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UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA

In re:

NEW CAL-NEVA LODGE, LLC,

Debtor.

Bankruptcy No. 16-51282-gwz
Chapter 11

**THE PENTA BUILDING GROUP, LLC'S
AND NORTHLIGHT CAPITAL PARTNERS,
LLC'S AMENDED JOINT PROPOSED
DISCLOSURE STATEMENT IN SUPPORT
OF SECOND AMENDED PLAN OF
LIQUIDATION FOR NEW CAL-NEVA
LODGE, LLC DATED AUGUST 7, 2017**

Date: August 16, 2017
Time: 1:00 p.m.
Place: US Bankruptcy Court
C. Clifton Young Federal Building
300 Booth St., 5th Flr., Crtrm. 1
Reno, NV 89509
Judge: Honorable Gregg W. Zive

THIS PROPOSED DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT, A SOLICITATION OF VOTES TO ACCEPT OR REJECT THE PLAN WILL COMMENCE ONLY IF THIS OR ANY AMENDED DISCLOSURE STATEMENT AND SOLICITATION PROCEDURES IN CONNECTION THEREWITH ARE APPROVED BY THE BANKRUPTCY COURT. THE DEBTOR MAY AMEND OR RESTATE THE PROPOSED DISCLOSURE STATEMENT AT OR PRIOR TO THE HEARING TO APPROVE IT.

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IMPORTANT

THIS DISCLOSURE STATEMENT IS SUBMITTED TO ALL CREDITORS AND INTEREST HOLDERS OF NEW CAL-NEVA LODGE, LLC ENTITLED TO VOTE ON THE PLAN OF REORGANIZATION LIQUIDATION HEREIN DESCRIBED, AND CONTAINS INFORMATION THAT MAY AFFECT YOUR DECISION TO ACCEPT OR REJECT THE PLAN OF LIQUIDATION. THIS DISCLOSURE STATEMENT IS INTENDED TO PROVIDE ADEQUATE INFORMATION AS REQUIRED BY THE BANKRUPTCY CODE AS TO THE PLAN OF LIQUIDATION. ALL CREDITORS AND INTEREST HOLDERS ARE URGED TO READ THE DISCLOSURE STATEMENT AND ATTACHMENTS, INCLUDING THE PLAN, WITH CARE AND IN THEIR ENTIRETY.

ON [AUGUST ___, 2017], THE BANKRUPTCY COURT APPROVED THIS DISCLOSURE STATEMENT AS CONTAINING ADEQUATE INFORMATION UNDER SECTION 1125(b) OF THE BANKRUPTCY CODE. SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN OF LIQUIDATION HEREIN DESCRIBED ATTACHED AS EXHIBIT A, IS BEING SOUGHT FROM CREDITORS AND INTEREST HOLDERS WHOSE CLAIMS AGAINST AND INTERESTS IN THE DEBTOR ARE IMPAIRED UNDER THE PLAN OF LIQUIDATION. CREDITORS AND INTEREST HOLDERS ENTITLED TO VOTE ON THE PLAN OF LIQUIDATION ARE URGED TO VOTE IN FAVOR OF THE PLAN AND TO RETURN THE BALLOT INCLUDED WITH THIS DISCLOSURE STATEMENT UPON COMPLETION IN THE ENVELOPE PROVIDED.

GENERAL INFORMATION AND THE PLAN PROPONENT¹

New Cal-Neva Lodge, LLC (“Debtor” or “New Cal-Neva”) the debtor and debtor-in-possession in the above-captioned chapter 11 case filed its petition for relief under Chapter 11 of the Bankruptcy Code on July 28, 2016 and is the debtor and debtor-in-possession in the chapter 11 case number BK-N-16-51282.

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 Penta Building Group, LLC (“Penta”), a secured creditor of Debtor and Northlight
2 Capital Partners (together with Penta “Proponents” or “Proponent”) as the proponents of the Plan
3 filed July 5, 2017, and amended July 14, 2017 [docket no. 704] (as amended, supplemented, or
4 modified, the “Plan”), submit this Disclosure Statement (as amended, supplemented, or
5 modified, the “Disclosure Statement”) under section 1125 of the Bankruptcy Code and
6 Bankruptcy Rule 3016. The proposed Plan contemplates the sale of substantially all Debtor’s
7 assets, free and clear, to Northlight and the creation of a Creditors’ Trust to liquidate any
8 remaining assets for distribution to the Debtor’s general unsecured creditors.

9 The purpose of this Disclosure Statement is to disclose information adequate to enable
10 voting holders of Claims of Debtor to arrive at a reasonably informed decision in exercising their
11 rights to vote on the Plan. A copy of the Plan is attached as Exhibit A hereto. All section
12 references in this Disclosure Statement are to the Bankruptcy Code unless otherwise indicated.

13 **GENERAL SUMMARY OF THE PLAN**

14 The Plan sets forth a proposal for the resolution of all Claims and Interests against the
15 Debtor and the Estate. Under the Plan, substantially all property of the Debtor other than
16 Creditors’ Trust Assets and as otherwise specifically described herein will be transferred to
17 Northlight or an entity created by Northlight for this purpose, and Northlight will assume only
18 the obligations specifically assumed or created under the Plan. The Creditors’ Trust Assets shall
19 be transferred to the Creditors’ Trust to be liquidated for the benefit of the Debtor’s general
20 unsecured creditors. Upon the Effective Date, all equity Interests in the Debtor will be
21 extinguished.

22 The Plan will be funded and the subject property rehabilitated and developed through an
23 operating partnership between Northlight Capital Partners, LLC and Enchantment Group
24 (collectively, defined as “Northlight”).

25 Northlight Capital Partners LLC is a fund management company based in Norwalk,
26 Connecticut. Along with its sister company, Northlight Financial, LLC (together, “Northlight”),
27 the company manages approximately \$500 million of equity capital across multiple investment
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1 vehicles. Real estate investment vehicles include Northlight Trust I, a separately managed
2 account on behalf of a large family office, and Northlight Real Estate Opportunity Fund I LP, a
3 multi-client real estate opportunity fund comprised of several Taft-Hartley pension funds.

4 Northlight has been actively involved in the Reno/Tahoe market since 2011 when it took
5 control of Specialty Trust, a bankrupt, Reno-based mortgage REIT. Since that initial acquisition,
6 Northlight has also made investments in the Tahoe area including Old Greenwood, a fractional
7 resort based in Truckee California, Incline Creek Estates, a residential project in Incline Village
8 Nevada, and the Tahoe Biltmore, a hotel casino adjacent to the Cal Neva project, the casino hotel
9 adjacent to the Cal Neva Resort (“Boulder Bay”). As currently entitled, Boulder Bay has the right
10 to build approximately 550,000 square feet of residential, hospitality, gaming and commercial
11 space on the Tahoe Biltmore site. The combination of Boulder Bay with the Cal Neva will
12 provide an opportunity to complete a development not seen in the North Lake Tahoe market since
13 the construction of the Hyatt Regency Incline Village. This marriage will both simplify the
14 Boulder Bay development and provide solutions to many of the critical shortcomings inherent in
15 the Cal Neva.

16 In addition to our exposure to the Reno/Tahoe market, Northlight also has experience
17 managing several resort/residential communities across the West Coast. These include Thunder
18 Springs, a residential community in Sun Valley Idaho, Snake River Sporting Club, a resort
19 community in Jackson Hole Wyoming, Seven Canyons/Sedona Ranch, two resort communities in
20 Sedona Arizona, Saguaro Ranch, a residential community in Marana Arizona, the Residence Club
21 at PGA West, a resort community in La Quinta California, and Rosewood, the development site
22 for the Rosewood Hotel in Telluride Colorado.

23 Finally, Northlight has extensive experience in the gaming industry which includes, but is
24 not limited to, a \$15 million debtor-in-possession (“DIP”) financing to the Atlantic Club Casino
25 Hotel in Atlantic City, New Jersey and the \$150 million acquisition of PDS Gaming Corp, a Las
26 Vegas based provider of gaming equipment and financing solutions.

27 Enchantment Group is a hospitality and spa management company based in Scottsdale,
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1 Arizona. Founded by senior executives of Enchantment Resort and Mii amo, an award-winning
2 destination spa at Enchantment Resort located in Sedona, Arizona, Enchantment Group has
3 diverse capabilities, achieved through years of success with some of the most notable properties
4 in the world. Enchantment Group’s distinctive collection of luxury resort properties include: Mii
5 amo spa (named the World’s Best Destination Spa by Travel and Leisure and Condé Nast
6 magazines three times), Enchantment Resort (member of Preferred Hotels), the Tides Inn, a
7 waterfront resort in Virginia (member of Preferred Hotels), Seven Canyons Golf Club and
8 Residences in Sedona, Arizona and The Cove Eleuthera, a beach-front resort on the Bahamian
9 Island of Eleuthera. These world-renowned destinations also consistently earn impressive
10 accolades from major publications.

11 Enchantment Group has been successfully repositioning, opening and stewarding its
12 stakeholders’ assets. Throughout its history, Enchantment Group has handled over \$200 million
13 in renovation and development work including the recent \$25 million renovation of Enchantment
14 Resort; the creation of Mii amo from concept through design and construction; the recent
15 development of the clubhouse facilities at Seven Canyons Golf Club; and a \$20 million
16 renovation of the Tides Inn. Enchantment Group strictly adheres to agreed time horizons and
17 follows through on strategies designed to meet or exceed each acquisition pro forma. In takeover
18 situations, success starts way before the doors open - from renovation, planning and oversight,
19 including collaboration with architects, designers, communities and government entities – to
20 setting up pre-opening strategies, systems, staff recruitment, training and revenue development
21 plans.

22 Northlight will invest \$34 million to satisfy the Debtor’s existing claims. The \$34
23 million “Plan Payment” will: (a) pay the Debtor’s unsecured priority tax claims, priority non-tax
24 claims, and general administrative expenses claims and in full in cash on the Effective Date; (b)
25 satisfy Allowed fees of Estate Professionals in the maximum aggregate amount up to
26 \$1,000,0000 as agreed by such professionals, or pro rata; (c) create a fund, of no less than \$32
27 million to be disbursed on the Effective Date in full satisfaction of the secured claims of Hall
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1 CA-NV, LLC, Ladera Development, LLC, and Penta (inclusive of its subcontractors), which
2 disbursements to each such creditor will be based on the outcome of the Secured Creditors'
3 Adversary Actions litigation; (d) pay Allowed amounts of the advances with respect to the super
4 priority lien held by Hall; and (e) pay \$30,000 to establish the Creditors' Trust, for benefit of the
5 Debtor's General Unsecured Creditors.

6 Proponents believe that Penta must remain the general contractor and complete the
7 construction project. Northlight has agreed to pay Penta and the Subcontractors \$8 million (the
8 "Guaranty") in consideration for entering into the Construction Contract to complete
9 construction that will combine Cal Neva with Boulder Bay. This payment shall also cover
10 transfer of the designs, permits, entitlements, and approvals held by Penta and the
11 Subcontractors. Proponents believe reasonable business justification exists for the Guaranty
12 because the cost of replacing Penta and the Subcontractors could exceed the Guaranty.
13 Proponents have investigated the possibility of replacing Penta and do not believe it is
14 economically feasible. The cost of putting the project back out to bid alone, has been estimated
15 to be over \$4 million. Further, non-payment to Penta and the Subcontracts would have a
16 significant chilling effect on the putative re-bidding process. Plan Proponents believe that if
17 provision is not made to guarantee some payment to the Subcontractors, whoever purchases the
18 property will likely need contractors from outside the Tahoe area, which will further increase the
19 costs of construction. The Guaranty is not consideration for the transfer of the Purchased Assets
20 under this Plan but is disclosed as an abundance of caution. This payment is not on account of
21 Penta's claim in the bankruptcy. Penta's claim is being treated as described under Class 5. The
22 Guaranty has no impact on distributions to general unsecured creditors. The Guaranty will be
23 reduced on a dollar for dollar basis, to the extent Penta recovers under the Secured Creditors'
24 Fund. As discussed below, in the event Penta is found to be the senior lienholder on the
25 Property, the Guaranty will be reduced up to the entire \$8 million. On or after the Effective
26 Date, Northlight will pay Penta and its subcontractors the Guaranty and Northlight and Penta
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1 will enter into a new Construction Contract. Northlight’s agreement to provide the Guaranty is
2 not contingent on the resolution of the Lien Litigation (as defined herein).

3 Northlight will thereafter pay the costs to complete the renovation of the Resort. Total
4 construction costs for the combined project are estimated to be between \$35 million and \$40
5 million. The Plan going Effective is conditioned upon, among other things, Northlight and
6 Penta reaching agreement on the Construction Contract and upon Northlight securing financing
7 to complete construction of the project once the Plan is confirmed (“Effective Date Conditions”).
8 Northlight will seek construction financing in the amount consistent with the estimated costs of
9 construction, discussed above.

10 Following Plan Confirmation, Northlight anticipates it will take no more than 45 days to
11 obtain the Construction Financing. Northlight has a high level of confidence that the financing
12 will be obtained. Most, if not all, of the projects described above included a similar debt
13 component to this project. In all cases, Northlight successfully obtained the financing.

14 Northlight has provided evidence to satisfy Penta and the Official Committee of
15 Unsecured Creditors (the “UCC”) that Northlight has immediate cash on hand, and commitment
16 to fund, to meet the requirements of the Plan, including the ability to fund the Plan Payment.
17 Northlight has made a \$500,000 good faith deposit to its counsel’s trust account and Penta has
18 made a \$500,000 good faith deposit to its counsel’s trust account.

19 The Plan will establish the Creditors’ Trust and the Creditors’ Trustee will be authorized
20 to liquidate and distribute all Creditors’ Trust Assets assigned to the Creditors’ Trust for the
21 benefit of General Unsecured Claims.

22 The treatment under the Plan of allowed Claims and Interests in each class is summarized
23 as follows:

Class	Type of Allowed Claim or Equity Interest	Status
1	Hall Super Priority Lien	Unimpaired Deemed to accept
2	Priority Non-Tax Claims	Unimpaired Deemed to accept
3	Secured Claim of Hall CA-NV, LLC	Impaired

4	Secured Claim of Ladera Development	Impaired
5	Secured Claim of The Penta Building Group, Inc.	Impaired
6	Subcontractor Mechanics' Lien	Impaired
7	General Unsecured Claims	Impaired
8	Equity Interests	Impaired Deemed to reject

In addition, the Plan provides for the resolution of Disputed Claims through a series of mechanisms more fully described in the Plan. As set forth in the Liquidation Analysis herein, the Proponent believes approval of the Plan will result in a higher recovery for Holders of Claims and Interests than if the Debtor's estate was liquidated in a Chapter 7.

