are required to access documents on the Bankruptcy Court's website).

13 **K. Severability of Plan Provisions**

14 If, before Confirmation of the Plan, any term or provision of the Plan is held by the
15 Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall have the power
16 to alter and interpret such term or provision to make it valid or enforceable to the maximum extent
17 practicable, consistent with the original purpose of the term or provision held to be invalid, void, or
18 unenforceable, and such term or provision shall then be applicable as altered or interpreted.
19 Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and
20 provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired,
21 or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall
22 constitute a judicial determination and shall provide that each term and provision of the Plan, as it
23 may have been altered or interpreted in accordance with the foregoing, is valid and enforceable.

24 **L. Closing of Cases**

25 Promptly after the full administration of the Cases, the Reorganized Debtor shall File with
26 the Bankruptcy Court all documents required by Bankruptcy Rule 3022 and any applicable order of
27 the Bankruptcy Court to close the Cases.

28

1 **M. Waiver or Estoppel Conflicts**

2 Each Holder of a Claim or Interest shall be deemed to have waived any right to assert any
3 argument, including the right to argue that its Claim or Interest should be Allowed in a certain
4 amount, in a certain priority, secured, or not subordinated, by virtue of an agreement made with the
5 Debtors or its counsel, the Committee or its counsel, or any other Person, if such agreement was not
6 disclosed in the Plan, the Disclosure Statement, or papers Filed with the Bankruptcy Court prior to
7 the Confirmation Date.

8 **N. Conflicts**

9 Except as set forth in the Plan or unless otherwise ordered by the Bankruptcy Court, to the
10 extent that the Disclosure Statement, any order of the Bankruptcy Court (other than the
11 Confirmation Order), or any exhibit to the Plan or document executed or delivered in connection
12 with the Plan is inconsistent with the terms of the Plan, the terms of the Plan shall control.

13 **SECTION THIRTEEN**

14 **RISK FACTORS RELATIVE TO PLAN**

15 Recoveries by Creditors are dependent upon the funding of the Preferred Equity Investment
16 and Confirmation of the Plan. Upon the occurrence of these two events, and the occurrence of the
17 Effective Date, the Plan provides adequate funding to pay all Creditors in full as set forth in the
18 Plan.

19 Recoveries by Interest Holders are dependent upon the completion of and reopening of the
20 Hotel for business and thereafter, the successful operation of the Resort and the revenue stream
21 generated by such operations, or a subsequent sale of the Resort. If the renovation is timely
22 completed and the Resort performs as projected, both the Preferred Member and Cal Neva (and
23 consequently the Cal Neva Members) will receive a return of their equity investment(s) plus interest
24 and future profits. If the Resort is not timely completed or does not perform as projected,
25 distributions to the Preferred Member and Cal Neva may be less than projected or otherwise non-
26 existent. Interest Holders should be mindful of the possibility that notwithstanding the funding of
27 the Preferred Equity Investment, Confirmation of the Plan and the reopening of the Resort, the
28 Resort may experience unforeseen negative future consequences regarding operations or

1 profitability, which could affect the Reorganized Debtor's ability to make distributions to the
2 Preferred Member and/or Cal Neva.

3 **SECTION FOURTEEN**

4 **ALTERNATIVES TO PLAN**

5 **A. Best Interests Test and Liquidation Analysis**

6 Notwithstanding acceptance of the Plan by all Classes of Creditors or Interests, in order to
7 confirm the Plan, the Court must determine that the Plan provides to each holder of a Claim or
8 Interest that has not accepted the Plan and whose Claim or Interest is in an "impaired" Class
9 property of a value, as of the Effective Date, that is equal to at least as much as such holder would
10 receive or retain if the Debtors' assets were liquidated under chapter 7 of the Bankruptcy Code.
11 This is commonly referred to as the "best interests of creditors test."

