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11 Charles and Judith Munnerlyn, Anthony Zabit,
12 D4S, LLC, dba Dimension 4, Paul and Evy Paye

13

14 UNITED STATES BANKRUPTCY COURT
15 DISTRICT OF NEVADA

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18 In Re: Case No. BK-N-16-51281-GWZ
19 CAL NEVA LODGE, LLC, Chapter 11
20 Debtor. Hearing Date: June 1, 2017
21 Hearing Time: 1:00 p.m.

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19 **CREDITORS' THIRD AMENDED**
20
21 **JOINT DISCLOSURE STATEMENT**

1 TABLE OF CONTENTS

	2 <u>Page</u>
3 1. <u>INTRODUCTION</u>	1
4 1.1 Summary of Modifications to Disclosure Statement 5 And to Creditors' Second Amended Disclosure Statement	2
6 1.2 Purpose of the Disclosure Statement	3
7 1.3 Acceptance and Confirmation	4
8 1.4 Confirmation Without Acceptance By All Impaired Classes	4
9 1.5 Disclaimer	4
10 2. <u>INFORMATION REGARDING THE CHAPTER 11 ESTATE</u>	5
11 2.1 Background of the Debtor	5
12 2.2 Ownership of Debtor and Its Management	6
13 2.3 Description of the Resort and Related Assets	6
14 2.4 Reasons for the Chapter 11 Filings	8
15 3. <u>DEVELOPMENTS DURING THE COURSE OF THIS 16 CHAPTER 11 CASE</u>	8
17 3.1 The Cal Neva Schedules and Statement of Financial Affairs	8
18 3.2 The Cal Neva Bar Date	8
19 3.3 The Employment of Cal Neva Professionals and Interim Compensation	9
20 3.4 Transfer of Venue to Reno, Nevada	9
21 3.5 The Ladera Motion for Relief from the Automatic Stay	9
22 3.6 The U.S. Trustee's Motion to Dismiss	10
23 3.7 The New Cal-Neva Schedules and Statement of Financial Affairs	10
24 3.8 Use of Cash Collateral and DIP Financing	10
25 3.9 The New Cal-Neva Claims Bar Date	10
26 3.10 Appointment of New Cal-Neva Unsecured Creditors' Committee	10
27 3.11 Employment of New Cal-Neva Professionals	10
28 3.12 Approval of Professional Fees	11
29 3.13 Transfer of New Cal-Neva Case to Reno, Nevada	11

1	3.14	The Hall Motion For Relief from the Automatic Stay	11
2	3.15	Mayer Expense Reimbursement Motion	11
3	3.16	U.S. Trustee's Motion to Dismiss New Cal-Neva Case	12
4.	<u>PENDING LITIGATION</u>	12
5	4.1	Cal Neva Litigation	12
6	4.2	New Cal-Neva Litigation	12
7	5.	<u>DESCRIPTION OF ASSETS</u>	13
8	5.1	Assets of New Cal-Neva	13
9	5.2	Assets of Cal Neva	13
10	5.3	Appraisal of Property	13
11	5.4	Potential Claims for Recovery	13
12	6.	<u>DESCRIPTION OF DEBTS</u>	14
13	6.1	Administrative Claims	14
14	6.2	Priority Claims	14
15	6.3	Secured Claims	14
16	6.4	Unsecured Claims	15
17	7.	<u>EXECUTORY CONTRACTS AND UNEXPIRED LEASES</u>	15
18	8.	<u>SUMMARY OF CREDITORS' PLAN OF REORGANIZATION</u>	15
19	8.1	Classification of Claims and Interests	16
20	8.2	Unimpaired Classes	17
21	8.3	Treatment of Claims and Interests	17
22	8.3.1	Class 1 (Placer County)	16
23	8.3.2	Class 2 (Hall)	17
24	8.3.3	Class 3 (Ladera)	17
25	8.3.4	Class 4 (Penta)	17
26	8.3.4.1	Treatment of Classes 1,2 and 3	17
27	8.3.5	Class 5 (Subcontractors)	18
28	8.3.6	Class 6 (Unsecured Creditors of New Cal-Neva)	19

1	8.3.7 Class 7 (Unsecured Creditors of Cal Neva)	19
2	8.3.8 Class 8 (Capital One Bank)	19
3	8.3.9 Class 9 (Membership Interest in New Cal-Neva)	19
4	8.3.10 Class 10 (Membership Interest in Cal Neva)	19
5	8.4 Treatment of Unclassified Claims	19
6	8.4.1 Administrative Claims	19
7	8.4.2 Administrative Claims Bar Date	20
8	8.4.3 Fees to the United States Trustee	20
9	8.4.4 Priority Claims	20
10	8.5 Executory Contracts	20
11	8.6 Means of Implementing the Plan	21
12	8.6.1 New Financing to Fund Plan	21
13	8.6.2 Vesting of Assets of the Estates	22
14	8.6.3 Disbursing Agent	22
15	8.6.4 Completion of Improvements	23
16	8.6.5 Post-Confirmation Management of the Debtor	23
17	8.6.6 No Election Under 1111(b)	24
18	8.6.7 Exemption from Certain Taxes and Fees	24
19	9. POST-CONFIRMATION FINANCIAL CONDITION OF THE DEBTOR	24
20	10. ALTERNATIVES TO THE CREDITORS' PLAN	24
21	10.1 Tax Consequences of the Creditors' Plan	25
22	10.2 Liquidation Analysis	25
23	11. CONFIRMATION OF THE CREDITORS' PLAN	25
24	11.1 Confirmation of the Creditors' Plan	25
25	11.2 Objections to Confirmation of the Creditors' Plan	25

1 1. **INTRODUCTION**

2 The Creditors' Third Amended Joint Disclosure Statement (hereinafter the
 3 "Disclosure Statement") is provided to creditors in connection with the solicitation of
 4 acceptances of the Creditors' Second Amended Joint Plan of Reorganization (the "Creditors'
 5 Plan"), proposed by Leslie P. Busick, Paul Jameson, David Marriner, Charles and Judith
 6 Munnerlyn, Anthony Zabit, D4S, LLC, dba Dimension 4, Paul and Evy Paye, (the
 7 "Proponents") filed on May 2, 2017, or any subsequent amended plan of reorganization. The
 8 New Cal-Neva Lodge, LLC ("New Cal-Neva") reorganization case is under Chapter 11 of
 9 the United States Code, and was filed on **July 28, 2016**, and is currently pending in the
 10 United States Bankruptcy Court for the District of Nevada as **Case No. BK-N-16-51282-**
 11 **GWZ** (the "New Cal-Neva Case"). The Cal Neva Lodge, LLC ("Cal Neva") reorganization
 12 case is under Chapter 11 of the United States Code and was filed on July 28, 2016, and is
 13 currently pending in the United States Bankruptcy Court for the District of Nevada as **Case**
 14 **No. BK-N-16-51281-GWZ** (the "Cal Neva Case"). The Creditors' Plan provides for the
 15 treatment of claims of creditors and interests of the equity security holders in both the Cal
 16 Neva Case and the New Cal-Neva Case.^{1, 2}

17 The objective of a Chapter 11 bankruptcy case is to obtain Bankruptcy Court approval
 18 of a plan of reorganization. This process is referred to as confirmation of a plan. A plan
 19 describes in detail (and in language appropriate for a legal contract) the means for satisfying
 20 the claims against, and equity interests in, a Debtor. After a plan has been filed, the holders
 21 of such claims and equity securities that are "impaired" (a term defined in Bankruptcy Code
 22 Section 1124 and discussed in detail below) are permitted to vote to accept or reject the plan.
 23 Before a Debtor or other plan proponent can solicit acceptances of a plan, Bankruptcy Code
 24 Section 1125 requires the Proponent prepare a disclosure statement containing adequate

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¹ Capitalized terms not otherwise defined herein will have the same meaning as are ascribed to such terms in
 27 the Creditors' Second Amended Joint Plan of Reorganization which is filed contemporaneously herewith.

28 ² An equity security of the Debtor as the term is defined in Section 101(16) of the Bankruptcy Code and
 29 includes any membership interest in the Debtor.

1 information of a kind, and in sufficient detail, to enable those parties entitled to vote on the
 2 plan to make an informed judgment about the plan and whether they should accept or reject
 3 the plan.

4 **1.1 Summary of Modifications to Disclosure Statement and to Creditors'**
 5 **Second Amended Disclosure Statement**

6 The Plan Proponents have made numerous revisions to their previous Disclosure
 7 Statement [DE 505] in response to various objections, which revisions are itemized as
 8 follows:

9 A) Section 8.6.1 has been modified to explain in more detail the source, amount
 10 and conditions of the New Financing to be used to fund the Plan. Attached hereto as **Exhibit**
 11 **"H"** is a letter of intent with regard to the New Financing. In addition, the sum of
 12 \$1,000,000.00 has been deposited into a trust account of the Law Offices of Alan R. Smith
 13 in connection with the New Financing.

14 B) Section 2.3(C) has been revised to describe the dispute concerning the
 15 Fairwinds Property. Section 2.3(D) has been added to describe the agreement between the
 16 Plan Proponents and Paye.

17 C) Section 5 has been modified, and sections 5.2, 5.3, and 5.4 have been added,
 18 to more accurately identify the assets of each Debtor, including a description of the
 19 Reorganized Debtor's intent regarding the pursuit of any litigation. Section 5.3 has also been
 20 modified to identify the appraisal commissioned by the Plan Proponents, and its estimated
 21 completion date.