This Disclosure Statement is not intended to replace a careful review and analysis of the Plan, which should include a careful review of the specific treatment of your Claims under the Plan. It is submitted as an aid to supplement your review of the Plan and to explain the terms of the Plan. Every effort has been made to explain fully various aspects of the Plan as they affect holders of Claims and Interests. If any questions arise, the Proponent urges you to consult with your own counsel to understand the import and effect of the Plan.

As of the date of this Disclosure Statement, Plan Proponents are aware of 2-3 alternative plans of liquidation that may be proposed by other parties. This Plan does not include an assessment of these other plans or a comparison of the treatment of creditors under any other plan. Creditors are cautioned to independently review each disclosure statement and plan that is approved. Objections have been made by Interested Parties, that this Disclosure Statement should include information about the other plans and/or a comparison of treatments. Despite these objections, Plan Proponents have declined to do so.

EFFECTIVE DATE OF THE PLAN

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

RECOMMENDATION OF THE PLAN PROPONENT

[The Proponents are not soliciting ballots at this time. This language is included to reflect the language to be used *if and when* a final disclosure statement is approved.] The Proponent urges and recommends that all Creditors and Interest Holders entitled to vote on the Plan vote in favor of the Plan.

The Proponents believe that (1) the Plan provides the best possible result for the Holders of Claims against the Debtor, (2) with respect to each Impaired class of Claims, the Distributions under the Plan are greater than the amounts that would be received if the Debtor was to liquidate under Chapter 7 of the Bankruptcy Code, and (3) acceptance of the Plan is in the best interest of Holders of Claims and Interests.

In arriving at its conclusions, the Proponents considered: (1) the limited alternatives available to the Debtor to restructure their debts; (2) the Debtor’s liquidation value; (3) the appraised value of the property; and (4) the rights, in both payment and security position, of the Debtor’s creditors and Interest Holders.

BALLOTING AND OTHER INFORMATION

Ballots, which are included in the enclosed Plan materials, should be properly completed, executed and received by the offices of Nuti Hart LLP, 411 30th Street, Suite 408, Oakland, California, 94609-3311, Attn: Christopher H. Hart, no later than 5:00 p.m. prevailing Pacific Time on August __, 2017. A hearing to consider Confirmation of the Plan will be held commencing at 10:00 a.m., on August 16, 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. Any objections to confirmation of the Plan must be in writing and must be filed with the Clerk of the Bankruptcy Court and served as set forth in a separate notice of hearing provided.

QUESTIONS

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

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Las Vegas, Nevada 89113-2210

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ARTICLE I. – INTRODUCTION

On June 10, 2016, Cal Neva Lodge, LLC commenced a bankruptcy case by filing a voluntary petition for relief under chapter 11 of the Bankruptcy Code. On July 28, 2016, New Cal-Neva commenced the Case by filing a voluntary petition for relief under chapter 11 of the Bankruptcy Code. Both bankruptcy 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 New Cal-Neva filed its bankruptcy case, New Cal-Neva has continued in possession of the Real Property and assets, and has continued to manage such Real Property and assets as debtor 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 this Case. An official Committee of unsecured creditors was appointed in the Case on September 13, 2016.

On July 5, 2017, Proponents filed a proposed plan of reorganization. Proponents file an Amended Plan on July 14, 2017 and filed a proposed Disclosure Statement, on July 14, 2017. On August 7, 2017, Proponents filed the Second Amended Plan and this Disclosure Statement. A copy of the Plan accompanies this Disclosure Statement.

The Proponents have 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 Debtor and the Plan 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 August 7, 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.

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

5 No statements concerning the Debtor, the value of its assets, or the value of any benefit
6 offered to any holder of any Claim or Interests in connection with the Plan should be relied on
7 other than as set forth in this Disclosure Statement. In arriving at a decision, parties should not
8 rely on any representation or inducement made to secure their acceptance or rejection that is
9 contrary to information contained in this Disclosure Statement. Any such additional
10 representations or inducements should be reported immediately to undersigned counsel for the
11 Proponent.

12 **A. Disclaimers**

13 *PLEASE READ THIS DISCLOSURE STATEMENT CAREFULLY BEFORE YOU VOTE*
14 *ON THE PLAN. ALL PREVIOUS STATEMENTS AND REPRESENTATIONS MADE BY OR ON*
15 *BEHALF OF THE DEBTOR OR THE PROPONENTS ARE EXPRESSLY SUPERSEDED BY*
16 *THIS DISCLOSURE STATEMENT. ALL OF THE STATEMENTS AND REPRESENTATIONS*
17 *RESPECTING FINANCIAL, BUSINESS AND ACCOUNTING DATA HEREIN ARE THOSE OF*
18 *THE DEBTOR, UNLESS SPECIFICALLY STATED TO BE FROM OTHER SOURCES.*

19 *PROFESSIONALS EMPLOYED BY THE PROPONENT HAVE ASSISTED IN THE*
20 *PREPARATION OF THIS DISCLOSURE STATEMENT BASED ON FACTUAL INFORMATION*
21 *AND ASSUMPTIONS RESPECTING FINANCIAL, BUSINESS AND ACCOUNTING DATA*
22 *PROVIDED BY THE DEBTOR'S MANAGEMENT OR REFLECTED IN PLEADINGS FILED*
23 *WITH THE BANKRUPTCY COURT, NOT PERSONAL KNOWLEDGE OR ASSUMPTIONS.*

24 *WHILE THE INFORMATION PROVIDED HEREIN IS BELIEVED RELIABLE, THE*
25 *PROPONENT HAS NOT UNDERTAKEN TO VERIFY OR INVESTIGATE SUCH*
26 *INFORMATION, AND MAKES NO REPRESENTATION AS TO THE ACCURACY OR*
27 *COMPLETENESS OF THE INFORMATION. THE STATEMENTS MADE IN THIS*
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1 *DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO*
2 *THE PLAN, THE APPENDICES ATTACHED HERETO, AND OTHER DOCUMENTS*
3 *REFERENCED AS FILED WITH THE BANKRUPTCY COURT BEFORE OR*
4 *CONCURRENTLY WITH THE FILING OF THIS DISCLOSURE STATEMENT.*
5 *FURTHERMORE, THE PROJECTED FINANCIAL INFORMATION CONTAINED HEREIN*
6 *HAS NOT BEEN THE SUBJECT OF AN AUDIT.*

7 *DISTRIBUTION OF THIS DISCLOSURE STATEMENT SHOULD NOT BE*
8 *CONSTRUED AS ANY REPRESENTATION OR WARRANTY AT ALL, EITHER EXPRESS OR*
9 *IMPLIED, BY THE PROPONENT OR ITS PROFESSIONAL CONSULTANTS THAT THE PLAN*
10 *IS FREE FROM RISK, THAT THE ACCEPTANCE OF THE PLAN WILL RESULT IN A RISK-*
11 *FREE RESTRUCTURING OF THE DEBTOR'S OBLIGATIONS OR THAT THE OBLIGATIONS*
12 *OF THE DEBTOR AS RESTRUCTURED BY THE PLAN WILL BE FULLY PERFORMED IN*
13 *THE FUTURE WITHOUT RISK OF FURTHER DEFAULT.*

14 *ALL HOLDERS OF IMPAIRED CLAIMS SHOULD READ AND CONSIDER*
15 *CAREFULLY THE MATTERS DESCRIBED IN THE PLAN AND DISCLOSURE STATEMENT*
16 *AS A WHOLE, INCLUDING THE "RISK FACTORS" DESCRIBED IN BELOW IN THIS*
17 *DISCLOSURE STATEMENT, PRIOR TO VOTING ON THE PLAN. IN MAKING A DECISION*
18 *TO ACCEPT OR REJECT THE PLAN, EACH CREDITOR AND INTEREST HOLDER*
19 *ENTITLED TO VOTE THEREON MUST RELY ON ITS OWN EXAMINATION OF THE*
20 *DEBTOR AS DESCRIBED IN THIS DISCLOSURE STATEMENT AND THE TERMS OF THE*
21 *PLAN, INCLUDING THE MERITS AND RISKS INVOLVED. IN ADDITION, CONFIRMATION*
22 *AND CONSUMMATION OF THE PLAN ARE SUBJECT TO CONDITIONS PRECEDENT*
23 *THAT COULD LEAD TO DELAYS IN CONSUMMATION OF THE PLAN. THERE CAN BE NO*
24 *ASSURANCE THAT EACH OF THESE CONDITIONS PRECEDENT WILL BE SATISFIED OR*
25 *WAIVED (AS PROVIDED IN THE PLAN) OR THAT THE PLAN WILL BE CONSUMMATED.*

26 *WITH THE EXCEPTION OF HISTORICAL INFORMATION, SOME MATTERS*
27 *DISCUSSED HEREIN, INCLUDING THE PROJECTIONS AND VALUATION ANALYSIS*
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1 DESCRIBED HEREIN ARE “FORWARD LOOKING STATEMENTS” WITHIN THE MEANING
2 OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH FORWARD-
3 LOOKING STATEMENTS ARE SUBJECT TO RISKS, UNCERTAINTIES, AND OTHER
4 FACTORS WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM
5 FUTURE RESULTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING
6 STATEMENTS.

7 THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH
8 11 U.S.C. § 1125 AND NOT IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES
9 LAWS OR OTHER APPLICABLE NON-BANKRUPTCY LAW. ENTITIES HOLDING OR
10 TRADING IN OR OTHERWISE PURCHASING, SELLING, OR TRANSFERRING CLAIMS
11 AGAINST THE DEBTOR SHOULD EVALUATE THIS DISCLOSURE STATEMENT ONLY IN
12 LIGHT OF THE PURPOSE FOR WHICH IT WAS PREPARED.

13 **ARTICLE II. - DESCRIPTION OF THE DEBTOR, THE BANKRUPTCY FILINGS,
14 AND DEBTOR’S BUSINESS AND ASSETS**

15 **A. General Background of the Debtor**

16 1. Formation of New Cal-Neva and Acquisition of the Property.

17 Cal Neva Lodge, LLC (“Cal Neva”) is a Nevada limited liability company formed in
18 March of 2013. New Cal-Neva was formed in April of 2013. Cal Neva is the sole, and
19 managing, member of New Cal-Neva.

20 2. Management of New Cal-Neva.

21 Since New Cal-Neva’s acquisition of the Real Property, Cal Neva has been the sole
22 member of New Cal-Neva. Cal Neva is the managing member of New Cal-Neva and Robert
23 Radovan serves as its President and Secretary and William Criswell is the Chief Executive
24 Officer. By order of the Bankruptcy Court entered September 19, 2016, Robert Radovan was
25 designated as New Cal-Neva’s Responsible Individual.

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

27 1. The Resort

28 New Cal-Neva’s principal asset is an iconic hotel, spa & casino known as the Cal-Neva

1 Resort Hotel & Casino (the “Resort”). The Resort is comprised of approximately 13.5 acres
2 located along the North Shore of Lake Tahoe that straddles over two states in Crystal Bay,
3 Nevada and Kings Beach, California. The Resort includes 191 hotel guestrooms, cabins and
4 terrace rooms, a full-service spa, a gambling and casino floor, showrooms, restaurants, meeting
5 space, and retail. In addition, as explained in more detail below, New Cal-Neva’s wholly owned
6 subsidiary owns the Fairwinds Estate, a lakefront property adjacent to the Resort.

7 The Resort was originally developed in or about 1926, burned down in 1937, and was
8 reconstructed. In 2013, Cal Neva purchased the equity in New Cal-Neva Lodge and began the
9 renovation and closed the property.

10 In late 2014, New Cal-Neva obtained additional funds from Hall and Ladera. In 2015,
11 the renovation stalled and the existing financing was determined to be inadequate to pay the
12 costs necessary to complete the project. The renovation, which was approximately 60 percent
13 complete, then ceased.

14 Facing foreclosure by Ladera, on June 10, 2016, Cal Neva filed a petition for relief under
15 Chapter 11 in the United States Bankruptcy Court for the Northern District of California. On July
16 28, 2016, Debtor New Cal-Neva filed its petition for relief under Chapter 11 in the United States
17 Bankruptcy Court for the Northern District of California. Subsequently, on October 13, 2016,
18 both Chapter 11 cases were transferred to the United States Bankruptcy Court for the District of
19 Nevada.

20 Since 2015, the Real Property has been preserved and maintained pursuant to advances
21 made by the senior lender Hall and work performed and/or paid for by Penta.

22 2. The Furniture, Fixtures and Equipment.

23 To date, New Cal-Neva estimates that it has purchased approximately 60-70% of the
24 furniture, fixtures and equipment necessary to open and operate the Resort (the “FF&E”) and
25 New Cal-Neva reports that the FF&E is stored off-site in Sparks, Nevada. The cost of this
26 storage is approximately \$14,250 per month.

27 The storage facility has asserted a warehouseman’s lien. As of July 26, 2017, the amount
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1 of the warehousman's lien was alleged to \$190,372.56 for accrued and unpaid storage fees. By
2 agreement of the parties, on or about July 26, 2017, Hall paid \$95,186.28 of the asserted balance,
3 which payment was added to Hall's super priority claim, discussed below. There remains a
4 balance of \$95,186.28 and fees of \$14,250 that accrue monthly. This Plan will assume these
5 charges, as necessary, going forward. The FF&E is part of the Purchased Assets.

6 3. The Fairwinds Estate.

7 The Fairwinds Estate is adjacent to the Resort at 9898 Lake Street, Kings Beach,
8 California. The Fairwinds Estate is encumbered by a mortgage in favor of Capital One Bank with
9 an outstanding balance of approximately \$4.1 million. Northlight is informed and believes that
10 Capital One has recorded a notice of default with respect to that mortgage asserting past due
11 payments of approximately \$500,000.