12 To calculate the consideration that Creditors would receive if the Debtors were liquidated,
13 the Court must determine the aggregate dollar amount that would be generated from Debtors' assets
14 if the Cases were converted to ones under chapter 7 of the Bankruptcy Code, and the assets were
15 liquidated by a trustee in bankruptcy. The liquidation value would consist of the net proceeds from
16 the disposition of the assets of the Debtors.

17 The liquidation value available to Creditors and Interest Holders would be reduced by (i) the
18 Claims of secured creditors to the extent of the value of their collateral, and (ii) by the cost and
19 expenses of the liquidation, as well as other administrative expenses of the Estates. The Debtors'
20 cost of liquidation under chapter 7 of the Bankruptcy Code would include the compensation of a
21 trustee or trustees, as well as counsel and other professionals retained by the trustee, all unpaid
22 expenses incurred by the Debtors during the chapter 11 phase of the cases (such as compensation
23 for attorneys and accountants) allowed by the Bankruptcy Court, and administrative claims arising
24 during the pendency of the chapter 11 case and the chapter 7 case. These administrative priority
25 claims would be paid in full before the balance would be made available to pay Creditors or Interest
26 Holders.

27 Once the estimated recoveries of secured creditors, priority creditors, and unsecured
28 creditors in a hypothetical liquidation are ascertained, the Bankruptcy Court would compare the

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1 value of distributions offered by the Debtors to each of the Classes of Claims or Interests under the
2 Plan to determine if the Plan is in the best interest of each Creditor or Interest Holder.

3 In the present case, as all Creditors are being paid substantially in full, the Debtor submits
4 that the Plan satisfies the best interest of creditors test, concerning all Creditors. In sum, Creditors,
5 by definition, will receive as much or more than they would receive in a chapter 7 liquidation.
6 Moreover, upon completion of the auction process described in Section Two D.2 above, after the
7 completion of an expansive (albeit short) auction process, no bids were received in an amount
8 which exceeds the secured debt against the Real Property, and there are no known unencumbered
9 assets in these bankruptcy estates of any consequence. Accordingly, by all indications, in a
10 liquidation, other than payment of some portion of outstanding Secured Claims, Creditors lower in
11 priority to Secured Creditors would receive no distributions in a chapter 7 liquidation.

12 Concerning Interest Holders, the Debtor submits that it is apparent based upon the facts and
13 circumstances of this Case that Interest Holders would also receive nothing in a chapter 7
14 liquidation. Under the Plan, Interest Holders retain a significant piece of equity in the Reorganized
15 Debtor, and the meaningful possibility of receiving 100% of their equity returned, plus interest, plus
16 future profits. Accordingly, the Debtor believes that Interest Holders will receive substantially
17 more under the Plan than in a straight liquidation under chapter 7 of the Bankruptcy Code and that
18 the Plan satisfies Bankruptcy Code section 1129(a)(7).

19 In connection with the Confirmation Hearing, the Debtor will present the necessary and
20 appropriate evidence to establish that Creditors and Interest Holders are likely to receive more
21 under the Plan than they would in a straight liquidation under chapter 7 of the Bankruptcy Code.

22 **B. Dismissal**

23 Dismissal of the Cases is another option available to the Bankruptcy Court, Creditors and
24 Interest Holders. Dismissal would result in the release of the assets of the Estates from the control
25 and supervision of the Bankruptcy Court and the protection afforded by the Bankruptcy Code.
26 Dismissal would likely be subject to payment or provision for payment of certain Claims and costs
27 of administration. The Debtor believes that distributions to Creditors and Interest Holders in the
28 context of a dismissal would not result in distributions greater than those projected in the Plan,

1 would not take place sooner than proposed under the Plan, and the process would be significantly
2 less organized.