22 D) Section 6.3 has been modified to accurately list the secured claims scheduled
 23 against each Debtor, and the proofs of claim for secured debt filed against each Debtor.

24 E) Section 6.4 has been modified to identify the unsecured claims scheduled
 25 against each Debtor, and the proofs of claim for unsecured debt filed against each Debtor.

26 F) The Post-Confirmation Financial Statement and Liquidation Analysis have
 27 been revised as set forth in **Exhibit "F"** and **Exhibit "G."**

28 G) Section 8.6.5 has been modified to add Viceroy Hotel Group, LLC as manager

1 of the Property post-confirmation.

2 H) Section 8.6.4 has been modified to identify Allco Construction, Inc., as the
 3 entity that will complete the improvements for the Reorganized Debtor.

4 I) Section 8.6.2 has been modified to provide that all property of both Debtors
 5 shall be transferred to Tahoe Cal Neva Resort, LLC ("TCNR") upon the Effective Date. The
 6 members of TCNR are identified, but the percentage of ownership of each member has not
 7 yet been determined.

8 J) Section 8.6.3 has been modified to provide that a licensed CPA shall act as
 9 Disbursing Agent, and that all disbursements shall be made after Notice and Hearing, and
 10 approval of the Bankruptcy Court.

11 The Plan Proponents have made several modifications to the Creditors' Second
 12 Amended Disclosure Statement, which are summarized below:

13 A) An appraisal of the Property was completed by Johnson Perkins & Associates
 14 on May 22, 2017 (*see* §5.3). To the extent it was not provided in time to file this Disclosure
 15 Statement, it will be filed as an errata, attaching it as **Exhibit "H."**

16 B) Section 8.6.1 was amended to provide that all due diligence has been
 17 completed by Northwind, except for an independent appraisal to be prepared by Northwind,
 18 which is expected to be completed within 45 days. *See Exhibit "G-1."*

19 C) Section 8.6.5 has been modified to attach a letter and term sheet with Viceroy
 20 (**Exhibit "I"**).

21 D) Section 8.6.4 has been amended to include an estimate of the cost to complete
 22 the improvements to the Property (**Exhibit "J"**), and a summary of the costs to complete as
 23 well as the pre-opening costs is attached as **Exhibit "K."**

24 E) Section 8.6.5 has been amended to include a term sheet with Viceroy, which
 25 is attached as **Exhibit "I."**

26 F) The language in Section 8.6.6 has been modified slightly based upon the filing
 27 of §1111(b) elections by various creditors.

28 **1.2 Purpose of the Disclosure Statement**

1 The purpose of this Disclosure Statement is to ensure that claimants have adequate
 2 information to enable each class to make an informed judgment about the Creditors' Plan.
 3 The assets and liabilities of the Debtor are summarized herein. To the extent the information
 4 contained in this Disclosure Statement may be inconsistent with the Debtors' Schedules and
 5 Statement of Financial Affairs in each bankruptcy case, this Disclosure Statement shall
 6 supersede such Statements and Schedules (as may have been amended).

7 This Disclosure Statement describes the business background and operating history
 8 of the Debtor before the filing of the case. It also summarizes certain significant events that
 9 have taken place during the case and describes the terms of the Creditors' Plan, which
 10 divides creditor claims and the interests of shareholders into classes and provides for the
 11 satisfaction of allowed claims and interests.

12 The Court will set a time and date as the last day to file acceptances or rejections of
 13 the Creditors' Plan. Thereafter, a hearing on confirmation of the Creditors' Plan will be held
 14 in the United States Bankruptcy Court for the District of Nevada, located at the U.S. Federal
 15 Building & Courthouse, 300 Booth Street, Reno, Nevada. Creditors may vote on the
 16 Creditors' Plan by filling out and mailing a special form of ballot. The form of ballot and
 17 special instructions for voting will be forthcoming upon approval of the Disclosure Statement
 18 by the Court. Creditors are urged to carefully read the contents of this Disclosure Statement
 19 before making a decision to accept or reject the Creditors' Plan.

20 **1.3 Acceptance and Confirmation**

21 In order for the Creditors' Plan to be confirmed, each impaired class of claims or
 22 interests must accept the Creditors' Plan, except as set forth below. In order for the
 23 Creditors' Plan to be deemed accepted, a majority in number and two-thirds in dollar amount
 24 of the claims of each class of creditors impaired under the Creditors' Plan of those that
 25 actually vote, must vote for acceptance of the Creditors' Plan. Holders of claims who fail
 26 to vote are not counted as either accepting or rejecting the Creditors' Plan.

27 Classes of claims that are not "impaired" under the plan are deemed to have accepted
 28 the Creditors' Plan. Acceptances of the Creditors' Plan are being solicited only from those

1 persons who hold claims or interests in impaired classes. A class is "impaired" if the legal,
 2 equitable or contractual rights attaching to the claims or interests of that class are modified,
 3 other than by curing defaults and reinstating maturities, or by payment in full in cash. In this
 4 case all creditors are impaired, and therefore voting is required.

5 **1.4 Confirmation Without Acceptance By All Impaired Classes**

6 The Bankruptcy Code contains provisions for confirmation of a plan even if the
 7 Creditors' Plan is not accepted by all impaired classes, as long as at least one impaired class
 8 of claims has accepted the Creditors' Plan.

9 **1.5 Disclaimer**

10 No representations concerning the Debtors are authorized other than as set forth in this
 11 Disclosure Statement. Any representations or inducements made to secure your acceptance
 12 or rejection of the Creditors' Plan other than as contained herein have not been authorized
 13 and should not be relied upon by you in making your decision, and such additional
 14 representations and inducements should be reported to counsel for the Proponents, who in
 15 turn should deliver such information to the Court for such action as may be deemed
 16 appropriate. The information contained herein has not been subjected to a certified audit.
 17 The records kept by the Debtor and other information relied on herein are dependent upon
 18 investigations and accounting performed by the Proponents and others employed by the
 19 Proponents. The Proponents are unable to warrant that the information contained herein is
 20 without inaccuracy, although a great effort has been made to be accurate, and the Proponents
 21 believe that the information contained herein is, in fact, accurate.

22 **2. INFORMATION REGARDING THE CHAPTER 11 ESTATE**

23 **2.1 Background of the Debtor**

24 The Debtor, NEW CAL-NEVA LODGE, LLC ("New Cal-Neva"), commenced its
 25 bankruptcy case on July 28, 2016 in the United States Bankruptcy Court for the Northern
 26 District of California (the "California Bankruptcy Court"), Santa Rosa Division. On July 28,
 27 2016, Cal Neva Lodge, LLC ("Cal Neva") also filed its case in the United States Bankruptcy
 28 Court for the Northern District of California, Santa Rosa Division. On September 28, 2016,

1 the California Bankruptcy Court transferred the New Cal-Neva case and the Cal Neva case
 2 to this Court, effective October 13, 2016. Renovations to the Property owned by New Cal-
 3 Neva were commenced in July of 2014, but in December of 2015 all work ceased due to
 4 disagreements with The Penta Building Group, LLC. The business has remained closed
 5 since that date.

6 **2.2 Ownership of Debtor and Its Management**

7 The sole member of New Cal-Neva is Cal Neva. The manager of New Cal-Neva is
 8 CR Hospitality, LLC. The members of Cal Neva are identified in **Exhibit "I"** hereto.

9 **2.3 Description of the Resort and Related Assets.**

10 (A) The Resort. The Debtors' principal asset is a hotel, spa & casino known
 11 as the Cal Neva Resort Hotel & Casino. The Resort is comprised of over 13.5 acres located
 12 along the North Shore of Lake Tahoe, stretching over two states in Crystal Bay, Nevada and
 13 Kings Beach, California. The Resort includes 191 hotel guestrooms, cabins and terrace
 14 rooms, a full service spa, the Frank Sinatra Showroom, the Indian Room, a casino with a
 15 17,000 square-foot gaming floor, the historic Circle Bar, a specialty restaurant, the Casino
 16 bar, a terrace level family restaurant, the Boardroom & Wine Cellar, a gourmet market, a kids
 17 adventure center, an outdoor pool and patio, boutiques (retail), state of the art fitness facility,
 18 approximately 16,000 square feet of indoor/outdoor meeting space, parking for 248 vehicles,
 19 and potentially the conversion of 28 tourist accommodation units into condominiums. The
 20 Proponents' have reached an agreement for the rights to the Fairwinds Estate, a lakefront
 21 estate that includes a beach and a private pier, as described in subsection "C" below.

22 The Resort was originally developed in 1926, burned down in 1937, and was
 23 reconstructed within approximately 30 days. After numerous owners, including Frank
 24 Sinatra, Cal Neva purchased the equity in New Cal-Neva Lodge in April 2013, and the
 25 Debtors have owned the Resort since that date.

26 In 2014, the Debtors closed the Resort and acquired funds through loans and equity
 27 to undertake a substantial redevelopment of the Resort. Construction progressed throughout
 28 2015, at which point the construction ran into difficulty for various reasons, and renovation

1 ceased.

2 (B) The Furniture, Fixtures and Equipment. To date, New Cal-Neva has
 3 purchased most of the furniture, fixtures and equipment necessary to open and operate the
 4 Resort (the “FF&E”). All FF&E for guest rooms has been purchased with the exception of
 5 terrace rooms and cabins. The FF&E is being stored off-site in Sparks, Nevada.