12 In October 2014, the Fairwinds Estate was owned by 9898 Lake, LLC ("9898 Lake").
13 Paul and Evy Paye, LLC ("Paye") owned 100% of the membership interests in 9898 Lake. In
14 October 2014, pursuant to an Exchange Agreement entered into by Paye and Cal Neva, Paye
15 transferred all of its interests in 9898 Lake to New Cal-Neva's wholly-owned subsidiary CR
16 Lake Tahoe, LLC ("CR Lake Tahoe") in exchange for Paye's receipt of certain equity interests
17 in Cal Neva. The sole member of CR Lake Tahoe is New Cal-Neva. Cal Neva, New Cal-Neva
18 and Paye valued the equity in the property at \$2 million. Paye received an equity interest in Cal
19 Neva of 6.19% and Paye's broker, Marriner Real Estate, LLC ("Marriner") received an equity
20 interest in Cal Neva of 0.65%. Since that date and at all times relevant hereto, Paye and
21 Marriner have held themselves out as members of Cal Neva, and 9898 Lake, which retained title
22 to the Fairwinds Estate, has been wholly owned by CR Lake Tahoe. CR Lake Tahoe is the sole
23 member of 9898 Lake and controls 9898 Lake.

24 Under the Plan, Northlight is purchasing 100% of New Cal Neva's ownership interest in
25 CR Lake Tahoe, which includes 100% ownership interest in 9898 Lake and, thus, ultimate
26 ownership of the Fairwinds Estate, including all claims related thereto.

27 4. Plan Structure

28

1 **1. 506(a) Valuation.**

2 The Property has been amply marketed over a lengthy period and exclusivity lapsed long
3 ago. Under Section 506(a) of the Bankruptcy Code, a secured creditor's allowed claim cannot
4 exceed the value of the collateral. Here Hall has submitted an appraisal to the Court [Docket
5 645] which values the Property, as is, at \$30 million. Northlight is putting \$32 million in the
6 Secured Creditors' Fund, which exceeds such appraisal. Northlight has agreed to fund the wind
7 down budget so that a plan can be confirmed under the Bankruptcy Code. Paying off secured
8 creditors in cash is proper if the plan accurately reflects the value of the collateral. *In re Pacific*
9 *Lumber*, 584 F.3d 229, 247 (5th Cir. 2009).

10 **2. Credit Bidding.**

11 Ordinarily a secured creditor has the right to credit bid in a 363 sale. 11 U.S.C. Sec.
12 363(k). However, to the extent Ladera and Hall have rights under Section 363(k), the Plan will
13 require a finding by the Court to disallow such credit bid rights for cause in accordance with
14 Section 363(k) because there is an unresolved dispute over lien priority. It would be inequitable
15 if Hall or Ladera was able to chill bidding by credit bidding without any finding that their
16 secured liens are in first position, especially since the collateral is being sold at a price in excess
17 of Hall's stated value and at the same price as Ladera has offered in its Plan [Docket ___].

18 **3. 1111(b) Election.**

19 The proposed Plan contemplates a sale of all assets, free and clear, to Northlight Capital.
20 11 USC Section 1141. Section 1111(b), by its terms, does not apply where a secured creditor
21 holds a recourse debt and the property is sold pursuant to a plan of reorganization or under 11
22 U.S.C. Sec. 363. Thus, neither Ladera nor Hall can make an election under Section 1111(b).

23 **C. The Liabilities of the Debtor**

24 1. Secured Claims

25 Hall. Hall is the senior consensually secured creditor of the Debtor, with an asserted
26 Secured Claim of approximately \$29 million secured by substantially all the Debtor's assets,
27 including all of the Debtor's real property.
28

1 Ladera. Ladera is a junior consensually secured creditor of the Debtor, with an asserted
2 Secured Claim of approximately \$8.8 million secured by substantially all the Debtor’s assets,
3 including all the Debtor’s real property. In addition, Cal Neva pledged its 100% membership
4 interest in New Cal Neva to Ladera as additional Collateral.

5 Penta Secured Claim, Subcontractors’ Secured Claims and Other Mechanic’s Lien
6 Claims. Penta is the general contractor who performed work on the Debtor’s renovation of the
7 Resort and is owed approximately \$10.6 million secured by statutory liens on the Debtor’s real
8 property. Holders of Mechanic’s Lien Claims and Other Secured Claims who are primarily
9 contractors and sub-contractors with statutory liens against the Debtor’s real property, assert that
10 they are owed approximately \$680,000. The relative priority of Penta’s Secured Claims, Hall’s
11 Secured Claims, Ladera’s Secured Claims, and the amounts of Mechanic's Lien Claims are
12 subjects in dispute, which will be resolved as part of the Secured Creditors’ Adversary Actions
13 described here.

14 Real Property Tax Claims. Placer County Tax Collector and Washoe County Treasurer
15 assert secured claims in the aggregate amount of approximately \$167,215 for unpaid real
16 property taxes owed by the Debtor.

17 2. Unsecured Claims

18 As of the filing date hereof, the Proponents estimate the unpaid claims of the Estate
19 Professionals against the Debtor, as of the Effective Date, will be approximately \$1,450,000.

20 There are Priority Tax Claims that total approximately \$1,700 and Non-Tax Priority
21 Claims that total \$2,666.

22 Scheduled and filed General Unsecured Claims in the New Cal Neva Case total
23 approximately \$2.1 million. This does not include any deficiency claims or rejection damages.
24 These damages could be substantial.

25 The Debtor’s liabilities can be approximately summarized as follows, with total payoffs
26 subject to additional accruals:

<u>SECURED</u>	<u>AMOUNT</u>	<u>NOTES</u>
Hall	\$29,046,005.00	
Ladera	\$8,765,945.00	
Penta	\$10,600,000.00	
<u>Other Secured</u>	<u>\$847,347.00</u>	
	Total Secured	\$49,259,297.00
<u>UNSECURED</u>	<u>AMOUNT</u>	<u>NOTES</u>
Hall Super Priority	\$828,143.95 (principal only)	
Estate Professionals ²	\$1,450,000.00	
Other Administrative Expenses	\$3,000.00 (approximate)	Roslyn Zweig
	\$14,250.00 (per month)	FF&E Warehouseman's lien
Priority	\$4,365.00	
<u>General Unsecured</u>	<u>\$2,121,165.82</u>	
	Total Unsecured	\$4,420,924.77

D. Effect of Lien Litigation.

The ultimate outcome for each creditor's treatment (and the unsecured class as a whole) is a function of the Property value and a particular creditor's ultimate priority. For example, at the \$32 million valuation as set forth in the Plan, if Penta is in first priority, Penta will get approximately \$12 million (its estimated claim at the conclusion of the determination of priority) and Hall will get the remaining \$20 million. This renders Hall's secured claim undersecured and thus not entitled to post petition interest and attorneys' fees (thereby cutting off approximately \$7 million of Hall's claim) and reducing the entire unsecured creditor class by such amount. At that point Ladera is completely unsecured and its claim of \$7.678 million (pre-petition) will be

² **Estate Professional(s)** means the Administrative Claims for the following professionals: (1) Debtor's counsel, Keller & Benvenuti; (2) Debtor's counsel, Jeffrey Hartman; (3) Debtor's special counsel, Poitras, Jeffer Mangels Butler & Mitchell, for fees associated with Debtor's case only; (special counsel, New Cal-Neva); (4) Creditors' Committee counsel, Pachulski Stang Ziehl & Jones LLP; (5) Creditors' Committee counsel, Fennemore Craig; and (6) Creditors' Committee financial advisor, Province Inc.

1 unsecured (and thus also not entitled to post-petition interest, costs, or attorneys' fees). If Hall is
2 in first priority, it will likely get the entire \$32 million because its pre-petition claim will have
3 been oversecured. Again, Ladera's claim is almost certainly completely unsecured. Both Ladera
4 and Penta's unsecured claims would then be part of the unsecured class.

5 **E. Litigation**

6 New Cal Neva is a party to that certain litigation commenced by plaintiff Xavier Moulin
7 against defendants Criswell Radovan, LLC, New Cal-Neva Lodge, and others filed in the Second
8 Judicial District Court of the State of Nevada in and for the County of Washoe. The plaintiff
9 alleges causes of action for damages of approximately \$103,000 allegedly arising out of a breach
10 of an employment agreement. The litigation remains stayed by the automatic stay of section
11 362(a) of the Bankruptcy Code as to Debtor New Cal Neva.

12 1. The Secured Creditors' Adversary Actions.

13 In July 2013, Penta entered into a pre-construction contract (the "Preconstruction
14 Contract") with New Cal Neva whereby Penta agreed to act as the construction manager for
15 certain construction renovations (the "Renovation") to the Resort.

16 Based on the June 26, 2013 budget for the owner's scope of construction work for
17 Penta's contract with respect to the Renovation, New Cal Neva anticipated spending
18 \$16,747,000 for construction costs related to Penta. That budget itemized the various scopes of
19 work comprising the total renovation, including scopes for "Tower Roof" and "Low Building
20 Roof" renovations and "Abatement/Demolition" work. Under the Preconstruction Contract,
21 Penta and New Cal Neva anticipated preconstruction services to commence July 1, 2013 and run
22 through September 13, 2013, at which point the parties anticipated entering into a Gross
23 Maximum Price Contract (the "GMP Contract").

24 Because New Cal Neva wanted to keep the Resort open to the public for as long as
25 possible during construction, the renovation was to be performed in multiple phases, some of
26 which Penta would handle as the general contractor and some of which would be handled by
27 non-union contractors, but all of which would be managed and/or coordinated by Penta.
28

1 During the first phase of the Renovation, Penta entered into another contract in August
2 2013 to remove and replace the roof of the tower so the rest of the renovations to the interior of
3 the tower could be performed in a waterproof building (the “Tower Roof Renovations”) and that
4 scope of work came out of the GMP Contract. Once the Tower Roof Renovations were
5 completed, Penta entered into another separate contract to renovate the model room so New Cal
6 Neva could see what the rest of the rooms would look like upon completion of the Renovation.
7 The Property remained open to the public while the Roof Renovations were performed and the
8 Model Room was renovated.

9 After that phase of the Renovation, in September 2013, the Property was closed to the
10 public and Penta installed a construction fence around the entire Property. On October 15, 2013,
11 Penta entered into another agreement with New Cal Neva to install a new roof at the lower retail
12 space area, and that work also came out of the GMP Contract scope of work.

13 Certain portions of the Renovation, such as asbestos removal and the boiler work, were
14 initially excluded from the GMP Contract scope of work and were performed by nonunion
15 contractors although Penta was responsible for bidding the work and supervising and managing
16 the work under the Preconstruction Agreement.

17 While the roof work was ongoing, also in early October 2013, American Chiller Services,
18 Inc. (“ACSI”) entered into an agreement with New Cal Neva to replace the boiler to maintain
19 heat throughout the low-rise building (the “Boiler Work”) under Penta’s supervision. The Boiler
20 Work was extensive and required ACSI to remove the old boiler and pipes and install new pipes
21 and conduit throughout the Property. ACSI started the Boiler Work in early October 2013 and it
22 was not completed until April 2014. In October 2013 Penta provided Hall with the construction
23 schedule for the renovation. Hall had also been provided with the GMP Contract draft in
24 existence at that time.

25 In early November 2013, Cal-Neva hired LVI to perform asbestos abatement work for the
26 renovation in the main tower. The abatement work began in November of 2013. That work was
27 extensive throughout the Property; however, it had to be performed very strategically as to only
28

1 remove certain necessary walls, but leaving all demising walls and other areas of the building
2 that would not be disturbed by the renovation.

3 In December of 2013, New Cal Neva notified Penta and the other contractors that it had
4 not yet closed on the Hall construction loan. Since construction had to cease for the rest of the
5 winter under TPRA regulations Penta and its workforce ceased work in January 2014. The boiler
6 work was still ongoing and the asbestos work was only partially complete. Because LVI
7 anticipated a relatively speedy resolution of the financial issues, LVI left all its asbestos
8 abatement equipment (including containment barriers and negative air machines) at the Resort
9 and the equipment was left there through the summer of 2014. While a portion of the roof had
10 been renovated, the GMP Contract contemplated additional roof work, so the screening around
11 the roof was left in place and the membranes around the sides were left open.

12 In February 2014 Hall hired its agent, Marx Okubo, as a construction representative to
13 provide a report regarding the status of the Renovation, the remaining cost to complete and the
14 schedule as set forth in the GMP Contract. Starting in February 2014 Marx Okubo was on site
15 inspecting the renovation work that had been done (a portion of which was still ongoing) and
16 doing due diligence with respect to the remaining work and cost and the schedule. The report
17 detailed the Renovation work that had been completed. The GMP Contract had to be revised to
18 include the completion of the asbestos remediation. Penta and the Owner executed the revised,
19 agreed upon GMP Contract on July 30, 2014, which Hall had approved pursuant to its financing
20 condition.

21 In mid-September 2014, as part of the loan closing, Penta signed a Contractor's
22 Agreement and Consent to Assignment of Construction Documents (the "Consent to
23 Assignment"). The Consent to Assignment assigned certain rights to Hall, included a
24 representation by Penta that the work to be completed under the GMP Contract had not
25 commenced and which purportedly subordinated Penta's mechanics' liens to the lien to be filed
26 by Hall. Hall also required Penta to sign a separate subordination agreement (the "Subordination
27 Agreement") as part of the loan documents, which was signed on September 30, which also
28

1 purported to subordinate Penta’s mechanics’ liens to the lien to be filed by Hall.

2 On October 2, 2014, Hall and Ladera both recorded Construction Deeds of Trust,
3 Security Agreement and Fixture Filing with Assignment of Rents and Leases, in Washoe
4 County, Nevada and Placer County, California (collectively, the “Deeds of Trust.”). On October
5 28, 2014 the notice to proceed under the GMP Contract was given to Penta and the work under
6 the GMP Contract commenced.

7 Penta proceeded with the work under The GMP Contract through the rest of 2014 and
8 into 2015. In October 2015, Hall stopped funding the Project and New Cal Neva was unable to
9 pay Penta for the unpaid labor, materials and equipment it and its subcontractors furnished to the
10 Project (the “Work”). In the winter of 2015, once Penta realized that Hall had discontinued
11 disbursements to New Cal-Neva, Penta notified New Cal-Neva and Hall that it was stopping
12 work and leaving the site.

13 In January of 2016, Hall sent a default notice to the Debtor and began its foreclosure
14 proceedings in Nevada and California in March 2016.