3 **SECTION FIFTEEN**

4 **TAX CONSEQUENCES OF PLAN**

5 **A. Tax Consequences of Plan**

6 CREDITORS AND INTEREST HOLDERS CONCERNED WITH HOW THE PLAN
7 MAY AFFECT THEIR TAX LIABILITY SHOULD CONSULT WITH THEIR OWN TAX
8 ADVISORS. The following discussion of possible tax consequences is intended solely for the
9 purpose of alerting readers about possible tax issues the Plan may present to the Debtors. The
10 Debtor CANNOT and DOES NOT represent that the tax consequences discussed below are the only
11 tax consequences of the Plan because the Tax Code embodies many complicated rules which make
12 it difficult to state completely and accurately all the tax implications of any action.

13 The Debtor does not believe that Confirmation of the Plan will result in any significant tax
14 liabilities to either the Debtors or the Estates. As the Debtors are limited liability companies (and
15 "pass through" entities for tax purposes), any tax consequences will be realized at the "member
16 level" and not the "entity level." Accordingly, Interest Holders are advised to consult with their
17 own tax advisors with respect to the tax impact of Confirmation on their personal conditions. The
18 Debtor believes that Creditors and Interest Holders will be subject to taxation upon distributions in
19 the same manner as they would have been taxed had no case been filed or plan confirmed.

20 **DISCLAIMER:** The discussion set forth herein is included for general information only and
21 is not a substitute for careful tax planning and advice based upon the individual circumstances
22 pertaining to a holder of a Claim or Interest. The Debtor and its counsel, tax advisors, and financial
23 advisors are not making any representations regarding the particular tax consequences of
24 Confirmation and consummation of the Plan with respect to the Debtors, the Estates, Persons
25 holding Claims or Interests, nor are they rendering any form of legal opinion or tax advice on such
26 tax consequences. The tax laws applicable to limited liability companies in bankruptcy are
27 extremely complex, and the following summary does not address all aspects of federal income
28 taxation that may be relevant to the Debtors, the Estates, or Persons holding Claims or Interests.

1 Persons holding Claims or Interests are strongly urged to consult their own tax advisors regarding
2 the tax consequences of the Plan, including federal, foreign, state, and local tax consequences.

3 All distributions to holders of Claims or Interests under the Plan are subject to any
4 applicable withholding (including employment tax withholding). Under federal income tax law,
5 interest, dividends, and other reportable payments may, under certain circumstances, be subject to
6 "backup withholding". Backup withholding generally applies if the holder (a) fails to furnish its
7 social security number or other taxpayer identification number ("TIN"), (b) furnishes an incorrect
8 TIN, (c) fails to properly report interest or dividends, or (d) under certain circumstances, fails to
9 provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct
10 number and that it is not subject to backup withholding. Backup withholding is not an additional
11 tax, but merely an advance payment, which may be refunded to the extent such advance payment
12 results in an overpayment of tax. Certain persons are exempt from backup withholding, including,
13 in certain circumstances, corporations and financial institutions.

14 THE TAX CONSEQUENCES OF THE PLAN FOR THE DEBTORS AND ENTITIES
15 HOLDING CLAIMS AND INTERESTS INVOLVE A NUMBER OF ISSUES AS TO WHICH
16 THE LAW MAY BE UNCERTAIN. THE FOREGOING DISCUSSION, MOREOVER, IS ONLY
17 A BRIEF SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE
18 PLAN. WITH THESE CONSIDERATIONS IN MIND, PERSONS HOLDING CLAIMS AND
19 INTERESTS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS
20 REGARDING THE SPECIFIC CONSEQUENCES OF THE PLAN TO THEM UNDER
21 FEDERAL AND APPLICABLE STATE, LOCAL AND FOREIGN TAX LAWS.