6 (C) The Fairwinds Estate. The Fairwinds Estate is located at 9898 Lake
 7 Street, Kings Beach, California, which property is adjacent to the Resort. The Fairwinds
 8 Estate is comprised of a 1.7 acre lot and a 5,400 square foot house, with 7 bedrooms, 7
 9 bathrooms, lake access and a multiple boat dock. The Fairwinds Estate is encumbered by a
 10 mortgage in favor of Capital One Bank. The outstanding amount owed on the mortgage is
 11 approximately \$4.5 million. In October 2014, the Fairwinds Estate was owned by 9898
 12 Lake, LLC. Paul and Evy Paye, LLC (“Paye”) owned 100% of the membership interests in
 13 9898 Lake, LLC. In October 2014, Paye and the Debtors entered into an Exchange
 14 Agreement whereby title to the Fairwinds Estate was to be transferred CR Lake Tahoe, LLC
 15 (“CR Lake Tahoe”) in exchange for Paye and Marriner Real Estate, LLC (Paye’s broker)
 16 receiving an equity interest in Cal Neva. The sole member of CR Lake Tahoe is New Cal-
 17 Neva. The Debtors and Paye valued the equity in the property at the time of the Exchange
 18 Agreement at \$2 million. Paye was to receive an equity interest in Cal Neva of 6.67% and
 19 Marriner was to receive an equity interest of 0.65%.

20 Paye has filed an Objection to Debtors’ First Amended Disclosure Statement [DE
 21 204] and to the Disclosure Statement For Ladera Development, LLC [DE 182] in which Paye
 22 asserts that there have been various breaches of the Exchange Agreement, including failure
 23 to make payments to Capital One Bank, failure to pay utilities, failure to maintain the
 24 property, failure to provide insurance for the property, failure to make payments for lease of
 25 the boat dock, and an attempt to sell the membership interest to a third party. Paye also
 26 asserts a right to repurchase the Property under certain terms as set forth in the Exchange
 27 Agreement. Paye has stated in its objection that they intend to commence an adversary
 28 proceeding for breach of contract. At this time, it is uncertain whether the Fairwinds Estate

1 is an asset of New Cal-Neva.

2 (D) Paye has agreed to the terms of the Plan proposed by the Plan Proponents, and
 3 if such Plan is confirmed will not pursue litigation against the Plan Proponents.

4 **2.4 Reasons for the Chapter 11 Filings**

5 Prior to the Chapter 11 filings, Hall and Ladera made loans to New Cal-Neva to
 6 finance the renovation of the Resort. The principal amount advanced by Hall was
 7 approximately \$22 million and the principal amount advanced by Ladera was \$6 million.
 8 The Hall loan is secured by a first priority deed of trust against the real property and
 9 substantially all of New Cal-Neva's personal property. The Ladera loan is secured by a
 10 junior deed of trust against the real property, a junior deed of trust against New Cal-Neva's
 11 personal property, and the pledge of Cal Neva's membership interests in New Cal-Neva.
 12 Penta was the general contractor for the renovation of the Resort. Penta asserts mechanics'
 13 liens on behalf of itself and certain sub-contractors to secure claims in the range of \$7.5 to
 14 \$9 million. Penta has commenced legal actions asserting that its mechanics' liens are senior
 15 to the Hall and Ladera deeds of trust, which are pending adversary proceedings in the
 16 Bankruptcy Cases. Work on the project stopped in late 2015 because the available remaining
 17 funding was not sufficient to complete the renovation of the Resort. As a result, the Hall and
 18 Ladera loans went into default. Hall filed and served a notice of default election to sell the
 19 Real Property on March 15, 2016, and thereafter, filed and served a notice of sale of the Real
 20 Property, scheduling the sale for August 1, 2016. New Cal-Neva filed its Chapter 11 case
 21 on July 28, 2016 to preserve its equity in the Resort.

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

23 **3.1 The Cal Neva Schedules and Statement of Financial Affairs.**

24 The Debtor timely filed its Schedules of Assets and Liabilities and Statement of
 25 Financial Affairs, and duly appeared at the meeting of creditors conducted pursuant to
 26 Bankruptcy Code § 341 on July 15, 2016. The Debtor is current in the filing of its Monthly
 27 Operating Reports.

28 **3.2 The Cal Neva Claims Bar Date.**

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

2 **3.3 The Employment of Cal Neva Professionals and Interim Compensation.**

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

12 **3.4 Transfer of Venue to Reno, Nevada.**

13 On August 2, 2016, The Penta Building Group, Inc. ("Penta"), the general contractor
 14 for the renovation of the Real Property, filed a Motion to Transfer Venue of the Cases to the
 15 District of Nevada (Reno) (the "Venue Motion"). The Debtors duly opposed the Venue
 16 Motion. Notwithstanding, pursuant to a tentative ruling issued by Judge Jaroslovsky, it was
 17 apparent that venue would be transferred to the Bankruptcy Court in Reno. Accordingly, the
 18 Debtors consented to a transfer of venue, and a consensual order transferring venue of the
 19 Cases from Santa Rosa to Reno was entered September 28, 2016, with the effective date of
 20 the transfer being October 13, 2016. Upon the transfer of the Cases to Reno, they were
 21 initially assigned to Bankruptcy Judge Beesley, but were later reassigned to Bankruptcy
 22 Judge Zive.

23 **3.5 The Ladera Motion for Relief from the Automatic Stay.**

24 On March 1, 2017, Ladera filed a motion with the Bankruptcy Court for relief from
 25 the automatic stay in the Cal Neva case, seeking an order from the Bankruptcy Court
 26 allowing it to conduct a postpetition foreclosure sale of Cal Neva's membership interests in
 27 New Cal-Neva. Cal Neva opposed the motion on various grounds, including, but not limited
 28 to, the membership interests are absolutely necessary to the successful reorganization of Cal

1 Neva. A status hearing on the motion was set for May 3, 2017, and the hearing will likely
 2 be continued.

3 **3.6 The U.S. Trustee's Motion to Dismiss.**

4 On March 3, 2017, the U.S. Trustee filed a motion to dismiss the Cal Neva case,
 5 which motion alleges that Cal Neva is unable to confirm a Chapter 11 plan. The motion is
 6 set for status hearing on May 3, 2017, at the same time as the hearing on this Disclosure
 7 Statement. The U.S. Trustee filed a similar motion in the New Cal-Neva case.

8 **3.7 The New Cal-Neva Schedules and Statement of Financial Affairs.**

9 New Cal-Neva timely filed its Schedules of Assets and Liabilities and Statement of
 10 Financial Affairs, and duly appeared and was examined at the Meeting of Creditors
 11 conducted pursuant to Bankruptcy Code § 341 on September 2, 2016. New Cal-Neva is
 12 current in the filing of its Monthly Operating Reports.

13 **3.8 Use of Cash Collateral and DIP Financing.**

14 By orders entered September 19, 2016 and January 4, 2017, the Bankruptcy Court
 15 approved New Cal-Neva's use of cash collateral and post-petition financing from Hall, both
 16 of which are required to maintain and preserve the Property, pending completion of the
 17 renovations, particularly during the winter season.

18 **3.9 The New Cal-Neva Claims Bar Date.**

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

20 **3.10 Appointment of New Cal-Neva Unsecured Creditors' Committee.**

21 An Unsecured Creditors' Committee was appointed in the New Cal-Neva case on
 22 September 13, 2016.

23 **3.11 Employment of New Cal-Neva Professionals.**

24 The professionals employed in the New Cal-Neva case are (i) the Debtor's legal
 25 counsel, (a) Keller & Benvenutti LLP, whose employment was approved by order of the
 26 Bankruptcy Court entered August 15, 2016; (b) Hartman & Hartman, whose employment was
 27 approved by order of the Bankruptcy Court entered December 5, 2016 and © JMBM as
 28 special Bankruptcy Code § 327(e) counsel, whose employment was approved by order of the

1 Bankruptcy Court entered August 17, 2016; (ii) the Debtor's real estate broker, CBRE, Inc.,
 2 whose employment was approved by order of the Bankruptcy entered January 6, 2017; (iii)
 3 legal counsel employed by the Committee, (a) Pachulski Stang Ziehl & Jones LLP, whose
 4 employment was approved by order entered November 7, 2016, and (b) Fennemore Craig,
 5 P.C., whose employment was approved by order of the Bankruptcy Court entered November
 6 7, 2016, and (c) the Committee's financial advisor, Province, Inc., whose employment was
 7 approved by order of the Bankruptcy Court entered November 7, 2016.

8 **3.12 Approval of Professional Fees.**

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

15 **3.13 Transfer of New Cal-Neva Case to Reno, Nevada.**

16 As set forth in Section 3.4 above, the New Cal-Neva case has been transferred from
 17 the U.S. Bankruptcy Court in Santa Rosa and is now pending in the Bankruptcy Court in
 18 Reno along with the Cal Neva case.

19 **3.14 The Hall Motion For Relief from the Automatic Stay.**

20 Subsequent to the auction being cancelled, on February 23, 2017, Hall filed a motion
 21 with the Bankruptcy Court, seeking relief from the automatic stay to foreclose on the Real
 22 Property (the "Hall RFS Motion"). As of the date of this Disclosure Statement, the first
 23 substantive hearing on the Hall RFS Motion is set for May 3, 2017, at the same as the hearing
 24 to consider approval of this Disclosure Statement.