15 Penta recorded its Notices of Lien in Nevada and California in February 2016. Following
16 the Notices of Lien, in April 2016 Penta proceeded to foreclose its mechanics liens. Penta also
17 terminated the GMP Contract pursuant to the provisions of Nevada law.

18 In its state court foreclosure proceedings Penta asserted a claim of priority over the Deeds
19 of Trust based on the fact that the Renovation (or work of improvement under Nevada law)
20 started in the Summer of 2013 and Hall had knowledge of the Renovation work.

21 Hall asserts that the various Renovation work done prior to the GMP Contract notice to
22 proceed (the fencing around the Property, the tower and low-rise roof replacement, the model
23 room, the abatement work and the replacement of the boiler) was not part of the Renovation
24 (work of improvement) and thus the Renovation (work of improvement) did not start until the
25 notice to proceed was given under the GMP Contract in October 2014.

26 Once the bankruptcy case had been transferred to the District of Nevada, Hall removed
27 Penta’s state court foreclosure proceedings to the Bankruptcy Court given that resolution of the
28

1 lien priority was a central issue in the bankruptcy case.

2 Penta filed a Partial Motion for Summary Judgment in the Secured Creditors' Adversary
3 Actions with respect to the unenforceability of the subordination provisions. Based on Hall's
4 representations that they were not intending to enforce the subordination provisions the Court
5 denied the balance of relief on July 25, 2017. The Secured Creditors' Adversary Actions are
6 scheduled for a bi-furcated trial which has been set for January 2018 (unless the Court is able to
7 accommodate an earlier date based on its schedule). The first phase of the bifurcation is the
8 question of lien priority, which encompasses the definition of the "work of improvement" and
9 the start date thereof. Hall and Ladera have tendered the defense of the lien priority litigation to
10 the title company under their title policies, and have commenced global discovery of all issues.

11 **F. Other Significant Events During the Cases**

12 Both the Cal Neva and New Cal Neva cases were originally filed in the United States
13 Bankruptcy Court for the Northern District of California. An order transferring venue of the both
14 bankruptcy cases from Santa Rosa to Reno was entered September 28, 2016, with the effective
15 date of the transfer being October 13, 2016. Upon the transfer of the cases to Reno, they were
16 initially assigned to Bankruptcy Judge Bruce Beasley, but were later reassigned to Bankruptcy
17 Judge Gregg W. Zive.

18 The deadline to file proofs of claim was December 1, 2016.

19 On September 13, 2016, the U.S. Trustee appointed the Official Committee of Unsecured
20 Creditors (the "Committee").

21 By orders entered September 19, 2016, and January 4, 2017, the Bankruptcy Court
22 approved the Debtor's use of cash collateral and post-petition financing from Hall, both of which
23 are needed to maintain and preserve the Resort, pending completion of the Renovation,
24 particularly during the winter season. To date, Hall has advanced approximately \$828,143.95, in
25 principal only, since the filing of the Case. Advances for expenses to preserve the Resort are both
26 secured advances and entitled to treatment as super-priority claims.

27 In January 2017, the Bankruptcy Court approved proposed bidding, auction, and sale
28

1 procedures for a sale of the assets of both the Debtor and Cal Neva under section 363 of the
2 Bankruptcy Code. No interested party submitted a “Qualified Bid” sufficient to redeem the
3 outstanding secured debt, and the auction was cancelled. There is no indication at this time that
4 there is a prospect for a sale in excess of the Secured Claims or in an amount greater than the \$30
5 million paid under the Plan.

6 On February 23, 2017, Hall filed a motion for relief from the automatic stay of section
7 362(a) of the Bankruptcy Code to foreclose on its liens. Confirmation of the Plan would resolve
8 the issues raised in Hall’s motion.

9 On March 1, 2017, Ladera filed a motion for relief from the automatic stay of section
10 362(a) of the Bankruptcy Code to foreclose on Cal Neva’s membership interests in New Cal
11 Neva. The Plan contemplates extinguishing all Interests in the Debtor, and if confirmed would
12 make that motion moot.

13 On January 6, 2017, certain members of Cal Neva filed a chapter 11 plan and disclosure
14 statement in the Cal Neva bankruptcy case. A hearing to consider approval of the disclosure
15 statement took place on February 21, 2017. Numerous objections to the disclosure statement
16 were filed with the Bankruptcy Court. The plan and disclosure statement were amended on
17 March 22, 2017. At hearings held on February 21, 2017, May 2, 2017, and June 1, 2017, the
18 Bankruptcy Court denied approval of the disclosure statement and the plan and disclosure
19 statement were withdrawn by the Plan proponents.

20 On February 27, 2017, Cal Neva filed a Chapter 11 plan and disclosure statement in both
21 the Cal Neva bankruptcy case and the New Cal Neva Case, which were amended on March 22,
22 2017. At hearings held May 2, 2017, and June 1, 2017, the Bankruptcy Court denied approval of
23 the disclosure statement and the plan and disclosure Statement were withdrawn by the
24 proponents of that plan.

25 On March 21, 2017, Ladera filed a plan of reorganization and disclosure statement. On
26 July 5, 2017, Ladera filed an amended plan and disclosure statement, which were amended again
27 on July 24, 2017.
28

1 At the June 1, 2017, hearing the Court denied the U.S. Trustee's Motion to Dismiss.
2 On July 18, 20-17, the Committee filed a status report that attached a so-called "Revised LOI"
3 for the purchase and sale of assets to Lawrence Investments, LLC.

4 The Court set July 5, 2017, as the deadline to file new plans and disclosure statements
5 prompting the Plan Proponents filed their Plan, Amended Plan and this Disclosure Statement.

6 On July 25, 2017, the Court set as the deadline August 7, 2017, to file new plans and
7 disclosure statements, for Plan Proponents, the Committee, Ladera and the Debtor.

8 **ARTICLE III. - DESCRIPTION AND SUMMARY OF THE PLAN**

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

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

14 **B. Administrative Expense Claims**

15 Administrative Expense Claims consist of Claims that accrued or were incurred by the
16 Debtor following the filing of the Case, including, but not limited to fees and costs incurred by
17 Estate Professionals, costs incurred to maintain and preserve the Property of the Estate, and
18 obligations incurred in the ordinary course of business of the Debtor. Pursuant to Bankruptcy Code
19 section 1129(a)(9)(A), for Administrative Expense Claims, except related to Estate Professionals
20 (as defined in the Plan), the Plan provides that except as otherwise agreed to by the Proponent and
21 the Holder of an Allowed Administrative Expense Claim, each such Holder shall be paid in full in
22 Cash on the later of (i) as soon as practicable after the date such Allowed Administrative Expense
23 Claim becomes due in accordance with its terms, and (ii) the Effective Date. If Northlight or the
24 Debtor Dispute any portion of an Administrative Expense Claim, the Debtor or Northlight, as
25 applicable, shall pay the Allowed portion of such Claim in full in Cash within 30 days after the
26 entry of a Final Order Allowing such Disputed Administrative Expense Claim. Given that the
27 Debtor's estate is administratively insolvent the Court has acknowledged that administrative
28

1 claimants shall share pro-rata in the wind down budget of \$1 million.

2 **C. Administrative Claims Bar Date**

3 The Plan provides that all requests for payment of administrative costs and expenses
4 incurred prior to the Effective Date pursuant to Bankruptcy Code §§ 507(a)(1) and 503(b),
5 except for Administrative Claims asserted by Estate Professionals, must be served and filed with
6 the Bankruptcy Court no later than the first day of the plan confirmation hearing
7 (“Administrative Claims Bar Date”). Holders of Administrative Claims that are required to, but
8 do not, file and serve a request for payment of such Claims by the Administrative Claims Bar
9 Date shall be forever barred, estopped, and enjoined from asserting such Claims against the
10 Debtor or Northlight or from sharing in any distribution under the Plan. Northlight or the
11 Creditors’ Trustee must file any Objections to such requests, if any, no later than thirty (30) days
12 after the Administrative Claims Bar Date. Notwithstanding the foregoing, no request for payment
13 of an Administrative Claim need be filed with respect to an Administrative Claim previously
14 Allowed by a Final Order, including any and all Administrative Claims expressly Allowed under
15 the Plan.

16 **D. Estate Professionals’ Fees and Expenses**

17 Prior to the first day of the hearing on Plan Confirmation, each Estate Professional shall
18 submit a Fee Application for the allowance of compensation for services rendered and
19 reimbursement of expenses incurred through that date, with an estimate for fees and costs
20 incurred through the Effective Date. Estate Professionals that do not submit a claim consistent
21 with this provision, shall be forever barred, estopped, and enjoined from asserting such claims
22 against the Debtor or the Creditors’ Trust or sharing in any distributions under the Plan.

23 On or after the Effective Date, Northlight will pay up to an aggregate of \$1,000,000 for
24 Estate Professionals on a pro rata basis, or other agreement by and between Estate Professionals
25 with Northlight based on the administrative insolvency of the Debtor’s estate. This is not an
26 express condition of Plan Confirmation because in the event agreement is not reached, Estate
27 Professionals will share pro rata.

28

1 **E. Priority Tax Claims**

2 Priority Tax Claims are those Claims entitled to priority pursuant to Bankruptcy Code
3 section 507(a)(8). The Plan provides that each holder of an Allowed Priority Tax Claim shall be
4 paid in full and final satisfaction, settlement, and release of and in exchange for each Allowed
5 Priority Tax Claim either (i) upon such terms as may be agreed to between Northlight and such
6 holder of an Allowed Priority Tax Claim or (ii) in full in cash from the Plan Payment on the later
7 of the Effective Date or the date that such Allowed Priority Tax Claim would have been due if
8 the chapter 11 case had not been commenced. The Proponent is aware of only one asserted
9 Priority Tax Claim in the Case in the amount of \$1,698.32.

10 **F. U.S. Trustee Fees**

11 The Plan provides that the Debtor before the Effective Date or, on or after the Effective
12 Date, the Creditors' Trust will pay all U.S. Trustee's Fees in full without prior approval under 8
13 U.S.C. § 1930 and will continue to pay all U.S. Trustee's Fees until the Case is closed,
14 dismissed, or converted to another chapter of the Bankruptcy Code.

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

16 As required by the Bankruptcy Code, the Plan places Claims and Interests into various
17 Classes according to their right to priority and other relative rights. The Plan specified whether
18 each Class of Claims or Interests is Impaired, Unimpaired, and the Plan sets forth the treatment
19 each Class will receive. The table below lists the Classes of Claims and Interests established
20 under the Plan.

21 Class	Type of Allowed Claim or Equity Interest	Status
22 1	Hall Super Priority Lien	Unimpaired
23 2	Priority Non-Tax Claims	Unimpaired
24 3	Secured Claim of Hall CA-NV, LLC	Impaired
25 4	Secured Claim of Ladera Development	Impaired
26 5	Secured Claim of The Penta Building Group, Inc.	Impaired
27 6	Subcontractors Mechanics' Liens	Impaired
28		

7	General Unsecured Claims	Impaired
8	Equity Interests	Impaired

H. Treatment of Claims and Interests

The following summarizes the treatment of each Class of Claims and Interests in the Plan:

1. Class 1 – Hall Super Priority Lien Claim

i. Classification: Class 1 consists of the Super Priority Lien Claim.

ii. Treatment: In full and final satisfaction, settlement, release, and discharge of and in exchange for the Super Priority Lien Claim, on the later of (a) the Effective Date and (b) the date on which the Super Priority Lien Claim becomes Allowed, or as soon thereafter, each Holder of such Super Priority Lien Claim shall be paid in full in Cash.

iii. Voting: Class 1 is Unimpaired. Pursuant to Bankruptcy Code section 1126(f), the Holder of the Super Priority Lien Claim is conclusively presumed to accept the Plan.

2. Class 2 – Priority Non-Tax Claims

i. Classification: Class 2 consists of all Priority Non-Tax Claims, which consist of all Allowed Claims entitled to priority under section 507(a) of the Bankruptcy Code other than Administrative Expense Claims and Priority Tax Claims.

ii. Treatment: In full and final satisfaction, settlement, and release of and in exchange for each Allowed Priority Non-Tax Claim, on the later of (a) the Effective Date and (b) the date on which such Priority Non-Tax Claim becomes Allowed, or as soon thereafter, each Holder of such Allowed Priority Non-Tax Claim shall be paid in full in Cash from the Plan Payment.

iii. Voting: Class 2 is Unimpaired. Pursuant to Bankruptcy Code section 1126(f), Holders of Allowed Priority Non-Tax Claims are conclusively presumed to accept the Plan and, therefore, are not entitled to vote on the Plan.

3. Class 3 – Hall Secured Claim

i. Classification: Class 3 consists of the Allowed Amount of the Secured Claim of Hall to the extent Secured by a valid, enforceable lien against Collateral.

1 ii. Treatment: Except to the extent that Hall agrees to a less favorable
2 treatment in writing, as of the Effective Date, Hall’s lien against the Collateral shall be
3 extinguished and attached to the Secured Creditors’ Fund in the same amount and priority as of
4 the Petition Date. Payment on Hall’s Allowed Secured Claim shall be made pursuant to section 9,
5 below.

6 iii. Voting: If as a result of the Lien Litigation, Hall has the senior secured lien,
7 Class 3 is Unimpaired. The Holder of the Class 3 Claim is conclusively presumed to accept or
8 reject the Plan. If as a result of the Lien Litigation, Penta’s lien is senior to Hall’s lien, Class 3 is
9 Impaired. The Holder of the Class 3 Claim is entitled to vote on the Plan.

10 4. Class 4 – Ladera Secured Claim

11 i. Classification: Class 4 consists of the Allowed Amount of the Secured
12 Claim of Ladera Secured by a valid, enforceable lien against Collateral.

13 ii. Treatment: Except to the extent that Ladera agrees to a less favorable
14 treatment in writing, as of the Effective Date, Ladera’s lien against the Colateral shall be
15 extinguished and attached to the Secured Creditors’ Fund in the same amount and priority as of
16 the Petition Date. Payment on Ladera’s Allowed Secured Claim shall be made pursuant to section
17 9, below.

18 iii. Voting: Class 4 is Impaired. The Holder of the Class 4 Claim is entitled to
19 vote to accept or reject the Plan.

20 5. Class 5 – Penta Secured Claim

21 i. Classification: Class 5 consists of the Allowed Amount of the Secured
22 Claim of Penta and any other Allowed Mechanic’s Lien Claims to the extent Secured by a valid,
23 enforceable lien against Resort.