22 SECTION SIXTEEN

23 **EFFECT OF CONFIRMATION OF PLAN**

24 **A. Discharge**

25 The rights afforded under the Plan and the Confirmation Order and the treatment of Claims
26 and Interests thereunder shall be in exchange for, and in complete satisfaction, discharge, and
27 release of, all Claims and satisfaction of all Interests, including any interest accrued on Claims from
28 and after the petition dates. Except as otherwise expressly provided in the Plan or the Confirmation

1 Order, upon the occurrence of the Effective Date, the Debtors shall be discharged, effective
2 immediately, from any Claim and any "debt" (as that term is defined in Bankruptcy Code section
3 101(12)), and the Debtors' liability in respect thereof shall be extinguished completely, whether
4 reduced to judgment or not, liquidated or unliquidated, contingent or noncontingent, asserted or
5 unasserted, fixed or not, matured or unmatured, disputed or undisputed, legal or equitable, know or
6 unknown, that arose from any agreement of the Debtors entered into or obligation of the Debtors
7 incurred before the Confirmation Date, or from any conduct of the Debtors prior to the
8 Confirmation Date, or any transaction or occurrence prior to the Effective Date of the Plan, or that
9 otherwise arose before the Confirmation Date, including, without limitation, all interest accrued and
10 expenses incurred, if any, on any such debts, whether such interest accrued or such expenses were
11 incurred before or after the Petition Date, and including, without limitation, any liability of a kind
12 specified in Bankruptcy Code sections 502(g), 502(h) and 502(i), whether or not a proof of claim
13 was filed or is deemed filed under Bankruptcy Code section 501, such Claim is allowed under
14 Bankruptcy Code section 502 or the Person holding such Claim has accepted the Plan. The
15 discharge granted under the Plan shall void any judgment obtained against the Debtors or the
16 Reorganized Debtor at any time, to the extent such judgment relates to a discharged Claim.

17 **B. Vesting of Estate Assets**

18 On the Effective Date, all assets of the Estates shall vest in the Reorganized Debtor, free and
19 clear of all claims, liens, and other interest of Creditors, except as expressly provided in the Plan or
20 the Confirmation Order. Without limiting the foregoing, the Causes of Action and all litigation
21 claims shall be vested in, retained and enforceable by the Reorganized Debtor pursuant to
22 Bankruptcy Code section 1123(b)(3)(B). The Reorganized Debtor shall administer such actions as
23 in its business judgment require prosecution, and may settle, dismiss or prosecute the same without
24 further notice or leave of Bankruptcy Court.

25 **C. Use of Property**

26 As of the Confirmation Date, the Reorganized Debtor may use, acquire, and dispose of
27 property without supervision by the Court or the Office of the United States Trustee and free of any
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1 restrictions of the Code or the Federal Rules of Bankruptcy Procedure, other than those restrictions
2 expressly imposed by the Plan or the Confirmation Order.

3 **D. Post-Confirmation Status Report**

4 Within 180 days of the entry of the Confirmation Order, the Reorganized Debtor shall file a
5 status report with the Bankruptcy Court explaining what progress has been made toward
6 consummation of the Plan. The status report shall be served on the United States Trustee and
7 Interest Holders. Further status reports shall be filed with the Bankruptcy Court every 180 days and
8 served on the same entities.

9 **E. Quarterly Fees**

10 Quarterly fees accruing under 28 U.S.C. § 1930(a)(6) to date of Confirmation shall be paid
11 to the United States Trustee on or before the Effective Date. Quarterly fees accruing under 28
12 U.S.C. § 1930(a)(6) after Confirmation shall be paid by the Reorganized Debtor to the United States
13 Trustee in accordance with 28 U.S.C. § 1930(a)(6) until entry of a final decree, or entry of an order
14 of dismissal or conversion to chapter 7.

15 **F. Post-Confirmation Conversion/Dismissal**

16 A Creditor, Interest Holder or party in interest may bring a motion to convert or dismiss the
17 Cases under Bankruptcy Code section 1112(b), after the Plan is confirmed, if there is a default in
18 performing the Plan. If the Bankruptcy Court orders the Cases converted to chapter 7 after the Plan
19 is confirmed, then all property that had been property of the chapter 11 estates, and that has not
20 been disbursed pursuant to the Plan, will revert in the chapter 7 estates. The automatic stay will be
21 reimposed upon the revested property, but only to the extent that relief from stay was not previously
22 authorized by the Bankruptcy Court during the Cases.