25 **3.15 Mayer Expense Reimbursement Motion.**

26 In connection with the investment by Mayer, New Cal-Neva sought and obtained
 27 Bankruptcy Court approval to provide Mayer with an Allowed Administrative Claim for
 28 expense reimbursement of up to \$150,000, payable only on certain conditions. It is

1 undetermined as of the date of this Disclosure Statement if Mayer will meet the conditions
 2 entitling it to expense reimbursement.

3 **3.16 U.S. Trustee's Motion to Dismiss New Cal-Neva Case.**

4 As set forth in Section 3.6 above, on March 3, 2017, the U.S. Trustee filed a motion
 5 to dismiss the Cal Neva case. The U.S. Trustee also filed a substantially similar motion in
 6 the New Cal-Nevada case, which motion is set for hearing on May 3, 2017.

7 **4. PENDING LITIGATION**

8 **4.1 Cal Neva Litigation.**

9 On its petition date, Cal Neva was a party to one lawsuit, entitled *George Stuart*
 10 *Yount, individually and in his capacity as Owner of George Stuart Yount IRA & Criswell*
 11 *Radovan, LLC, CR Cal Neva, LLC, Robert Radovan, William Criswell, Cal Neva Lodge,*
 12 *LLC, Powell, Coleman and Arnold LLP, David Marriner; and Marriner Real Estate, LLC,*
 13 filed in the Second Judicial District Court of the State of Nevada, in and for the County of
 14 Washoe, for breach of contract, breach of duty, fraud, negligence, conversion, and punitive
 15 damages, in connection with a \$1 million loan or investment allegedly made by the plaintiff,
 16 concerning one or more of the above defendants. As to the Debtor, the litigation has been
 17 stayed since the Cal Neva petition date.

18 **4.2 New Cal-Neva Litigation.**

19 On its petition date, New Cal-Neva was a party to three lawsuits:

20 The first, generally styled as *Xavier Moulin v. Criswell Radovan, LLC, New Cal-Neva*
 21 *Lodge, et al.*, filed in the Second Judicial District Court of the State of Nevada, in and for the
 22 County of Washoe, claiming breach of contract arising out of an alleged employment
 23 agreement, which complaint seeks damages of approximately \$103,000. As to New Cal-
 24 Neva, the litigation has been stayed since the New Cal-Neva petition date.

25 The second and third lawsuits are interrelated, and are between Penta and other
 26 holders of Mechanics' Lien Claims against Hall and New Cal-Neva, concerning lien priority
 27 between the holders of mechanics' lien claims (including Penta) and Hall. As the Real
 28 Property is situated in both California and Nevada, similar lawsuits were pending in the

1 Superior Court of the State of California, County of Placer, and in the Second Judicial
 2 District Court of the State of Nevada, Washoe County. Since the filing of New Cal-Neva's
 3 petition, both of those state court actions were moved and otherwise transferred to the
 4 Bankruptcy Court in Reno. Since the New Cal-Neva's petition date, there has been no
 5 substantive activity in either of these cases. These cases are referred to as the "Secured
 6 Creditors' Adversary Proceedings" in the Plan.

7 **5. DESCRIPTION OF ASSETS**

8 **5.1 Assets of New Cal-Neva**

Description	Estimated Value
Cash on hand	\$5,000.00 (estimated by Plan Proponents)
Real Property (as described in Section 2.3(A) above)	\$35,000,000.00 (estimated by Plan Proponents, subject to appraisal)
Personal Property (as described in Section 2.3(B) above)	\$2,000,000.00 (estimated by Plan Proponents, subject to appraisal)
Potential Claims for recovery	Unknown (See section 5.4 below)
CR Lake Tahoe, LLC (Fairwinds Estate)	\$2,000,000.00 (estimated by Plan Proponents - may not be an asset based on Paye objection)
Est. Value of Total Assets:	\$39,500,000.00

18 **5.2 Assets of Cal Neva**

19 The sole asset of Cal Neva is its equity interest in New Cal-Neva. The value of that
 20 equity interest is subject to appraisal, as described below. That equity interest has also been
 21 pledged as collateral to Ladera.

22 **5.3 Appraisal of Property**

23 The Plan Proponents have commissioned Johnson Perkins & Associates to appraise
 24 the Debtor's property, specifically the real estate and improvements, as well as the personal
 25 property. The appraisal is scheduled to be completed by May 22nd. To the extent it is not
 26 attached at the time of this Disclosure Statement, it will be filed as an errata entitled **Exhibit**
 27 **"H."**

28 **5.4 Potential Claims for Recovery**

1 The Plan Proponents believe that the previous operators of the Debtor may be liable
 2 for misfeasance, malfeasance, conversion, breach of fiduciary duty, and potentially other
 3 claims for relief (the “Claims For Relief”). Although the Reorganized Debtor intends to
 4 investigate such matters, a decision has not yet been made on whether litigation will be
 5 pursued. The legal basis and likelihood of recovery have not been analyzed, and therefore
 6 the value of the litigation is impossible to determine. Furthermore, the Plan does not depend
 7 upon the recovery from any litigation as any recovered proceeds will be the property of the
 8 Reorganized Debtor.

9 **6. DESCRIPTION OF DEBTS**

10 **6.1 Administrative Claims**

11 (A) Attorneys’ Fees. The Debtors will be obligated to pay attorneys’ fees
 12 and costs owed to its various counsel, subject to Court approval. The Plan Proponents
 13 estimate such fees to be in the range of \$500,000 to \$700,000, but as such fees continue to
 14 be incurred, a more accurate statement cannot be made at this time.

15 (B) U.S. Trustee Fees. All fees required to be paid to the U.S. Trustee have
 16 been maintained current during the pendency of these cases.

17 (C) Super-Priority Administrative Fees to Hall. Pursuant to its agreement
 18 to provide sums to preserve the Property, Hall is entitled to a super-priority administrative
 19 fee (which is also secured by the Property). As of this date, that fee is estimated by Hall at
 20 \$1,000,00, although the Proponents have not received an accounting from Hall.

21 (D) Attorneys’ Fees to Counsel for Plan Proponents. In the event the
 22 Creditors’ Plan is confirmed, counsel for the Plan Proponents will be paid by the Plan
 23 Proponents.

24 **6.2 Priority Claims**

25 The New Cal-Neva has scheduled against it, or has proofs of claim filed against
 26 it, for priority claims as set forth in **Exhibit “A”** attached hereto. No priority claims are
 27 scheduled against, nor are any priority proofs of claim filed against Cal Neva.

28 **6.3 Secured Claims**

1 New Cal-Neva has secured claims scheduled against it, and has proofs of claims
 2 identified as secured filed against it, as set forth in **Exhibit "B"** attached hereto. Cal Neva
 3 has secured claims scheduled against it and has proofs of claim filed against it as set forth
 4 in **Exhibit "C"** attached hereto.

5 **6.4 Unsecured Claims**

6 New Cal-Neva has unsecured claims scheduled against it, and proofs of claim filed
 7 against it as set forth in **Exhibit "D."** Cal Neva has unsecured claims scheduled against it
 8 and proofs of claim filed against it as set forth in **Exhibit "E."**

9 **7. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

10 The Debtor is a party to certain executory contracts as identified below:

11 Contract	12 Description of Contract
12 Collaborative Design Studio	13 Architectural and engineering services contract
13 CR Hospitality, LLC	14 Operating agreement
14 NorthStar Demolition and 15 Remediation, LP	16 Contracting services contract
15 Paul Duesing Partners	16 Design services contract
16 The Penta Building Group	17 Construction contract
17 Thannisch Development Services 18 Inc.	19 Development consulting services contract
18 Starwood/Marriot	20 Franchise Agreement
19 CBRE, Inc.	21 Exclusive Sales Listing Agreement
20 Dixon, Michael and Sharon	22 Condominium Purchase Discount Agreement
21 Iverson, Brandyn	23 Condominium Purchase Discount Agreement
22 Jameson, Paul	24 Condominium Purchase Discount Agreement
23 Munnerlyn, Charles R. and Judy G.	25 Condominium Purchase Discount Agreement
24 Hill, Heather	26 Condominium Purchase Discount Agreement
25 Pacey-Willis, Lisa	27 Condominium Purchase Discount Agreement

26 **8. SUMMARY OF CREDITORS' PLAN OF REORGANIZATION**

27 **THE FOLLOWING IS A BRIEF SUMMARY OF THE CREDITORS' PLAN
28 OF REORGANIZATION WHICH IS FILED CONCURRENTLY HEREWITH (the**

1 **“Creditors’ Plan”), AND SHOULD NOT BE RELIED UPON FOR VOTING**
 2 **PURPOSES. THE SUMMARY IS NOT COMPLETE, AND CREDITORS ARE**
 3 **URGED TO READ THE CREDITORS’ PLAN IN FULL. A COPY OF THE**
 4 **CREDITORS’ PLAN OF REORGANIZATION WILL BE PROVIDED TO ALL**
 5 **CREDITORS. TO THE EXTENT THE FOLLOWING SUMMARY INCLUDES**
 6 **DEFINED TERMS, THOSE DEFINITIONS ARE INCLUDED IN THE CREDITORS’**
 7 **PLAN FILED CONCURRENTLY HEREWITH. ALL CAPITALIZED TERMS**
 8 **HEREINAFTER HAVE THE MEANINGS SET FORTH IN THE CREDITORS’**
 9 **PLAN.**

10 **8.1 Classification of Claims and Interests**

11 Pursuant to Section 1122 of the Bankruptcy Code, set forth below is a designation of
 12 classes of Claims and Interests. Administrative Claims and Priority Claims of the kinds
 13 specified in Sections 507(a)(1) and 507(a)(8) of the Bankruptcy Code have not been
 14 classified and are excluded from the following classes in accordance with Section 1123(a)(1)
 15 of the Bankruptcy Code.