24 ii. Treatment: As of the Effective Date, the liens of Penta, the subcontractor,
25 and the other mechanics lien claims against the Collateral shall be extinguished and attached to
26 the Secured Creditors’ Fund in the same amount and priority as of the Petition Date. Payment on
27 Secured Claims of Penta, the Allowed Secured Claims of the Subcontractors and any other
28

1 Allowed Mechanic's Lien Claims shall be made pursuant to section 9, below.

2 iii. Voting: Class 5 is Impaired. The Holders of the Class 5 Claims are entitled
3 to vote to accept or reject the Plan.

4 6. Subcontractors Mechanic's Lien

5 i. Classification: Class 6 consists of the Allowed Amount of the Secured
6 Claim of Subcontractors and any other Allowed Mechanic's Lien Claims to the extent Secured by
7 a valid, enforceable lien against the Resort.

8 ii. Treatment: Any Subcontractor that independently perfected its mechanics
9 lien in accordance with NRS 108 can elect to be treated as part of Class 6 on account of such
10 independent lien rather than as part of Penta's claim in Class 5. To the extent that election is not
11 made, such Subcontractor shall be treated as part of Class 5. If the election to be treated as part of
12 Class 6 is made by such Subcontractor the amount of such Subcontractor's claim as set forth in
13 the Penta Proof of Claim shall be deducted from Class 5. The election to be treated in Class 6
14 shall be explicitly set forth submitted by such Class 6 creditor. As of the Effective Date, the liens
15 of any such Subcontractor, and the other mechanics' lien claims against the Collateral shall be
16 extinguished and attached to the Secured Creditors' Fund in the same amount and priority as of
17 the Petition Date. Payment on the Allowed Secured Claims of the Subcontractors and any other
18 Allowed Mechanic's Lien Claims shall be made pursuant to section 9, below in accordance with
19 the same treatment accorded Class 5.

20 iii. Voting: Class 6 is Impaired. The Holders of the Class 6 Claim are entitled
21 to vote to accept or reject the Plan.

22 7. Class 7 – General Unsecured Claims

23 i. Classification: Class 7 consists of General Unsecured Claims.
24 ii. Treatment: Unless otherwise agreed by the holder of a General Unsecured
25 Claim and Northlight, each Holder of an Allowed General Unsecured Claim shall receive prorated
26 beneficial interest in the Creditors' Trust until such Holders receives 100% of such Holder's
27 Allowed General Unsecured Claim with interest.
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1 iii. Voting: Class 7 is Impaired. The Holders of the Class 7 Claims are entitled
2 to vote to accept or reject the Plan.

3 8. Class 8 – Equity Interests in New Cal-Neva Case

4 i. Classification: Class 8 consists of any and all Equity Interests in Debtor,
5 including, without limitation, any and all options, warrants and rights, contractual or otherwise, to
6 acquire any Equity Security in Debtor, as such interest existed immediately prior to the Petition
7 Date.

8 ii. Treatment: On the Effective Date, all Equity Interests are extinguished.

9 iii. Voting: Class 8 is Impaired. The Holders of the Class 8 Interests are
10 conclusively determined to have rejected the Plan.

11 9. Treatment of Classes 3, 4, 5 and 6 Claims.

12 On or before the Effective Date, Northlight shall deposit \$32 million of the Plan Payment
13 into a segregated escrow account (the “Secured Creditors’ Fund”). The escrow shall be in an
14 interest-bearing account with a title company. The instructions for the release shall be set forth
15 in the Confirmation Order. The liens of, Hall, Ladera, Penta, and Subcontractors (to the extent
16 not duplicative of the Penta claim by the Property), as well as the holders of Allowed Mechanics
17 Liens (to the extent not duplicative of the Penta claim), shall attach to the proceeds of the
18 Secured Creditors’ Fund, and shall share in and be limited by the Secured Creditors’ Fund based
19 upon the later of: (i) the final order of priority as determined by the outcome of the Secured
20 Creditors’ Adversary Actions, whether by litigation or settlement, and (ii) the final order
21 determining any claim objections filed against any of the Secured Creditors. The Secured
22 Creditors’ Fund shall be deposited into an interest-bearing account with a title company (“the
23 Escrow”). The instructions for the release shall be set forth in the Confirmation Order. Any of
24 the Secured Creditors may be entitled to a deficiency claim (the “Deficiency Claims”) against the
25 Debtor, based upon: i) the amount by which the Allowed Claim exceeds the Secured Creditors’
26 Fund; ii) the final outcome of the Secured Creditors’ Adversary Proceedings; and iii) the final
27 outcome of any objections to any claims of the Secured Creditors. In full and final satisfaction of
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any Deficiency Claim, the Holder of the Deficiency Claim shall have a Class 7 Claim in the amount of the Deficiency and shall be treated as a Class 6 Claim Holder.

10. Effect of Creditors' Adversary Action on General Unsecured Claims (Class 7)

Pool

The below charts represent the effect on the General Unsecured Claims Pool (Class 7) depending on whether, Hall or Penta, is determined to have first priority lien rights against the Property.³ In the event Hall's claim is found to be in first position, the unsecured deficiency claims are estimated to be \$13.785 million. In the event Penta's claim is found to be in first position, the unsecured deficiency claims are estimated to be \$11.1555 million. The following assumptions were made for the purposes of this analysis:

- \$32 million Secured Creditors' Fund.
- Ladera's Claim is subordinated to Hall's Claim pursuant to agreement.
- Claims as of Confirmation Date include post-petition interest, fees and other costs.

Creditor	Claim as of Petition	Claim as of Confirmation Date	Notes
Hall	\$24.877 million	\$29.507 million	Exclusive of Super Priority Claim
Ladera	\$7.678 million	\$8.840 million	
Penta	\$8.600 million	\$10.600 million	
Total	\$41.155 million	\$48.947 million	

Scenario 1: Hall wins Secured Creditors' Adversary Action

Lien Position	Creditor	Amount of Allowed Secured Claim	Amount of Deficiency Claim Class 6 GUC	Notes
1.	Hall	\$29.507 million	\$0	Oversecured: Claim may include post-petition interest and fees per §506(b)
2.	Ladera	\$2.493 million	\$5.185 million	Undersecured: Claim may not include post-petition interest or fees per §506(a)
3.	Penta	\$0	\$8.600 million	Undersecured: Claim may not include post-petition interest or fees per §506(a)

³ All claim amount are the Proponents best estimates as of the date of this Disclosure Statement. The actual amounts are likely to be greater than these estimates. The Proponents explicitly reserve under the Plan all objections to these claims and nothing contained herein should be deemed an admission as to the allowable amount of the claims.

	Total Claims	\$32 million	\$13.785 million	
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Scenario 2: Penta wins Secured Creditors' Adversary Action

Lien Position	Creditor	Amount of Allowed Secured Claim	Amount of Deficiency Claim Class 6 GUC	Notes
1.	Penta	\$10.6 million	\$0	Oversecured: Claim may include post-petition interest and fees per §506(b)
2.	Hall	\$21.4 million	\$3.477 million	Undersecured: Claim may not include post-petition interest or fees per §506(a)
3.	Ladera	\$0	\$7.678 million	Undersecured: Claim may not include post-petition interest or fees per §506(a)
	Total Claims	\$32 million	\$11.155million	

11. Confirmation Pursuant to Bankruptcy Code Section 1129(b) – Cramdown

In the event any Class votes to reject the Plan, the Proponent intends to request confirmation of the Plan pursuant to Bankruptcy Code section 1129(b). The Proponent 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.

12. Controversy Concerning Impairment

If a controversy arises as to whether any Class of Claims or Interests is Impaired, the Bankruptcy Court shall, after notice and a hearing, determine such controversy on or before the Confirmation Date.

13. Secured Creditor Treatment

Plan Proponents value the Debtor's Property at \$32 million, which amount represents what Northlight is paying the Secured Creditors. This amount exceeds the appraised value of \$30 million obtained by Hall. Further, as of, August 3, 2017, no binding offer to purchase the Assets has been made in an amount greater than \$32 million. Accordingly, \$32 million in cash is the indubitable equivalent of the Property. In the event this amount is not deemed the indubitable equivalent, credit bidding is not appropriate for the reasons set for herein.

a. *Section 1111(b) Election*

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1 Plan Proponents contend that the election should not be allowed because the Property is
 2 to be transferred under the Plan. The election is further prohibited because the claims of the
 3 Secured Creditors are disputed pursuant to the Secured Creditors’ Adversary Actions.

4 *b. Section 363 Sale and Credit Bid Rights*

5 As discussed, the Property is worth \$32 million. In the event the Court finds this does
 6 not accurately represent the value of the Property, and the value is higher, Plan Proponents still
 7 believe the Secured Creditors do not have the right to credit bid. For all Secured Creditors to
 8 have credit bid rights, the Property would need a value of \$48.4 million. Further, the amount and
 9 priority as between the Secured Creditors is in dispute. Thus there is good cause to deny any
 10 credit bid rights under Section 363(k). Considering the confirmation hearing is scheduled to be
 11 before resolution of the Secured Creditors Adversary Action, the amounts and priority will be in
 12 dispute.

13 **ARTICLE IV. - TREATMENT EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

14 **A. Assumed Executory Contracts and Unexpired Leases**

15 The Debtor will assume and assign to Northlight only the following executory contracts
 16 or unexpired leases effective as of the Effective Date of the Plan, with the following cure
 17 amounts payable on the Effective Date of the Plan:

Name of Contract Counterparty(ies) and Executory Contract	Cure Amount
Collatorative Studios	\$800
Exchange Agreement with Paul and Evy Paye, LLC regarding Fairwinds Estate	\$0
FF&E Storage	\$95,186.26
Cell Towers	\$0

18 Northlight will be fully obligated on such assumed contracts from and after the Effective
 19 Date, and all counterparties shall be likewise obligated on such assumed contracts under section
 20 365 of the Bankruptcy Code. Northlight is financially stable and fully capable to operate as a
 21 going concern, as reflected by the Plan Payment, and as set forth in this Disclosure Statement
 22 and as will be proven to the extent any party with standing seeks such a demonstration with
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1 evidence at the Confirmation Hearing, constitutes adequate assurance of future performance
2 within the meaning of section 365(b) and (f) of the Bankruptcy Code.

3 **ANY NON-DEBTOR PARTY TO ANY EXECUTORY CONTRACT OBJECTING**
4 **TO THE ABOVE CURE AMOUNTS OR ADEQUATE ASSURANCE OF FUTURE**
5 **PERFORMANCE AND THE ASSUMPTION AND ASSIGNMENT OF SUCH**
6 **EXECUTORY CONTRACT OR UNEXPIRED LEASE MUST FILE AN OBJECTION IN**
7 **THE BANKRUPTCY COURT AND SERVE IT ON THE DEBTOR AND THE**
8 **PROONENT AT LEAST FOURTEEN (14) DAYS BEFORE THE CONFIRMATION**
9 **HEARING.**

10 Any counterparty to the above executory contracts or unexpired leases who fails to file an
11 objection to the proposed cure amounts, adequate assurance, assumption or assignment as set
12 forth above will be deemed to have accepted such cure amount in full satisfaction and cure of all
13 defaults and other amounts due through and including the Effective Date, and will have no
14 further claim against the Debtor or Northlight therefor; further such counterparties are deemed to
15 accept the assumption and have adequate assurance of future performance of their executory
16 contract or unexpired lease by the Debtor and Northlight.

17 In the event of a dispute regarding (i) the amount of any payments to cure such a default,
18 (ii) the ability of Northlight to provide “adequate assurance of future performance,” within the
19 meaning of Bankruptcy Code section 365, under the executory contract or unexpired lease to be
20 assumed, or (iii) any other matter pertaining to assumption, the cure payments required by
21 Bankruptcy Code section 365(b)(1) shall be made following the entry of a Final Order or orders
22 resolving the dispute and approving the assumption. Assumption of any executory contract or
23 unexpired lease pursuant to the Plan or otherwise shall result in the full release and satisfaction
24 of any Claims or defaults, whether monetary or nonmonetary, arising under any assumed
25 executory contract or unexpired lease at any time before the effective date of the assumption.

26 If any executory contract has been inadvertently omitted from the above list of executory
27 contracts to be assumed, the Proponents reserves their rights to modify the Plan to cause Debtor
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1 to assume and assign to Northlight any such executory contract on appropriate notice to the
2 counterparty to such contract, by filing an amended list of assumed executory contracts at any
3 time up to and including the Effective Date.

4 **B. Rejected Executory Contracts and Unexpired Leases**

5 The Debtor will be conclusively deemed to have rejected all executory contracts and
6 unexpired leases not expressly assumed, herein, upon the Effective Date. This includes all
7 executory contracts and unexpired leases regardless of whether the Debtor contends that it is a
8 party to the agreement, without admitting any liability or obligations under such agreements. A
9 proof of a claim arising from the rejection of an executory contract or unexpired lease under this
10 section must be filed no later than the Claims Bar Date, which is the first day of the plan
11 confirmation hearing. Any Claims arising from the rejection of an executory contract or
12 unexpired lease not filed within such time will be automatically disallowed, forever barred from
13 assertion, and shall not be enforceable against the Debtor, Northlight, Creditors' Trust, or their
14 assets or properties without the need for any objection by the Debtor, Northlight, Creditors' Trust
15 or further notice to, or action, order, or approval of the Bankruptcy Court. All Allowed Claims
16 arising from the rejection of the Debtor's executory contracts or unexpired leases shall be
17 classified as a Class 7 General Unsecured Claim and treated accordingly. The deadline to object
18 to Claims arising from the rejection of executory contracts or unexpired leases, if any, shall be
19 thirty (30) days following the Claims Bar Date. Plans Proponents have not investigated the
20 amount of rejection damages, which amount could be significant.