23 The Confirmation Order may also be revoked under very limited circumstances. The
24 Bankruptcy Court may revoke the order if the Confirmation Order was procured by fraud and if a
25 party in interest brings an adversary proceeding to revoke confirmation within 180 days after the
26 entry of the Confirmation Order.

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1 **G. Final Decree**

2 Once the Estates have been fully administered as referred to in Bankruptcy Rule 3022, the
3 Reorganized Debtor, or other party as the Bankruptcy Court shall designate in the Confirmation
4 Order, shall file a motion with the Bankruptcy Court to obtain a final decree to close the Case.

5 **SECTION SEVENTEEN**

6 **VOTING INSTRUCTIONS AND PROCEDURAL INFORMATION**

7 **A. Purpose of Disclosure Statement**

8 This Disclosure Statement summarizes and analyzes the Plan. It also summarizes the
9 Debtors' assets, liabilities and the history of these Cases.

10 It is required by the relevant provisions of the Code that you receive a copy of this
11 Disclosure Statement at or prior to the time of solicitation of acceptance of the Plan as a prerequisite
12 to the use of your vote on the Plan.

13 Ballots are included with this Disclosure Statement for voting by Creditors and Interest
14 Holders who are impaired under the Plan.

15 NOTE: THE BALLOT DOES NOT CONSTITUTE A PROOF OF CLAIM.

16 **B. Voting Instructions**

17 All Creditors and Interest Holders entitled to vote on the Plan may cast their votes for or
18 against the Plan by completing the enclosed ballot and returning it to counsel for the Debtor,
19 addressed as follows: Jeffer, Mangels, Butler & Mitchell LLP, Attn: David M. Poitras, 1900
20 Avenue of the Stars, Seventh Floor, Los Angeles, CA 90067; Telecopier: 310.712.8571.

21 Ballots must be received by counsel for the Debtor on or before 5:00 p.m. Pacific Time on
22 _____, 2017. On _____, 2017 at __:00 a.m., a hearing on Confirmation
23 of the Plan will be held before the Court as designated in the enclosed Notice.

24 **C. Confirmation of Plan**

25 1. Solicitation of Acceptances. This Disclosure Statement has been approved by the
26 Court in accordance with Bankruptcy Code section 1125. This Disclosure Statement is being
27 provided to each creditor whose Claim or Interest has been scheduled by the Debtors, or who has
28 filed a proof of Claim or Interest against the Debtors. This Disclosure Statement is intended to

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Jeffer Mangels
Butler & Mitchell LLP

1 assist Creditors and Interest Holders in evaluating the Plan and determining whether to accept or
2 reject the Plan.

3 2. Persons Entitled to Vote on the Plan. In determining acceptance of the Plan, votes
4 will only be counted if submitted by a Creditor or Interest Holder whose Claim or Interest is duly
5 scheduled by the Debtors as undisputed, non-contingent and liquidated, or who, prior to the
6 Confirmation Hearing or such other bar date as may be set by the Court prior to Confirmation, has
7 filed with the Court a proof of claim or interest that has not been disallowed or suspended prior to
8 computation of the votes on the Plan. Any such Creditor or Interest Holder is entitled to vote on the
9 Plan.

10 The ballot forms described herein do not constitute proofs of Claim or Interest. If a Creditor
11 or Interest holder is in any way uncertain of whether or not its Claim or Interest has been correctly
12 scheduled, it should check the Debtors' Schedules of assets and liabilities that are on file with the
13 Bankruptcy Court.