16 Class 1: The Allowed Secured Claim of the Placer County Tax Collector.

17 Class 2: The Allowed Claim of Hall against New Cal-Neva secured by the
 18 Property, as evidenced by its promissory note, deed of trust, and related loan documents.

19 Class 3: The Allowed Claim of Ladera against New Cal-Neva secured by the
 20 Property and the membership interest in New Cal-Neva, as evidenced by its promissory note,
 21 deed of trust, and related loan documents.

22 Class 4: The Allowed Claim of Penta against New Cal-Neva to the extent
 23 secured by a valid mechanic’s lien against the Property.

24 Class 5: The Allowed Claims of Subcontractors against New Cal-Neva against
 25 the Property.

26 Class 6: The Allowed Claims of Unsecured Creditors of New Cal-Neva.

27 Class 7: The Allowed Claims of Unsecured Creditors of Cal Neva.

28 Class 8: The Allowed Secured Claim of Capital One Bank (USA), N.A.

1 Class 9: The membership interest in New Cal-Neva held by Cal Neva.

2 Class 10: The membership interests in Cal Neva.

3 **8.2 Unimpaired Classes**

4 All classes are impaired under the Plan.

5 **8.3 Treatment of Claims and Interests**

6 **8.3.1 Class 1 (Placer County).** The Allowed Secured Claim of the Placer
7 County Tax Collector shall bear interest as allowed by statute, and shall
8 be paid 50% on the Effective Date, and 50% 30 days thereafter.

9 **8.3.2 Class 2 (Hall).** The Allowed Claim of Hall (the “Hall Claim”) shall be
10 treated as set forth in §8.3.4.1 infra. To the extent Hall holds an
11 Allowed Administrative Claim it shall be paid as set forth in §8.3.4.1.
12 To the extent such claim is also secured, the portion paid as an
13 Administrative Claim shall reduce the amount of the Secured Claim.

14 **8.3.3 Class 3 (Ladera).** The Allowed Claim of Ladera (the “Ladera Claim”)
15 shall be treated as set forth in §8.3.4.1 infra.

16 **8.3.4 Class 4 (Penta).** The Allowed Claim of Penta (the “Penta Claim”)
17 shall be treated as set forth in §8.3.4.1 infra.

18 **8.3.4.1 Treatment of Classes 2, 3 and 4.**

19 (A) Secured Portion of Claims (Classes 2, 3 and 4).

20 On or before the Effective Date a sum equal to the value of the Property
21 (the “Property Value”), less the amount owed to the Placer County Tax
22 Collector, shall be deposited into a segregated escrow account under the name
23 of the Disbursing Agent (the “Secured Creditor Fund”). The value of the
24 Property, and thus the amount of the Secured Creditor Fund, shall be
25 determined by appraisal evidence presented at the Confirmation Hearing. The
26 liens of the Hall Claim, Ladera Claim (as secured by the Property) the Penta
27 Claim (Penta, Hall, and Ladera are sometimes collectively referred to as the
28 “Secured Creditors”), as well as the liens of all Subcontractors (to the extent

1 not duplicative of the Penta claim), shall attach to the proceeds of the Secured
 2 Creditor Fund, and shall share in and be limited by the Secured Creditor Fund
 3 based upon: (i) the final order of priority as determined by the outcome of the
 4 Secured Creditors' Adversary Proceedings, whether by litigation or settlement,
 5 and (ii) the final order determining any claim objections filed against any of
 6 the Secured Creditors. This Plan does not determine the priority or amount of
 7 the liens of the Secured Creditors and Subcontractors. The Secured Creditor
 8 Fund will be interpled in the Bankruptcy Court, or in another court of
 9 appropriate jurisdiction should circumstances warrant or should the
 10 Bankruptcy Court abstain.

11 (B) Ladera's Claim As Secured By Interest In Cal Neva Lodge.

12 On account of its claim secured by the membership interest in New Cal-
 13 Neva, Ladera shall be entitled to a cash disbursement on the Effective Date
 14 equal to the difference between the Property Value and the total of all Claims
 15 against New Cal-Neva (the "Equity In New Cal-Neva"). If the Equity in New
 16 Cal-Neva is less than zero, there shall be no distribution to Ladera on account
 17 of its secured interest in the membership interest of New Cal-Neva.

18 (C) Deficiency Claims Of Secured Creditors.

19 Any of the Secured Creditors may be entitled to a deficiency claim (the
 20 "Deficiency Claims") against the Debtor, based upon: i) the amount by which
 21 the Allowed Claim exceeds the Property Value less all senior secured claims;
 22 ii) the final outcome of the Secured Creditors' Adversary Proceedings; and iii)
 23 the final outcome of any objections to any claims of the Secured Creditors. In
 24 full and final satisfaction of the Deficiency Claim the sum of Two Hundred
 25 Thousand Dollars (\$200,000) shall be distributed to the party (or parties)
 26 entitled to the Deficiency Claim, to be distributed pro rata based on the
 27 Allowed Deficiency Claim of each creditor.

28 **8.3.5 Class 5 (Subcontractors)**

1 The Allowed Claims of Subcontractors will be paid by Penta, or by the Secured
 2 Creditors Fund as set forth in §8.3.4.1, or to the extent such claims are unsecured, in
 3 accordance with the treatment of Class 6 unsecured creditors below.

4 **8.3.6 Class 6 (Unsecured Creditors of New Cal-Neva)**

5 The Allowed Claims of Unsecured Creditors shall receive a prorata distribution of the
 6 New Cal-Neva Unsecured Creditor Fund. The undisputed portion of the claim shall be paid
 7 on the Effective Date. The portion of the claim that is disputed shall be maintained in the
 8 New Cal-Neva Disputed Unsecured Claims Account and shall be paid if and when the claim
 9 is adjudicated an Allowed Claim following the Claim Objection Procedure.

10 **8.3.7 Class 7 (Unsecured Creditors of Cal Neva)**

11 The Allowed Claims of Unsecured Creditors shall receive a prorata distribution of the
 12 Cal Neva Unsecured Creditor Fund. The undisputed portion of the claim shall be paid on the
 13 Effective Date. The portion of the claim that is disputed shall be maintained in the Cal Neva
 14 Disputed Unsecured Claims Account and shall be paid if and when the claim is adjudicated
 15 an Allowed Claim following the Claim Objection Procedure.

16 **8.3.8 Class 8 (Capital One Bank)**

17 The Allowed Claim of Capital One Bank shall be cured on the Effective Date, and
 18 thereafter shall be paid as agreed. All loan documents shall remain in effect to the extent not
 19 inconsistent with this Plan.

20 **8.3.9 Class 9 (Membership Interest in New Cal-Neva)**

21 The membership interests in New Cal-Neva held by Cal Neva shall be canceled.

22 **8.3.10 Class 10 (Membership Interests in Cal Neva)**

23 The membership interests in Cal Neva shall be cancelled.

24 **8.4 Treatment of Unclassified Claims**

25 **8.4.1 Administrative Claims**

26 Claims arising during the administration of both the Cal Neva bankruptcy case and
 27 the New Cal-Neva bankruptcy case are entitled to priority under Section 507(a)(1) of the
 28 Bankruptcy Code are not classified under the Plan. Holders of such claims shall be paid in

1 full on the latter of the Effective Date, or fifteen (15) days after entry of an order allowing
 2 the Administrative Claim. Counsel for the Plan Proponents shall be paid directly by the Plan
 3 Proponents.

4 **8.4.2 Administrative Claims Bar Date**

5 Requests for payment of Administrative Claims must be filed and served no later than
 6 forty-five (45) days after the Effective Date. Holders of Administrative Claims that are
 7 required to, but do not, file and serve a request for payment of such Claims by such date shall
 8 be forever barred, estopped, and enjoined from asserting such claims against the Debtors, the
 9 Reorganized Debtor, or their assets or Property and such Claims shall be deemed discharged
 10 as of the Effective Date. Objections to such requests, if any, may be filed and served
 11 according to applicable bankruptcy rules. Notwithstanding the foregoing, no request for
 12 payment of an Administrative Claim need be filed with respect to an Administrative Claim
 13 previously Allowed by a Final Order, including any and all Administrative Claims expressly
 14 Allowed under the Plan.

15 **8.4.3 Fees to the United States Trustee**

16 All fees required to be paid to the United States Trustee will be paid in full upon the
 17 Effective Date of the Plan, and shall remain current until the case is fully administered,
 18 closed, converted or dismissed, whichever occurs first. Such fees shall be paid from the Plan
 19 Fund.

20 **8.4.4 Priority Claims**

21 Allowed Priority Claims shall bear interest prior to the Effective Date at the rate
 22 specified under Nevada law, or other applicable law, and to the extent no objection has been
 23 filed, shall be paid on the Effective Date. Any objection to any Priority Claim shall be filed
 24 prior to the Effective Date.