21 **ARTICLE V. - MEANS FOR IMPLEMENTATION OF THE PLAN**

22 Northlight will implement the Plan as follows:

23 **A. Overbidding**

24 If at the Confirmation Hearing the Court finds that the Plan is confirmable and satisfies
25 all requirements under the Bankruptcy Code, the Court shall entertain overbids and conduct and
26 an auction pursuant to Bankruptcy Code 363 ("Auction"). The Auction shall be conducted as
27 follows:
28

1 (a) Potential Bidders (“Bidders”) interested in making an overbid for the Assets
2 being transferred under the Plan shall at least 5 days prior to the Confirmation Hearing (1) file a
3 notice that it intends to make an overbid at the Confirmation hearing; (2) make a deposit with
4 _____ of \$1,000,000.00 in the form of a cashier’s check or other good funds; (3) provide
5 satisfactory evidence of the ability of such prospective purchaser to close the transactions
6 contemplated by that bidder’s bid; (4) provide evidence in support of a finding of a “good faith
7 purchaser” under 11 U.S.C. § 363(m) if such a finding is being sought; (5) the Bidder meets the
8 “adequate assurance” requirements of 11 U.S.C. § 365 for any contracts being assumed.

9 (b) Bidders must submit a bid structured substantially similar as set forth in the
10 Plan and as set forth in the Agreement for Purchase and Sale of Assets (the “APA”) attached to
11 the Plan as **Exhibit 1** to the APA.

12 (c) Bidders must submit a proposed bid no later than 5 days prior to the
13 Confirmation Hearing in a sum not less than \$32 million plus \$500,000.00 (“Opening Overbid”).

14 (d) Any bids after the Opening Overbid shall be in amounts no less than
15 \$250,000.00.

16 (e) If an Opening Overbid or Opening Overbids are received, the Debtor, the Plan
17 Proponents, and/or Committee, may conduct negotiations with all interested parties, as directed
18 by the Court.

19 (f) At any auction for the Assets, or portion thereof, Northlight shall be
20 determined to be the successful bidder so long as it matches the highest bid.

21 (g) Following the auction, the Debtor and Plan Proponents, in consultation with
22 the Committee, shall identify the successful bidder and the material terms of the successful
23 bid(s). The Court may confirm the Plan as funded by the successful bidder and shall determine
24 whether the successful bidder satisfies the requirements of a “good faith purchaser” under 11
25 U.S.C. § 363(m) if requested and if it meets the “adequate assurance” requirements of 11 U.S.C.
26 § 365.

1 (h) In the event more than one Plan is confirmable at the end any Overbids, the
2 Court may confirm a plan pursuant to 11 U.S.C. § 1129(c).

3 **B. Plan Payment**

4 On or before the Effective Date, the Northlight will make the Plan Payment, and
5 Northlight will expend the Plan Payment as provided in the Plan. All consideration necessary to
6 make all monetary payments in accordance with the Plan shall be obtained from the Plan
7 Payment and the cash of the Debtor. The cash of the Debtor is anticipated to be a nominal
8 amount.

9 **C. Creditors' Trust**

10 1. Formation of the Creditors' Trust

11 On the Effective Date, the Creditors' Trust shall be established for the purpose of
12 investigating and prosecuting the Trust Causes of Action (as determined by the Creditors'
13 Trustee) and making distributions (if any) to holders of Allowed General Unsecured Claims
14 (Class 7) in accordance with the terms of the Plan. The Creditors' Trust Agreement is attached
15 to the Plan as **Exhibit 2**. The Creditors' Trust shall have a separate existence from Northlight.
16 The Creditors' Trust's prosecution of any of the Trust Causes of Action will be on behalf of and
17 for the benefit of the Allowed Class 7 Claims.

18 a) On the Effective Date, the Creditors' Trust Assets will be transferred or
19 issued to, and vest in, the Creditors' Trust. The Creditors' Trust Funds shall be used by the
20 Creditors' Trustee to operate the Creditors' Trust.

21 b) On the Effective Date, standing to commence, prosecute and compromise
22 all Trust Causes of Action shall transfer to the Creditors' Trust; provided, however, that the
23 Retained Causes of Action, if any, shall be retained by Northlight and shall not be transferred to
24 the Creditors' Trust.

25 c) Subject to, and to the extent set forth in the Plan, the Confirmation Order,
26 the Creditors' Trust Agreement or other agreement (or any other order of the Bankruptcy Court
27 entered pursuant to, or in furtherance of, the Plan), the Creditors' Trust and the Creditors' Trustee
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1 will be empowered to take the following actions, and any other actions, as the Creditors' Trustee
2 determines to be necessary or appropriate to implement the Creditors' Trust, all without further
3 order of the Bankruptcy Court:

- 4 i. adopt, execute, deliver or file all plans, agreements, certificates and other documents and instruments necessary
5 or appropriate to implement the Creditors' Trust;
- 6 ii. accept, preserve, receive, collect, manage, invest, supervise, prosecute, settle and protect the Creditors' Trust Causes of
7 Action;
- 8 iii. calculate and make distributions to Holders of the Allowed Class 6 Claims;
- 9 iv. retain Third Party Disbursing Agents and professionals and other entities;
- 10 v. file appropriate tax returns and other reports on behalf of the Creditors' Trust and pay taxes or other obligations owed by
11 the Creditors' Trust; and
- 12 vi. dissolve the Creditors' Trust.

13 d) The Creditors' Trust has no objective to, and will not, engage in a trade or business,
14 and will conduct its activities consistent with the Plan and the Creditors' Trust Agreement.

15 e) On the Effective Date, the Debtor will transfer, and will be deemed to have
16 irrevocably transferred, the Trust Causes of Action to the Creditors' Trust and Northlight will
17 transfer the Creditors' Trust Funds to the Creditors' Trust.

18 f) The Creditors' Trust and the Creditors' Trustee will each be a "representative" of
19 the Estate under section 1123(b)(3)(B) of the Bankruptcy Code, and the Creditors' Trustee will be
20 the trustee of the Creditors' Trust Assets for purposes of 31 U.S.C. § 3713(b) and 26 U.S.C. §
21 6012(b)(3), and, as such, the Creditors' Trustee succeeds to all of the rights, powers and obligations
22 of a trustee in bankruptcy with respect to collecting, maintaining, administering and liquidating
23 the Creditors' Trust Assets. In pursuing the Trust Causes of Action, the Creditors' Trustee shall be
24 entitled to the tolling provisions provided under section 108 of the Bankruptcy Code, and shall
25 succeed to the Debtor' rights with respect to the time periods in which any of the Trust Causes of
26 Action may be brought under section 546 of the Bankruptcy Code.

27 g) To the extent that any Creditors' Trust Assets cannot be transferred to the Creditors'
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1 Trust because of a restriction on transferability under applicable non-bankruptcy law that is not
2 superseded or preempted by section 1123 of the Bankruptcy Code or any other provision of the
3 Bankruptcy Code, such Creditors' Trust Assets shall be deemed to have been retained by
4 Northlight, as the case may be, and the Creditors' Trustee shall be deemed to have been designated
5 as a representative of Northlight pursuant to section 1123(b)(3)(B) of the Bankruptcy Code to
6 enforce and pursue such Creditors' Trust Assets on behalf of Northlight.

7 2. Creditors' Trustee

8 The Committee in its discretion shall choose the trustee of the Creditors' Trust
9 ("Creditors' Trustee") who will be responsible for administering the assets of the Creditors'
10 Trust and making distributions pursuant to the Plan. The Creditors' Trustee shall be determined
11 and disclosed to interested parties at least five (5) days prior to the Confirmation Hearing.

12 The Creditors' Trustee may retain counsel in any matter related to his administration of
13 the Trust assets or the performance of his duties under the Plan and/or the Creditors' Trust
14 Agreement.

15 The Creditors' Trustee will be the exclusive trustee of the Creditors' Trust Assets for
16 purposes of 31 U.S.C. § 3713(b) and 26 U.S.C. § 6012(b)(3) and, solely with respect to the
17 Creditors' Trust Assets, the representative of the Estate of each of the Debtor appointed pursuant
18 to section 1123(b)(3)(B) of the Bankruptcy Code. The powers, rights and responsibilities of the
19 Creditors' Trustee will be specified in the Creditors' Trust Agreement. The Creditors' Trustee
20 will distribute the Creditors' Trust Assets (or the proceeds thereof) in accordance with the
21 provisions of the Plan and the Creditors' Trust Agreement. Other rights and duties of the
22 Creditors' Trustee and the beneficiaries of the Creditors' Trust will be as set forth in the
23 Creditors' Trust Agreement.

24 3. Fees and Expenses of the Creditors' Trust

25 The expenses of the Creditors' Trust will be paid from the Creditors' Trust Assets in
26 accordance with the Plan and the Creditors' Trust Agreement. Northlight shall have no
27 obligations to satisfy or have liability for any Creditors' Trust Expenses.
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1 4. Provisions Governing Distributions

2 The Creditors' Trust will reserve for and make objections to disputed claims as set forth
3 in Article IX of the Plan. The Creditors' Trust will make distributions to Holders of Allowed
4 Claims pursuant to Article IX of the Plan. Claimants are encouraged to review those provisions
5 in considering whether to accept or reject the Plan.

6 5. Indemnification

7 The Creditors' Trust Agreement may include reasonable and customary indemnification
8 provisions in favor of the Creditors' Trustee. Any such indemnification will be the sole
9 responsibility of the Creditors' Trust.

10 6. Tax Treatment

11 The Creditors' Trust is intended to be treated, for federal income tax purposes, as a
12 grantor trust that is a liquidating trust within the meaning of Treasury Regulations section
13 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business. For
14 U.S. federal income tax purposes, the transfer of the Creditors' Trust Assets to the Creditors'
15 Trust will be treated as a transfer of the Creditors' Trust Assets from the Debtor to the Creditors'
16 Trust Beneficiaries, followed by the Creditors' Trust Beneficiaries' transfer of the Creditors'
17 Trust Assets to the Creditors' Trust. The Creditors' Trust Beneficiaries will thereafter be treated
18 for U.S. federal income tax purposes as the grantors and deemed owners of their respective
19 shares of the Creditors' Trust Assets. The Creditors' Trust Beneficiaries shall include in their
20 annual taxable incomes, and pay tax to the extent due on, their allocable shares of each item of
21 income, gain, deduction, loss and credit, and all other such items shall be allocated by the
22 Creditors' Trustee to the Creditors' Trust Beneficiaries using any reasonable allocation method.
23 The Creditors' Trustee will be required by the Creditors' Trust Agreement to file income tax
24 returns for the Creditors' Trust as a grantor trust of the Creditors' Trust Beneficiaries. In
25 addition, the Creditors' Trust Agreement will require consistent valuation by the Creditors'
26 Trustee and the Creditors' Trust Beneficiaries, for all federal income tax and reporting purposes,
27 of any property held by the Creditors' Trust. The Creditors' Trust Agreement will provide that
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1 termination of the trust will occur no later than five years after the Effective Date, unless the
 2 Bankruptcy Court approves an extension based upon a finding that such an extension is
 3 necessary for the Creditors' Trust to complete its liquidating purpose. The Creditors' Trust
 4 Agreement also will limit the investment powers of the Creditors' Trustee in accordance with
 5 IRS Rev. Proc. 94-45 and will require the Creditors' Trust to distribute at least annually to the
 6 Creditors' Trust Beneficiaries (as such may have been determined at such time) its net income
 7 (net of any payment of or provision for Taxes), except for amounts retained as reasonably
 8 necessary to maintain the value of the Creditors' Trust Assets.

9 **D. Vesting of Assets of the Estate**

10 On the Effective Date, except as otherwise provided in the Plan, all Debtor's assets
 11 except for the Creditors' Trust Assets shall vest in Northlight free and clear of all Liens and
 12 Claims, including, without limitation, all real and personal Property, all Retained Causes of
 13 Action purchased by Northlight, interests, claims, choses in action, and all rights under any
 14 contracts assumed hereunder (executory or otherwise), against any Person. On and after the
 15 Effective Date, Northlight may operate its business and use, acquire, or dispose of Property and
 16 compromise or settle any Claims without supervision or approval by the Bankruptcy Court and
 17 free of any restrictions of the Bankruptcy Code or Bankruptcy Rules. On the Effective Date,
 18 except as otherwise provided in the Plan, all Creditors' Trust Assets shall vest in the Creditors'
 19 Trust free and clear of all Liens and Claims.

20 **E. Specific Post-Confirmation Preservation of Causes of Action**

21 1. Retained Causes of Action

22 The Bankruptcy Court's Confirmation Order will be deemed to authorize, Northlight to
 23 pursue all rights in and to all Retained Causes of Action and defenses whenever arising, whether
 24 arising from the pre-Petition Date or post-Petition Date periods, including, without limitation, all
 25 Causes of Action or defenses that arose in the ordinary course of business from the operation of
 26 the Debtor's business including but not limited to Causes of Action and defenses related to (a)
 27 accounts receivable and accounts payable, (b) construction or renovation of the Real Property,
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(c) violations of any confidentiality provision, non-compete provision, non-solicitation provision, or any similar restrictive covenant, (d) insurance contracts, (e) security deposits or any other type of deposit or collateral, (f) assumed Executory Contracts or Unexpired Leases, (g) Claims arising out of that certain Exchange Agreement concerning the Fairwinds Estate, and (h) claims for setoff or recoupment. If there is a dispute between the Northlight and the Creditors’ Trustee as to what is a Retained Cause of Action and what is a Creditors’ Trust Asset, such dispute shall be decided by the Court upon notice and motion.

After the Effective Date, the proceeds of all such Retained Causes of Action shall belong solely to Northlight. Further, Northlight hereby declares it to be Northlight’s intent to prosecute all such Retained Causes of Action. All such Retained Causes of Action shall include, without limitation, the following:

Claim	Potential Counterparty (if known)
Claims that arose in the ordinary course of business from the operation of the Debtor’ businesses including Causes of Action and defenses related to accounts receivable and accounts payable	
Claims that arose in the ordinary course of business from the operation of the Debtor’ businesses including Causes of Action and defenses related to the financing, construction or renovation of the Real Property	
Claims that arose in the ordinary course of business from the operation of the Debtor’ businesses including Causes of Action and defenses related to violations of any confidentiality provision, non- compete provision, non-solicitation provision, or any similar restrictive covenant	
Claims that arose in the ordinary course of business from the operation of the Debtor’ businesses including Causes of Action and defenses related to insurance contracts	
Claims that arose in the ordinary course of business from the operation of the Debtor’ businesses including Causes of Action and defenses related to security deposits or any other type of deposit or collateral	
Claims that arose in the ordinary course of business from the operation of the Debtor’ businesses including Causes of Action and defenses related to assumed Executory Contracts or Unexpired Leases	

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Claims arising out of that certain Exchange Agreement concerning the property generally described as the Fairwinds Lodge or Fairwinds Estate, 9898 Lake Street, Kings Beach, California	Paul and Evy Paye, LLC or their successors or assigns
Claims for setoff or recoupment	
Claims for avoidance of liens and security interests	

Northlight, in its sole and absolute discretion, shall determine whether to bring, settle, release, compromise, or enforce such Retained Causes of Action (or decline to do any of the foregoing), and shall not be required to seek further approval of the Bankruptcy Court for such action. No Person may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any Retained Cause of Action against them as any indication that Northlight will not pursue any and all available Retained Causes of Action against them. Northlight expressly reserves all rights to prosecute any and all Retained Causes of Action against any Person except at otherwise provided in the Plan. Unless any Retained Cause of Action against a Person is expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or an order of the Bankruptcy Court, Northlight expressly reserves all Retained Causes of Action for later adjudication and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches, shall apply to such Retained Causes of Action upon, after, or as a consequence of Confirmation or the Effective Date of the Plan.