14 3. Acceptances of Plan

15 a. Acceptance by Vote. In order for the Plan to be "accepted" by a class of
16 Creditors, the Plan must be accepted by at least two-thirds in dollar amount of Allowed Claims in
17 the Class and more than one-half in number of the ballots cast by holders of Allowed Claims in the
18 Class. In order for the Plan to be "accepted" by a class of Interest Holders, the Plan must be
19 accepted by at least two-thirds in amount of the ballots cast by the holders of Allowed Interests of
20 such Class. Unless there is unanimous acceptance of the Plan by an impaired Class, the Court must
21 determine that it provides to members of that Class at least that which they would receive if the
22 Debtors were liquidated under chapter 7 of the Code on the Effective Date of the Plan.

23 b. Acceptance by Unimpaired Creditors. A Class that is not impaired under
24 the Plan is deemed to have accepted the Plan without regard to actual voting. It is, therefore,
25 particularly important for holders of Claims and Interests in Classes that are impaired to vote on the
26 Plan. Under the Plan, Classes 2, 3, 4, 6, 7, 8, 9 and 10 are treated as impaired under the Plan.

27 c. Confirmation Without Acceptance by All Classes. It is possible for the
28 Plan to be confirmed even if it is not accepted by all of the impaired classes if the Bankruptcy Court

1 finds that the Plan "does not discriminate unfairly against and is fair and equitable" to the non-
 2 accepting, impaired Class(es). This is commonly referred to as a "cram-down" plan and is more
 3 particularly set forth in Bankruptcy Code section 1129(b). In order to confirm a chapter 11 plan
 4 without acceptance by each class of impaired unsecured creditors, unsecured creditors in the
 5 impaired classes must either receive the full value of their claims or, if they receive less than the full
 6 value of their claims, no class with junior liquidation priority may receive anything (e.g. the
 7 "Absolute Priority Rule") unless the junior claimant(s) or interest holder(s) contribute "new value."

8 In the present case, the Debtor does not believe that the Plan discriminates against any Class,
 9 unfairly or otherwise. As set forth therein, each similarly situated creditor is receiving identical
 10 treatment based upon the nature of its Claim or Interest. Consistent therewith, the Debtor believes
 11 that the Plan is fair and equitable as to its treatment of each Class. As to each of these issues, if
 12 necessary, the Debtor will submit appropriate evidence in connection with the Confirmation
 13 Hearing.

14 Bankruptcy Code section 1129(b) is complex, and Creditors and Interest Holders are urged
 15 to consult their own counsel about it. The Debtor intends to rely upon Bankruptcy Code section
 16 1129(b) to seek Confirmation of the Plan if it is not accepted by all impaired Classes of Creditors
 17 and/or Interests.

18 **D. Hearing on Confirmation of the Plan**

19 The Bankruptcy Court has set a hearing to determine whether the Plan has been accepted by
 20 the requisite number of Creditors and Interest Holders, and whether the other requirements for
 21 Confirmation of the Plan have been met. Each Creditor and Interest Holder is receiving with this
 22 Disclosure Statement the notice of hearing on Confirmation of the Plan.

23 **E. Objections to Confirmation**

24 Objections to Confirmation of the Plan, if any, must be stated in writing and must be filed
 25 with the Clerk of the Bankruptcy Court on or before _____, 2017, and served in
 26 accordance with the separate notice enclosed herein.

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SECTION EIGHTEEN
CONFIRMATION REQUEST

The Debtor prays for the entry of an order confirming the Plan. In the event any Class votes to reject the Plan, the Debtor intends to request confirmation of the Plan pursuant to Bankruptcy Code section 1129(b). The Debtor reserves the right to alter, amend, modify, revoke or withdraw the Plan or any related documents, in order to satisfy the requirements of Bankruptcy Code section 1129(b), if necessary.

Dated: February 27, 2017

Respectfully Submitted,

Cal Neva Lodge, LLC,
A Nevada limited liability company

By: CR Cal Neva, LLC
A Nevada limited liability company

By: /s/ Robert Radovan
Robert Radovan
Its: Vice-President

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