25 **8.5. Executory Contracts**

26 The Debtor's executory contracts with various entities shall be assumed or rejected
 27 as set forth below:

28

Contract	Description of Contract	Treatment
Collaborative Design Studio	Architectural and engineering services contract	Rejected - subject to renegotiation
CR Hospitality, LLC	Operating agreement	Rejected
NorthStar Demolition and Remediation, LP	Contracting services contract	Rejected - subject to renegotiation
Paul Duesing Partners	Design services contract	Rejected - subject to renegotiation
The Penta Building Group	Construction contract	Rejected
Thannisch Development Services Inc.	Development consulting services contract	Rejected
Starwood/Marriot	Franchise Agreement	Rejected
CBRE, Inc.	Exclusive Sales Listing Agreement	Rejected
Dixon, Michael and Sharon	Condominium Purchase Discount Agreement	Rejected
Iverson, Brandyn	Condominium Purchase Discount Agreement	Rejected
Jameson, Paul	Condominium Purchase Discount Agreement	Rejected
Munnerlyn, Charles R. And Judy G.	Condominium Purchase Discount Agreement	Rejected
Hill, Heather	Condominium Purchase Discount Agreement	Rejected
Pacey-Willis, Lisa	Condominium Purchase Discount Agreement	Rejected

8.6 Means of Implementing the Plan

8.6.1 New Financing to Fund Plan

The Plan will be funded by the Northwind Financial Corp (“Northwind”), www.northwindfinancial.com. The primary contact with Northwind is Chip Cummings, its President. Mr. Cummings holds the designation of Certified Mortgage Consultant and Certified Fraud Examiner. Mr. Cummings has spoken extensively internationally, and is the author of nine books dealing with real estate financing. Mr. Cummings has also appeared

1 on FOX News, CNN, NBC, ABC, and written articles for the Wall Street Journal and USA
 2 Today. Attached hereto as **Exhibit "G"** is a letter of intent for the loan. The only remaining
 3 condition is for the lender to obtain its own appraisal, which is estimated to require 45 days.
 4 *See Exhibit "G-1."*

5 **8.6.2 Vesting of Assets of the Estates**

6 On the Effective Date, except as otherwise provided in the Plan, all Property
 7 of both of the Debtors' estate shall vest in Tahoe CalNeva Resort, LLC ("TCNR")³ free and
 8 clear of all liens and Claims, including, without limitation, all real and personal Property, all
 9 Retained Causes of Action, interests, claims, choses in action, and all rights under any
 10 contracts assumed hereunder (executory or otherwise), against any Person. On and after the
 11 Effective Date, TCNR may operate its business and use, acquire, or dispose of Property and
 12 compromise or settle any Claims without supervision or approval by the Bankruptcy Court
 13 and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules. On the Effective
 14 Date, except as otherwise provided in the Plan, all cause of action of both of the Debtors'
 15 estates shall vest in the TCNR free and clear of all Liens and Claims. TCNR shall be owned
 16 by Northwind Financial, The Busick Group, and certain other members of Cal Neva in
 17 proportions as yet to be determined. The operating agreement of TCNR shall comply with
 18 §1123(a) of the Bankruptcy Code.

19 **8.6.3 Disbursing Agent**

20 The Plan Proponents shall designate a certified public accountant in Reno,
 21 Nevada as disbursing agent (the "Disbursing Agent"), who shall hold all funds in a
 22 segregated trust account and disburse all money to be distributed under the Plan. The
 23 Disbursing Agent may employ or contract with other entities to assist in or to perform the
 24 distribution of the property and shall serve without bond. All disbursements under the Plan
 25 shall be made pursuant to motion, Notice and Hearing, and approval of the Bankruptcy
 26 Court. The Disbursing Agent shall be entitled to reasonable compensation for his services
 27

28 ³The Proponents reserve the right to change the name of the surviving entity.

1 to be paid by the Proponents.

2 **8.6.4 Completion of Improvements**

3 Following confirmation of the Plan, TCNR will complete all improvements
 4 necessary to bring the Property to full operation. TCNR is negotiating with Penta to
 5 complete the project, and anticipates a fully executed construction agreement prior to Plan
 6 confirmation. The Plan Proponents anticipate a fully executed construction agreement with
 7 Penta prior to the Confirmation Hearing on the Plan. The projections of the cost of
 8 completion are attached hereto as **Exhibit "J."** A summary of the cost to complete the
 9 project, and the pre-opening costs is attached hereto as **Exhibit "K."**

10 **8.6.5 Post-Confirmation Management of the Debtor**

11 The post-confirmation operations of TCNR will be managed by Viceroy Hotel
 12 Group, LLC ("Viceroy"). The Plan Proponents have a tentative agreement with Viceroy
 13 which is attached hereto as **Exhibit "I."**

14 Recognized as one of the most innovative operators on the current hotel landscape,
 15 Viceroy has magnetized contemporary travelers, the hospitality industry and lifestyle media
 16 alike with its pacesetting hotels and resorts. With a diverse portfolio of properties, Viceroy
 17 has created a collection of distinctive luxury properties offering innovative style, unique
 18 design and advanced service in the world's most sought-after destinations.

- 19 • Viceroy offers a range of services including:
- 20 • Professional third-party hotel management services for owners seeking branded
 and unbranded operations, with a focus on luxury hotels.
- 22 • Strategic and financial partnerships with locally based owner-developers,
 allowing for the maximization of core competencies.
- 24 • Acquisition of hotels without existing management contracts in primary
 locations, offering upside opportunities for repositioning through advanced operational and
 design initiatives.
- 27 • Development and construction of traditional hotel and resort destinations,
 providing a brand and operational anchor.

1 • Seasoned global sales, marketing, digital and e-commerce strategies.
 2 • Professional asset management.
 3 • Design support and technical services.

4 Further information can be found on its website at viceroyhotelsandresorts.com.

5 **8.6.6 No Election Under 1111(b)**

6 Various secured creditors have made an election under §1111(b). The Plan
 7 Proponents contend that the election should not be allowed because the Property is to be
 8 transferred under the Plan. The election is further prohibited because the claims of the
 9 Secured Creditors are disputed pursuant to the Secured Creditors Adversary Proceedings.

10 **8.6.7 Exemption from Certain Taxes and Fees**

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

18 **9. POST-CONFIRMATION FINANCIAL CONDITION OF THE DEBTOR**

19 Following confirmation of the Creditors' Plan, but prior to the funding by Northwind,
 20 the Debtor believes that its post-confirmation financial condition shall be as set forth in
 21 Exhibit "F" attached hereto.

22 **10. ALTERNATIVES TO THE CREDITORS' PLAN**

23 The Proponent believes that the Creditors' Plan provides its creditors with the earliest
 24 and greatest possible value that can be realized on their claims. In the event the Plan is not
 25 confirmed, one of the following alternatives will occur: i) the Court may confirm one of the
 26 two other plans proposed by other parties; ii) the Court may grant relief from the automatic
 27 stay to Hall and allow it to foreclose upon the Property; iii) the Court may convert the case
 28 to one under Chapter 7 of the Bankruptcy Code; or iv) the Court may dismiss the case. It

1 cannot be determined at this point which alternative is more likely.

2 The Plan Proponents and Northwind anticipate that all due diligence and conditions
 3 to the Plan will be satisfied by May 26, 2017. The sum of \$1,000,000.00 has been deposited
 4 into the trust account of the Law Offices Of Alan R. Smith.

5 **10.1 Tax Consequences of the Creditors' Plan**

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

11 **10.2 Liquidation Analysis**

12 Should the Debtor be forced to terminate its business operations or convert its case
 13 to Chapter 7 and have a trustee conduct the liquidation of its assets, Proponent estimates that
 14 such a liquidation will result in distributions as set forth in **Exhibit "G"** attached hereto.

15 **11. CONFIRMATION OF THE CREDITORS' PLAN**

16 **11.1 Confirmation of the Creditors' Plan**

17 Pursuant to Section 1128(a) of the Bankruptcy Code, the Bankruptcy Court will
 18 conduct a hearing regarding confirmation of the Creditors' Plan at the United States
 19 Bankruptcy Court, 300 Booth Street, Reno, Nevada 89509, pursuant to separate notice
 20 provided to creditors and interested parties.

21 **11.2 Objections to Confirmation of the Creditors' Plan.**

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

26 Counsel for Creditor: Alan R. Smith
 27 Law Offices of Alan R. Smith
 28 505 Ridge Street
 Reno, NV 89501
 Telephone: (775) 786-4579

1 Facsimile: (775) 786-3066

2 For the Creditors' Plan to be confirmed, the Creditors' Plan must satisfy the requirements stated in
3 Section 1129 of the Bankruptcy Code.

4 **DATED** this 21st day of May, 2017.