The Plan Proponents do not have any estimate as to the value, if any, of the Retained Causes of Action. Litigation, in general, is difficult to predict. Nor are Plan Proponents aware of any investigation conducted into any of the claims, or any analysis as to the likelihood of success. Such claims may not have any value.

2. Trust Causes of Action

The Debtor reserves and conveys to the Creditors' Trust, and the Bankruptcy Court's Confirmation Order will be deemed to authorize, the Creditors' Trustee to pursue all rights in and to all Trust Causes of Action and defenses whenever arising, whether arising from the pre-

1 Petition Date or post-Petition Date periods, including, without limitation, all claims for lender
 2 liability or similar claims, unfair or deceptive business practice, fraud, fraud in the inducement,
 3 tort, theft of trade secrets, misappropriation, duress, fraudulent transfer, avoidance,
 4 recharacterization, subordination, avoidance of liens and security interests, unjust enrichment,
 5 breach of contract, setoff, or otherwise against all Persons against whom the Debtor have any
 6 such Causes of Action and includes all Avoidance Actions. After the Effective Date, the
 7 proceeds of all such Trust Causes of Action shall belong solely to the Creditors' Trust. Further,
 8 the Proponent believes it will be the Creditors' Trustee's intent to prosecute all such Trust
 9 Causes of Action. All such Trust Causes of Action shall include, without limitation, the
 10 following:

Claim	Potential Counterparty (if known)
Avoidance Actions under Chapter 5 of the United States Bankruptcy Code, 11 U.S.C. 101, <i>et seq.</i>	

11
 12
 13 The Creditors' Trustee, in his/her/its sole and absolute discretion, shall determine
 14 whether to bring, settle, release, compromise, or enforce such Trust Causes of Action (or decline
 15 to do any of the foregoing), and shall not be required to seek further approval of the Bankruptcy
 16 Court for such action. No Person may rely on the absence of a specific reference in the Plan or
 17 the Disclosure Statement to any Trust Cause of Action against them as any indication that the
 18 Creditors' Trustee will not pursue any and all available Trust Causes of Action against them. The
 19 Creditors' Trustee expressly reserves all rights to prosecute any and all Trust Causes of Action
 20 against any Person except at otherwise provided in the Plan. Unless any Trust Cause of Action
 21 against a Person is expressly waived, relinquished, exculpated, released, compromised, or settled
 22 in the Plan or an order of the Bankruptcy Court, the Creditors' Trustee expressly reserves all
 23 Trust Causes of Action for later adjudication and, therefore, no preclusion doctrine, including the
 24 doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel
 25 (judicial, equitable, or otherwise), or laches, shall apply to such Trust Causes of Action upon,
 26 after, or as a consequence of Confirmation or the Effective Date of the Plan.

27 The Plan Proponents do not have any estimate as to the value, if any, of the Creditors'
 28

1 Trust Causes of Action. Nor are Plan Proponents aware of any investigation conducted into any
2 of the claims, or any analysis as to the likelihood of success. The Creditors' Trust Causes of
3 Action may have no value. Even if such Creditors' Trust Causes of Action have value, they may
4 be uncollectible.

5 **F. Continuation of Bankruptcy Code Anti-Discrimination Provisions**

6 No governmental unit may deny, revoke, suspend, or refuse to renew a license, permit,
7 charter, franchise, or other similar grant to, condition such a grant to, or discriminate with respect
8 to such a grant against, the Debtor or Northlight another Person with whom the Debtor or
9 Northlight have been or are associated or affiliated, solely because of the commencement,
10 continuation, or termination of the Debtor' bankruptcy case or because of any provision of the
11 Plan or the legal effect of the Plan. The Confirmation Order will constitute an express injunction
12 against any such discriminatory treatment by a governmental unit.

13 **G. Exemption from Transfer Taxes**

14 Under sections 106, 1141 and 1146(a) of the Bankruptcy Code, the issuance, transfer, or
15 exchange of notes or equity securities under or in connection with the Plan, the creation of any
16 mortgage, deed of trust, or other security interest, the making or assignment of any lease or
17 sublease, or the making or delivery of any deed or other instrument of transfer under, in
18 furtherance of, or in connection with, the Plan, including, without limitation, any merger
19 agreements or agreements of consolidation, deeds, bills of sale, or assignments executed in
20 connection with any of the transactions contemplated under the Plan (including the creation of
21 the Creditors' Trust) shall not be subject to any stamp, real estate transfer, mortgage recording,
22 sales, use or other similar tax. The Confirmation Order shall direct all state and local government
23 officials and agents to forego the collection of any such tax or governmental assessment and to
24 accept for filing and recordation any instrument or other document issued or transferred pursuant
25 to the Plan, without the payment of any such tax or government assessment.

26 **H. Section 1145 Exemption**

27 The issuance of new ownership Interests, if any, in accordance with the Plan shall be
28

1 authorized under Bankruptcy Code section 1145 without further act or action by any Person. The
2 offering, issuance, and distribution of any Securities pursuant to the Plan, if any, and any and all
3 settlement agreements incorporated therein are expected to be exempt from applicable federal
4 and state securities laws (including blue sky laws), registration, and other requirements,
5 including, the registration and prospectus delivery requirements of section 5 of the Securities
6 Act, pursuant to section 4(2) of the Securities Act, or another available exemption from
7 registration under the Securities Act, as applicable.

8 **I. Cancellation of Interests**

9 On the Effective Date, except as otherwise provided in the Plan or Confirmation Order,
10 any and all existing instruments, certificates and other documents or agreements evidencing the
11 prepetition Interests in New Cal Neva, shall be deemed automatically cancelled and shall be of
12 no further force or effect, whether surrendered for cancellation or otherwise, and the obligations
13 of the Debtor thereunder, or in any way related thereto, shall be discharged.

14 **J. Corporate Actions**

15 Except as otherwise provided in the Plan, each of the matters provided for by the Plan
16 involving corporate or related actions to be taken or required of the Debtor or Northlight to
17 effectuate the Plan shall, as of the Effective Date, be deemed to have occurred and be effective as
18 provided in the Plan, and shall be authorized, approved, and, to the extent taken prior to the
19 Effective Date, ratified in all respects without any requirement of further action by Northlight,
20 holders of Claims or Interests, management of the Debtor, or any other Person. On the Effective
21 Date, the appropriate officers of Northlight or its agents shall be authorized and directed to issue,
22 execute, and deliver the agreements, instruments or other documents contemplated by the Plan,
23 or necessary or desirable to affect the transactions contemplated by the Plan, in the name of and
24 on behalf of Northlight, including a new operating agreement and any all agreements or other
25 documentation relating thereto. Notwithstanding any requirements under non-bankruptcy law,
26 the authorizations and approvals contemplated by this provision shall be effective.

27 **K. Permanent Satisfaction**

28

1 The rights afforded in the Plan, and the treatment of all Claims and Interests set forth
2 therein, shall be in full exchange for, and in complete satisfaction of, all Claims and Interests of
3 any kind or nature whatsoever, whether known or unknown, matured or contingent, liquidated or
4 unliquidated, existing, arising or accruing, whether or not yet due, prior to the Effective Date,
5 including without limitation any Claims, or interest on Claims, accruing on or after the Petition
6 Date, against the Debtor or any of the assets or property thereof, provided that such satisfaction
7 does not affect any party's rights under the Plan.

8 ARTICLE VI. - EFFECTS OF CONFIRMATION

9 A. Binding Effect of Plan

10 The provisions of the confirmed Plan shall bind the Debtor, Northlight, the Committee, and
11 any Creditor or Interest Holder, whether or not such Creditor or Interest Holder has filed a proof
12 of Claim or Interest in the Chapter 11 Case, whether or not the Claim of such Creditor or the
13 Interest of such Interest Holder is impaired under the Plan, and whether or not such Creditor or
14 Interest Holder has accepted or rejected the Plan. All Claims and Debts shall be as fixed and
15 adjusted pursuant to the Plan.

16 B. Vesting of Property Free and Clear

17 Upon the Effective Date, title to all Estate Assets, except for the Creditors' Trust Assets,
18 shall vest in the Northlight for the purposes contemplated under the Plan and section 1123(b)(3)
19 shall be deemed satisfied in all respects. All Unsecured Claims against the Debtor or the Estate
20 shall be of no further force or effect except with respect to the rights of holders of Allowed
21 Claims to receive payments or distributions as set forth herein. Following the Effective Date,
22 Northlight may use, acquire or dispose of any such property free of any restrictions imposed by
23 the Bankruptcy Court, the Bankruptcy Code or the Bankruptcy Rules and without further
24 approval of the Bankruptcy Court or notice to Creditors, except as may otherwise be required
25 under the Plan or the Confirmation Order. Except as otherwise expressly provided in the Plan or
26 Confirmation Order, all rights or causes of action are hereby preserved and retained for
27 enforcement solely and exclusively by and at the discretion of the Northlight.
28

1 **C. Injunction**

2 Until all Estate Assets, whether vested in Northlight, the Creditors' Trust, or the Debtor,
3 are fully administered, and except as otherwise provided by the Plan, all entities who have held,
4 hold or may hold Claims against or Interests in the Debtor or the Debtor's estate that arose prior
5 to the Effective Date are enjoined, to the fullest extent of the law, from taking legal action
6 against the Debtor, Creditors' Trust or Northlight for the purpose of directly or indirectly
7 collecting, recovering, or receiving payment or recovery with respect to any Claim or demand
8 against the Debtor, Northlight or Creditors' Trust.

9 **D. Release**

10 In consideration of the Proponent's prosecution of the Plan, and as part of the
11 compromises among the Debtor, the Estate and Proponents as implemented through the Plan, on
12 the Effective Date, to the fullest extent of the law, the Debtor and the Estate will be permanently
13 deemed to have released Proponents and all of their attorneys, stockholders, principals, partners,
14 employees, directors, officers, subsidiaries, parent companies, affiliates, members, agents,
15 representatives, predecessors and successors, and each of them, in all capacities from any and all
16 claims and causes of action, known or unknown, arising through the Effective Date.

17 **E. No Discharge**

18 On the Effective Date, all Debts of the Debtor will be deemed fixed and adjusted
19 pursuant to the Plan and the Debtor will have no further liability on account of Claims or
20 Interests except as set forth in the Plan. All payments and all distributions made by the
21 Proponent under the Plan will be in full and final satisfaction, settlement and release of all
22 Claims; provided, however, that nothing contained in the Plan will be deemed to constitute or
23 result in a discharge of the Debtor under Bankruptcy Code section 1141(d)(3).

24 **F. Limitation of Liability**

25 The Debtor, the Proponents, the Committee, their officers and directors or other
26 representatives, each of the respective professionals of the foregoing and, effective upon
27 approval of such Professional's final fee applications in this Bankruptcy Case (collectively, the
28

1 “Exculpated Parties”), will neither have nor incur any liability to any entity for any Official
 2 Actions in good faith taken or omitted to be taken in connection with or related to the Case, the
 3 investigations of potential claims or the formulation, preparation, dissemination, implementation,
 4 Confirmation or consummation of the Plan, the Disclosure Statement, or any agreement created
 5 or entered into in connection with the Plan or incident to the Case in all circumstances, to the
 6 fullest extent provided by law, provided however, that the foregoing shall not exonerate any of
 7 the Exculpated Parties from any liability that results from an act or omission to the extent such
 8 act or omission is determined by Final Order to have constituted gross negligence or willful
 9 misconduct. In addition, notwithstanding any other provision of the Plan, and to the fullest extent
 10 of the law, no holder of a Claim or Interest, no other party in interest, none of their respective
 11 agents, employees, representatives, financial advisors, attorneys or affiliates, and no successors
 12 or assigns of the foregoing, shall have any right of action against any Exculpated Party for any
 13 Official Actions made in good faith from and after the Petition Date through the Confirmation
 14 Date in connection with, relating to or arising out of the Case or the consideration, formulation,
 15 preparation, dissemination, implementation, Confirmation or consummation of the Plan, the
 16 Disclosure Statement, or any transaction or document created or entered into, or any other act
 17 taken or omitted to be taken, in connection therewith, except for: (a) the liability of any
 18 Exculpated Party that would otherwise result from the failure to perform or pay any obligation or
 19 liability under the Plan or any contract, instrument, release or other agreement or document to be
 20 entered into or delivered in connection with the Plan, (b) the liability of any Exculpated Party
 21 that would otherwise result from any such act or omission to the extent that such act or omission
 22 is determined in a Final Order to have constituted gross negligence or willful misconduct, and (c)
 23 actions taken by Exculpated Parties who are holders of a Claim and are taking actions in pursuit
 24 of the allowance or payment of such Claim.

25 **ARTICLE VII - SETTLEMENT, RELEASE, INJUNCTION,**
 26 **AND RELATED PROVISIONS**

27 **A. Injunction**
 28

1 Except as otherwise provided in the Plan, from and after the Effective Date, to the fullest
2 extent of the law, all Persons that have held, hold, or may hold Claims against the Debtor, or
3 Claims that may result in reimbursement, contribution, or indemnification by the Debtor on
4 account of such Claims, or Interests in the Debtor or the Estate are permanently enjoined ,
5 subject to law, from taking any of the following actions against the Debtor, Northlight, or the
6 Creditors' Trust: (i) to commence or continue in any manner any action or other proceeding of
7 any kind on account of or in connection with or with respect to any such Claims or Interests.