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LAW OFFICES OF ALAN R. SMITH

By: */s/ Alan R. Smith*
ALAN R. SMITH, ESQ.
Attorney for Plan Proponents

Exhibit “A”

Exhibit "A"
New Cal-Neva
Priority Claims

Name	Scheduled Amount	Proof of Claim Amount
Dept. Of Employment Training & Rehab	\$0.00	No POC Filed
Employment Development Dept.	\$0.00	No POC Filed
Franchise Tax Board	\$0.00	\$1,798.32
Internal Revenue Service	\$0.00	\$100.00
Nevada Dept. Of Taxation	\$0.00	No POC Filed
No Lake Tahoe Fire Protection District	\$17,418.05	\$17,418.05
Placer County Tax Collector	\$0.00	\$60,815.53
State Board of Equalization	\$0.00	No POC Filed
Washoe County	\$0.00	No POC Filed

Exhibit “B”

Exhibit "B"
New Cal-Neva
Secured Claims

3	Name	Scheduled Amount	Proof of Claim Amount
4	Advance Installations, Inc.	Not Scheduled	\$20,413.00
5	Al Pombo, Inc.	Not Scheduled	\$915,563.00
6	C&C Floors, LLC	Not Scheduled	\$35,375.50
7	Capital Glass, Inc.	Not Scheduled	\$510,495.60
8	CRL	Not Scheduled	No POC Filed
9	Curtain Wall Design and Consulting, Inc.	Not Scheduled	\$22,550.00
10	D4US, LLC dba Dimension 4	Not Scheduled	\$452,306.86
11	Hall CA-NV, LLC	\$21,247,285.60	\$24,877,656.55
12	Ladera Development, LLC	\$7,500,000.00	\$7,678,616.91
13	Lindell'S Painting Service	Not Scheduled	\$80,065.65
14	Lumos & Associates	\$15,864.74	\$16,319.00
15	Moulin, Xavier	Not Scheduled	\$191,093.30
16	Mt. Rose Heating and Air Conditioning, Inc.	Not Scheduled	\$360,537.00
17	Martin Iron Works, Inc.	Not Scheduled	\$65,996.26
18	Northern Nevada Fire Protection, Inc.	Not Scheduled	\$201,771.33
19	Placer County Tax Collector	\$0.00	\$60,815.53
20	Painters Trusts	Not Scheduled	\$327,536.65
21	Quality Tile & Marble Co., Inc.	Not Scheduled	\$141,658.54
22	Savage & Sons, Inc.	Not Scheduled	\$1,150,884.92
23	Sky Design Concepts, Inc.	Not Scheduled	\$117,950.00
24	PENTA Building Group, LLC	Not Scheduled	\$9,151,534.54
25	Todd Perry/Briggs Electric, Inc.	Not Scheduled	\$1,053,087.08
26	US Granite-Nevada, Inc.	Not Scheduled	\$128,580.67
27	Victory Woodworks, Inc.	Not Scheduled	\$240,616.17

1	Vortex Steel, Inc.	Not Scheduled	\$23,895.26
2	Valley Concrete, Inc.	Not Scheduled	\$271,060.03

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Exhibit “C”

Exhibit "C"
Cal-Neva
Secured Claims

Name	Scheduled Amount	Proof of Claim Amount
Lumos & Associates, Inc.		\$15,185.00
Ladera Development, LLC		\$7,471,110.61
George Stuart Yount		\$1,000,000.00

Exhibit “D”

Exhibit "D"
New Cal-Neva
Unsecured Claims

	Name	Scheduled Amount	Proof of Claim Amount
3	Advance Installations Inc.	\$22,285.35	\$20,413.00
4	Alert Security	\$28,111.75	No POC Filed
5	AT&T	\$149.33	No POC Filed
6	Belfor USA Group	Not Scheduled	89,742.11
7	Charter Business	\$680.03	No POC Filed
8	Craig Roberts Associates	\$7,151.63	No POC Filed
9	Dimension 4	\$452,306.86	No POC Filed
10	Dixon, Michael and Sharon	\$100,000.00	No POC Filed
11	George Stuart Yount	Not Scheduled	\$1,000,000.00
12	Hall, Thomas J.	\$87.50	No POC Filed
13	Hill, Heather	\$4,400.00	No POC Filed
14	Hinckley, Allen & Snyder	\$3,536.00	No POC Filed
15	Iverson, Brandyn	\$100,000.00	No POC Filed
16	Jameson, Paul	\$50,000.00	No POC Filed
17	Jeffer Mangels Butler & Mitchell LLP	Not Scheduled	\$92,646.07
18	Jordan Knighton Architects, Inc.	Not Scheduled	\$30,684.36
19	Law Offices of Thomas J. Hall	\$1,796.75	\$2,758.92
20	Moulin, Xavier	\$103,482.35	No POC Filed
21	Munnerlyn, Charles R. And Judy G.	\$100,000.00	No POC Filed
22	National Corporate Research Ltd.	\$178.00	No POC Filed
23	Nextiva Inc.	\$16,645.29	No POC Filed
24	NO Lake Tahoe Fire Protection District	\$17,418.05	No POC Filed
25	Northstar Demolition	\$96,201.18	No POC Filed
26	NV Energy	\$9,847.56	\$5,568.00
27	Okubo, Marx	\$5,695.36	No POC Filed

1	Pacey-Willis, Lisa	\$4,400.00	No POC Filed
2	Paul Duesing Partners	\$90,380.88	\$90,380.88
3	Pezonella Associates Inc.	\$34,609.25	No POC Filed
4	Radovan, Robert	\$115,000.00	No POC Filed
5	Southwest Gas Corporation	\$1,907.14	No POC Filed
6	Star Reports	\$475.00	No POC Filed
7	Thannisch Development Services Inc.	\$82,039.69	No POC Filed
8	The Penta Building Group	\$7,119,902.80	No POC Filed
9	USPS	\$310.00	No POC Filed
10	Verizon	\$240.87	No POC Filed
11	Vision Control Assoc of Nevada Inc.	\$23,724.48	No POC Filed
12	Weig, Rozlynn Lilliana	\$2,666.00	\$406,643.00
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Exhibit “E”

Exhibit "E"
Cal Neva
Unsecured Claims

	Name	Scheduled Amount	Proof of Claim Amount
3	Advance Installations Inc.	\$22,285.35	No POC Filed
4	Affordable Linen Services LLC	\$127.47	No POC Filed
5	Alert Security	\$28,111.75	No POC Filed
6	ALSCO	\$71.70	No POC Filed
7	Arbor Care of Tahoe	\$3,920.00	No POC Filed
8	AT&T	\$149.33	No POC Filed
9	Belfor USA Group, Inc..	Not Scheduled	\$89,742.11
10	Bray Whaler, Inc.	\$23,826.95	No POC Filed
11	Bright Business Media, LLC	Not Scheduled	\$4,000.00
12	Capitol Corporate Services	\$420.00	No POC Filed
13	Capitol One Mortgage Payment	\$114,421.45	No POC Filed
14	Case Development Services, LLC	\$84,626.68	No POC Filed
15	Charter Communications	Not Scheduled	\$481.36
16	Collaborative Design Studio	\$158,287.64	No POC Filed
17	Craig Roberts Associates	\$7,151.63	No POC Filed
18	Criswell Associates	\$1,739.65	No POC Filed
19	Criswell Radovan	\$409,261.92	No POC Filed
20	Dale Cox Architects	Not Scheduled	\$5,105.00
21	Dimension 4	\$452,306.86	No POC Filed
22	Eighme, Jim	\$5,416.65	No POC Filed
23	Galager, Arthur J.	\$1,823.54	No POC Filed
24	Galaxy Hotel Systems	\$29,596.43	No POC Filed
25	Gary David Group	\$29,175.05	No POC Filed
26	Glodow Nead Communications	\$97,529.87	No POC Filed
27			

1	Gold County Termite Control	\$300.00	No POC Filed
2	George Stuart Yount	Not Scheduled	\$1,000,000.00
3	Hall, Thomas J.	\$87.50	No POC Filed
4	High Sierra Elevator Inspections	\$750.00	No POC Filed
5	Hill Planning, Inc.	\$4,311.00	No POC Filed
6	Hinckley, Allen & Snyder	\$3,536.00	No POC Filed
7	Hospitality Careers Online, Inc.	\$3,699.00	No POC Filed
8	IPFS Corporation	\$10,269.81	No POC Filed
9	IPREP Acquisition, LLC		\$75,000.00
10	JKGD Architecture Engineering	\$18,543.36	No POC Filed
11	Koch Elevator Co.	Not Scheduled	\$6,199.97
12	Kolesar & Leatham	Not Scheduled	\$527.00
13	Law Offices if Thomas J. Hall	\$1,796.75	No POC Filed
14	Leslie P. Busick		
15	Lifescapes International Inc.	\$5,118.00	No POC Filed
16	Lisa Monroe & Associates, Inc.	\$700.00	No POC Filed
17	Lumos & Associates, Inc.	\$15,864.74	\$16,319.10
18	Marriner, Dave	\$1,525.75	
19	Moulin, Xavier	\$103,482.35	No POC Filed
20	National Corporate Research Ltd.	\$178.00	No POC Filed
21	Nevada Secretary of State	\$1,050.00	No POC Filed
22	New Cal-Neva Lodge, LLC	\$50,000.00	No POC Filed
23	New World Concept Group	\$32,086.55	No POC Filed
24	NEXTIVA, Inc.	\$16,645.29	No POC Filed
25	North Lake Tahoe Fire Protection District	\$17,418.05	No POC Filed
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1	North Lake Tahoe Chamber	\$270.41	No POC Filed
2	North Shore Ace Hardware	\$435.64	No POC Filed
3	North Tahoe Business Assoc.	\$250.00	No POC Filed
4	North Tahoe Public Utility District	\$566.46	No POC Filed
5	Northstar Demolition	\$96,201.18	No POC Filed
6	NV Energy	\$9,847.56	NO POC Filed
7	Okubo, Marx	\$5,695.36	No POC Filed
8	Paul Duesing Partners	\$90,380.88	No POC Filed
9	Pezonella Associates, Inc.	\$34,609.25	No POC Filed
10	Powell Coleman & Arnold LLP	\$13,157.00	No POC Filed
11	Quick Space	\$474.00	No POC Filed
12	Rapid Space, LLC	Not Scheduled	\$1,896.00
13	Reno Ornamental Iron, Ltd.	Not Scheduled	\$201.95
14	Ricca Design	\$855.00	No POC Filed
15	Rothgerber, Lewis Roca	\$1,135.50	No POC Filed
16	Sabre Hospitality Solutions	\$108.00	No POC Filed
17	Sky Fiber Internet	\$3,000.00	No POC Filed
18	Smart Meeting	\$4,000.00	No POC Filed
19	Southwest Gas Corp.	\$1,907.14	No POC Filed
20	Spectrum CPA Group, LLP	\$35,485.79	No POC Filed
21	Star Reports	\$475.00	No POC Filed
22	Starwood Hotels & Resort Worlwide, Inc.	\$30,278.39	No POC Filed
23	SWRCB Storm Water Section	\$513.00	No POC Filed
24	Tahoe Tech Group	\$35.00	No POC Filed
25	Tahoe Truckee Sanitation	\$448.59	No POC Filed
26	Thannisch Development Services, Inc.	\$82,039.69	No POC Filed
27	The Penta Building Group	\$7,119,902.80	No POC Filed
28			

1	USPS	\$310.00	No POC Filed
2	Verizon	\$240.87	No POC Filed
3	Vision Control Assoc. of Nevada, Inc.	\$23,724.48	No POC Filed
4	Weig, Rozlynn Lilliana	\$2,666.00	\$2,666.00
5	Weig, Rozlynn Lilliana	Not Scheduled	\$406,643.00
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Exhibit “F”

EXHIBIT "F"

POST CONFIRMATION FINANCIAL STATEMENT

Assets:

Real Property	\$35,000,000.00 ¹
Personal Property	\$ 2,000,000.00 ¹
CR Lake Tahoe, LLC	\$.00
Potential Claims for Recovery	(unknown)
Total Assets	\$37,000,000.00

Liabilities:

None

Net Assets over Liabilities \$37,000,000.00

¹These are estimates of the Plan Proponents, and will be revised once the appraisal is complete.

Exhibit “G”

EXHIBIT "G"
Cal Neva and New Cal-Neva
LIQUIDATION ANALYSIS

Assets:¹

5	Real Property	\$ 35,000,000.00 ²
6	Personal Property	\$ 2,000,000.00 ²
7	CR Lake Tahoe, LLC	\$.00 ³
8	Potential Claims for Recovery	(unknown)
9	Total Assets	\$ 37,000,000.00

Liabilities:

12	Secured Debt	\$ 45,000,000.00
13	Unsecured Debt	\$ 2,000,000.00
14	(not including potential mechanics liens and duplication)	
15	Chapter 11 Trustee Fees and Attorney Fees	\$ 1,000,000.00 (estimated)
16		_____
17	Net worth	< 11,000,000.00 >
18	Amount Available for Unsecured Creditors	\$.00
19		

¹These are the estimated values of the assets of New Cal-Neva by the Plan Proponents, subject to revision upon completion of appraisal. Cal Neva's only asset is the equity in New Cal-Neva, thus it is not included in this analysis.

²Estimated by Plan Proponents. Subject to revision upon completion of appraisal.

³Subject to dispute over enforcement of Exchange Agreement.

Exhibit “H”



File #: 17-02348-01
Issue Date: May 1, 2017

TERM SHEET – LETTER OF INTENT

This LOI will expire at the close of business at 5:00pm Eastern U.S. time five (5) days after date of issue. If not accepted on or before expiration, this LOI will be automatically withdrawn and cancelled without any additional action. Based upon preliminary review, Northwind Financial Corporation hereby proposes financing under the following Terms and Conditions:

1. Project Name:	Tahoe CalNeva Resort
2. Loan Type:	Commercial – Development/Construction
3. Funding Structure:	Debt; 144a Bond/Securities issue
4. Proposed Loan Amount:	\$80,000,000 or as determined by underwriting
5. Purpose of Loan:	Acquisition-Construction-Development
6. Property Address/Location:	2 Stateline Rd., Crystal Bay, NV 89402
7. Property Description:	13.57a parcel; Hotel/Casino - flagged
8. Property Type:	Commercial; to be conforming zoning
9. Loan to Value / Loan to Cost:	Lesser of 100% LTC of project costs or 80% LTV of projected stabilized value.
10. Asset Valuation:	Project must have an "as projected" stabilized market value of not less than \$100,000,000 USD
11. Interest Rate (Construction):	6.50%; 24-month maximum
12. Interest Rate (Permanent): <small>(*Note – Rate is finalized and locked only after lender evaluation of the costs, valuation, LTC/LTV, debt service coverage, and borrower credit/liquidity)</small>	5.50% - 6.00% based upon bond/security underwriting and rating
13. Term:	7 year term; subject to bond/security underwriting
14. Amortization:	Interest-only
15. Renewal Option:	None.
16. Debt Service Coverage:	N/A
17. Lender Origination Fee:	10+2 points to Lender; Points and costs may be

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Page 3 of 5





	rolled into the loan amount.
18. Pre-payment:	Subject to yield maintenance as required.
19. Exit Fee:	None
20. Partial Releases:	N/A
21. Secondary Financing:	Subject to lender approval.
22. Lender Participation / Equity:	15% based upon underwriting with 5-year repurchase option.
23. Application Fee:	\$200,000 USD due upon issuance/acceptance of Funding Agreement.
24. Commitment Fee:	\$50,000 upon acceptance of Final Commitment Letter.
25. Third-Party Expense:	As required by lender underwriting at Borrower expense.
26. Lender Legal Fees:	Borrower paid at time of closing for document preparation.
27. Assumption:	Neither assignable nor assumable without lender consent.
28. Ownership:	Single-asset entity; existing or newly-formed.
29. Borrowing Entity:	Tahoe CalNeva Resort, LLC
30. Recourse / Guarantor(s):	Non-Recourse; subject to standard carve-outs;
31. Collateral/Security:	Senior lien position on subject property/assets
32. Asset / Credit Verification:	Required on all principals; Appraisal required
33. Escrows:	Subject to underwriting
34. Reserve Requirements:	As required by underwriting; may be included in loan amount.
35. Referring Broker:	Charles Christmas
36. Third-Party Reports:	Required as per underwriting review
37. Estimated Closing Schedule:	Estimated at 60 days from receipt/acceptance of Funding Agreement, or 30 days from receipt of all

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A+ RATED



required documentation and bond compliance.

38. Other Conditions & Requirements:

- a) Resume and PFS on all Principals
- b) Five (5) year pro forma for Project
- c) Current financials & operating statement
- d) Review of MAI Appraisal issued in favor of Lender
- e) Draw/disbursement schedule to be approved by lender
- f) KYC, background and credit verification of entity and all principals.
- g) Review of GMP Contractors Agreement for project.

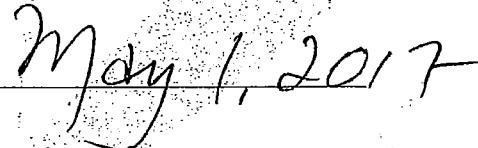
All other costs and expenses related to the financing shall be the responsibility of the Borrower, and may vary greatly depending on the nature of the project, including but not limited to title insurance premiums and charges, property survey, recording fees, mortgage or property taxes and/or Borrower attorney fees. Please note that the final loan amount, terms and/or conditions may be adjusted based upon the inclusion of lender and bond company fees, underwriting and other miscellaneous due diligence or closing cost expenses (soft costs) which may be reimbursed at time of closing.

I have reviewed these preliminary Terms and Conditions, and have an interest to proceed with Northwind in financing this project. I understand that no upfront fees will be required in advance of a Funding Agreement, but that if I accept the final terms offered, I am responsible for funding and paying for any due diligence and third-party expenses required.

ACCEPTED:


Charles Christmas

Date:


May 1, 2017

NOTE: THIS LETTER OF INTENT MUST BE SIGNED AND RETURNED WITHIN FIVE (5) DAYS OF DATE OF ISSUE OR THIS OFFER IS AUTOMATICALLY CANCELLED AND WITHDRAWN.

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Exhibit "I"

EXHIBIT "I"

SOLE MEMBERS CAL-NEVA

- IMC Investment Group CNR, LLC
- CEA Ventures, LP
- Oakdale Ave. Partners, LP
- Thorpe Investments, LP
- Arthur Prieston
- Molly Kingston
- Mariucci Living Trust Under Agreement dated July 5, 1989 as amended
- Marriner Real Estate, LLC
- Leslie P. Busick, Trustee
- Charles R. Munnerlyn and Judith K. Munnerlyn, Trustee's of the Munnerlyn Revocable Trust
- Paul and Evy Paye, LLC
- The Erickson Family Trust
- Dixon Family Trust dated November 1, 1994
- Martin Family Trust dated April 20, 2000
- Sinatra Family Cal Neva Investors
- CR Cal Neva, LLC
- Ladera Development, LLC