8 **B. Exculpation**

9 Neither the Debtor, Penta or Northlight, nor any of their employees, attorneys, advisors,
10 members, shareholders, fiduciaries or agents (including any professionals retained by such
11 persons), nor any of their respective predecessors or successors, will have or incur any liability
12 as set forth in 11 U.S.C §1125(e), to any holder of a Claim or Interest or any other entity for any
13 act or omission in connection with, or arising out of, the Chapter 11 case, the pursuit of approval
14 of the Disclosure Statement or the solicitation of votes for or confirmation of the Plan or
15 consummation or administration of the Plan or the property to be distributed under the Plan.

16 **C. Release of Liens**

17 Except as otherwise provided in the Plan, on the Effective Date and concurrently with the
18 applicable distributions made pursuant to the Plan, all mortgages, deeds, trusts, Liens, pledges, or
19 other security interests against any property of the Estate (other than with respect to the Secured
20 Creditors' Fund) shall be fully released and discharged, and all of the right, title, and interest of
21 any Holder of such mortgages, deeds, trusts, Liens, pledges, or other security interests shall
22 revert to Northlight.

23 **ARTICLE VIII - CONDITIONS PRECEDENT TO CONFIRMATION**
24 **AND EFFECTIVE DATE OF THE PLAN**

25 **A. Conditions Precedent to Confirmation**

26 It shall be a condition to Confirmation of the Plan that the following conditions shall have
27 been satisfied or waived pursuant to the Plan:

- 28 1. Required Orders. The Clerk of the Bankruptcy Court shall have entered all

1 necessary orders (including, without limitation, the Disclosure Statement Order and the
2 Confirmation Order).

3 2. Vote Tabulation. The Bankruptcy Court shall have determined that all votes are
4 binding and have been properly tabulated as acceptances or rejections of the Plan.

5 3. Confirmation Requirements. The Bankruptcy Court shall have determined that all
6 applicable tests, standards and burdens in connection with the Plan, including those in section 1129
7 of the Bankruptcy Code and the Confirmation Conditions, have been duly satisfied and met by the
8 Debtor and the Proponent.

9 4. Form of Confirmation Order. The Confirmation Order and the Plan each shall be
10 in a form and substance satisfactory to the Proponent.

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

12 It shall be a condition to the Plan going effective, i.e., the Effective Date that the
13 following conditions shall have been satisfied or waived: (i) the Confirmation Order shall have
14 become a Final Order; (ii) all other actions, documents, certificates, and agreements necessary to
15 implement the Plan shall have been effected or executed and delivered to the required parties
16 and, to the extent required, filed with the applicable governmental units in accordance with
17 applicable laws; and other Effective Date Conditions.

18 **C. Waiver of Conditions**

19 To the extent practicable and legally permissible, each of the conditions precedent in this
20 Section may be waived, in whole or in part, by Northlight and Penta, as applicable. Any such
21 waiver of a condition precedent may be effected at any time by filing a notice thereof with the
22 Bankruptcy Court executed by the Proponent.

23 **ARTICLE IX - MODIFICATION, REVOCATION OR WITHDRAWAL OF THE**
24 **PLAN**

25 **A. Modification and Amendments**

26 The Proponent may amend, modify, or supplement the Plan pursuant to Bankruptcy Code
27 section 1127(a) at any time prior to the Confirmation Date. After the Confirmation Date, but
28 prior to the Effective Date of the Plan, the Proponent may amend, modify, or supplement the

1 Plan without further order of the Bankruptcy Court to remedy any defect or omission or
2 reconcile any inconsistencies in the Plan or the Confirmation Order.

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

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

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

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

19 **SECTION X - RETENTION OF JURISDICTION**

20 Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective
21 Date, the Bankruptcy Court shall, after the Effective Date, retain such jurisdiction over the Case
22 and all Persons with respect to all matters related to the Case, the Debtor, and the Plan as legally
23 permissible, including, without limitation, jurisdiction to:

- 24 1. allow, disallow, determine, liquidate, classify, estimate, or establish
25 the priority, secured, or unsecured status, or amount of any Claim or
26 Interest, including the resolution of any request for payment of any
27 Administrative Claim, including Claims of a Professional for
28 services rendered to the Debtor or any Committee, and the
29 resolution of any and all objections to the secured or unsecured
30 status, priority, amount, or allowance of Claims or Interests;
31 2. decide and resolve all matters related to the granting and denying,

- 1 in whole or in part, any applications for allowance of compensation
2 or reimbursement of expenses to Professionals authorized pursuant
3 to the Bankruptcy Code or the Plan;
3. 4. resolve any matters related to: (i) the assumption, assumption and
5 assignment, or rejection of any executory contract or unexpired
6 lease to which the Debtor is party or with respect to which the
7 Debtor may be liable, and the hearing, determination, and, if
8 necessary, liquidation of any Claims arising therefrom, including
9 cure claims pursuant to Bankruptcy Code section 365; (ii) any
10 potential contractual obligation under any executory contract or
11 unexpired lease that is assumed; and (iii) any dispute regarding
12 whether a contract or lease is or was executory or expired;
4. 5. ensure that distributions to Holders of Allowed Claims and Interests
6 are accomplished pursuant to the provisions of the Plan;
5. 6. adjudicate, decide, or resolve any motions, adversary proceedings,
7 Causes of Action, contested or litigated matters, and any other
8 matters, and grant or deny any applications involving the Debtor that
9 may be pending on the Effective Date or brought thereafter,
10 including but not limited to the litigation of any Cause of Action by
11 the Creditors' Trust or Northlight after the Effective Date of the
12 Plan;
6. 7. adjudicate, decide, or resolve any and all matters related to
13 Bankruptcy Code sections 1141 and 1145;
7. 8. enter and implement such orders as may be necessary or appropriate
14 to execute, implement, or consummate the provisions of the Plan
15 and all contracts, instruments, releases, indentures, and other
16 agreements or documents created in connection with the Plan or the
17 Disclosure Statement;
8. 9. implement, interpret, or enforce any and all matters relating to the
18 Confirmation Order;
9. 10. enter and enforce any order pursuant to Bankruptcy Code sections
19 363, 1123, or 1146(a) for the sale of property;
10. 11. resolve any cases, controversies, suits, disputes, or Causes of Action
20 that may arise in connection with the Effective Date, interpretation,
21 or enforcement of the Plan or any Person's obligations in connection
22 with the Plan;
11. 12. issue injunctions, enter and implement other orders, or take such
23 other actions as may be necessary or appropriate to restrain
24 interference by any Person with the Effective Date or enforcement
25 of the Plan;
12. 13. resolve any cases, controversies, suits, disputes, or Causes of Action
26 with respect to the releases, injunctions, and other provisions
27 contained in Article IX of the Plan and enter such orders as may be
28 necessary or appropriate to implement such releases, injunctions,
and other provisions;
13. 14. enter and implement such orders as are necessary or appropriate if
the Confirmation Order is for any reason modified, stayed, reversed,
revoked, or vacated;

14. enter an order or final decree concluding or closing the Case;
15. adjudicate any and all disputes arising from or relating to distributions under the 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;
20. hear and determine all disputes involving the existence, nature, or scope of the Debtor’s discharge, including any dispute relating to any liability arising out of the termination of employment or the termination of any employee or retiree benefit program, regardless of whether such termination occurred prior to or after the Effective Date;
21. enforce all orders previously entered by the Bankruptcy Court; and
22. hear any other matter not inconsistent with the Bankruptcy Code.

ARTICLE XI - MISCELLANEOUS PLAN PROVISIONS

A. Immediate Binding Effect

Subject to terms of the Plan and notwithstanding Bankruptcy Rules 3020(e), 6004(g), 7062, or otherwise, upon the occurrence of the Effective Date, the terms of the Plan shall be immediately effective and enforceable and deemed binding upon the Debtor, the Committee, Estate Professionals, Northlight, and any and all Holders of Claims or Interests (irrespective of whether such Claims or Interests are deemed to have accepted the Plan), all Persons that are parties to or are subject to the settlements, compromises, releases, discharges, and injunctions described in the Plan, each Person acquiring property under the Plan, and any and all non-Debtor parties to executory contracts and unexpired leases with the Debtor.

B. Additional Documents

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

1 **C. Payment of Statutory Fees**

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

6 **D. Dissolution of Committee**

7 On the first Business Day after the Effective Date, the Committee shall be dissolved and
8 the members thereof shall be released and discharged of and from all further authority, duties,
9 responsibilities, and obligations related to and arising from and in connection with the Chapter
10 11 Case. The retention or employment of any and all attorneys, financial advisors, and other
11 agents or professions, if any, of all statutory committees shall terminate other than for purposes
12 of filing and prosecuting applications for final allowances of compensation for professional
13 services rendered and reimbursement of expenses incurred in connection therewith.

14 **E. Reservation of Rights**

15 Except as otherwise provided in the Plan, the Plan shall have no force or effect unless the
16 Bankruptcy Court enters the Confirmation Order. None of the filing of the Plan, any statement or
17 provision contained in the Plan, or the taking of any action by the Proponent or the Debtor with
18 respect to the Plan or the Disclosure Statement shall be or shall be deemed to be an admission or
19 waiver of any rights of the Debtor with respect to the Holders of Claims or Interests prior to the
20 Effective Date.

21 **F. Successors and Assigns**

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

26 **G. Further Assurances**

27 The Debtor or Northlight, as applicable, all Holders of Claims receiving distributions
28

1 pursuant to the Plan, and all other Persons shall, from time to time, prepare, execute, and deliver
2 any agreements or documents and take any other actions as may be necessary or advisable to
3 effectuate the provisions and intent of the Plan or the Confirmation Order.

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

5 Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or
6 stays in effect in the Case pursuant to Bankruptcy Code sections 105 or 362 or any order of the
7 Bankruptcy Court, and extant on the Confirmation Date (excluding any injunctions or stays
8 contained in the Plan or the Confirmation Order) shall remain in full force and effect until the
9 Effective Date. All injunctions or stays contained in the Plan and the Confirmation Order shall
10 remain in full force and effect in accordance with their terms.

11 **I. Entire Agreement**

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

15 **J. Exhibits and Related Documents**

16 All exhibits and documents filed in relation to the Plan are incorporated into and are a
17 part of the Plan as if set forth in full in the Plan. After any exhibits and documents are filed,
18 copies of such exhibits and documents shall be available upon written request to the Proponent's
19 counsel at the address above or the Bankruptcy Court's website, <http://www.nvb.uscourts.gov> (a
20 PACER login and password are required to access documents on the Bankruptcy Court's
21 website).

22 **K. Severability of Plan Provisions**

23 If, before Confirmation of the Plan, any term or provision of the Plan is held by the
24 Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall have the
25 power to alter and interpret such term or provision to make it valid or enforceable to the
26 maximum extent practicable, consistent with the original purpose of the term or provision held to
27 be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered
28

1 or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of
2 the terms and provisions of the Plan shall remain in full force and effect and shall in no way be
3 affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation
4 Order shall constitute a judicial determination and shall provide that each term and provision of
5 the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and
6 enforceable.

7 **L. Waiver or Estoppel Conflicts**

8 Each Holder of a Claim or Interest shall be deemed to have waived any right to assert any
9 argument, including the right to argue that its Claim or Interest should be Allowed in a certain
10 amount, in a certain priority, secured, or not subordinated, by virtue of an agreement made with
11 the Debtor or its counsel, the Committee or its counsel, Proponents, or any other Person, if such
12 agreement was not disclosed in the Plan, the Disclosure Statement, or papers filed with the
13 Bankruptcy Court prior to the Confirmation Date.

14 **M. Conflicts**

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

19 **ARTICLE XII - RISK FACTORS**

20 Holders of Claims should read and consider carefully the factors set forth below, as well
21 as the other information set forth in this Disclosure Statement (and the documents delivered
22 together herewith and/or incorporated by reference herein), prior to voting to accept or reject the
23 Plan.

24 **A. Risk of Non-Confirmation of the Plan**

25 Even if all classes of Claims that are entitled to vote accept the Plan, the Plan might not
26 be confirmed by the Bankruptcy Court. Section 1129 of the Bankruptcy Code sets forth the
27 requirements for confirmation and requires, among other things, that the confirmation of the Plan
28

1 is not likely to be followed by the liquidation or the need for further financial reorganization
 2 (feasibility), and that the value of distributions to dissenting creditors be not less than the value
 3 of distributions such creditors would receive if the debtor were liquidated under Chapter 7 of the
 4 Bankruptcy Code (the “best interest of creditors” test), and other tests as set forth elsewhere in
 5 this Disclosure Statement and as required by applicable law. The Proponent believes that the
 6 Plan satisfies all requirements for confirmation under the Bankruptcy Code. There can be no
 7 assurance, however, that the Bankruptcy Court will also conclude that the requirements for
 8 Confirmation of the Plan have been satisfied.

9 **B. Nonoccurrence of Effective Date of the Plan**

10 Even if all classes of Claims that are entitled to vote accept the Plan, the Effective Date
 11 for the Plan may not occur. The Plan sets forth conditions to the occurrence of the Effective Date
 12 of the Plan, which may not be satisfied by the Effective Date. The Proponent believes that it will
 13 satisfy all requirements for consummation required under the Plan. There can be no assurance,
 14 however, that the Bankruptcy Court will also conclude that the requirements for consummation
 15 of the Plan have been satisfied.

16 **ARTICLE XIII - ALTERNATIVES TO CONFIRMATION OF THE PLAN**

17 If the Plan is not confirmed by the Bankruptcy Court and consummated, the alternatives
 18 to the Plan include (a) the liquidation of the Debtor under Chapter 7 of the Bankruptcy Code, (b)
 19 an alternative Plan under Chapter 11 of the Bankruptcy Code, or (c) relief from the automatic
 20 stay to secured creditors and the loss of the Debtor’s assets through to foreclosure.

21 **A. Liquidation Under Chapter 7**

22 The Plan functionally provides Creditors with the same protections as would be granted
 23 in a Chapter 7, with a better recovery and reduced cost. But for the Plan, the Debtor’s estate is
 24 administratively insolvent, i.e. the estate does not have any unencumbered assets available to
 25 satisfy the administrative costs already accrued by the Debtor during these proceedings. The
 26 history of the Debtor’s bankruptcy proceedings has established that no one is willing to buy the
 27 Resort for an amount sufficient to pay Secured Creditors in full, let alone for an amount
 28

1 sufficient to pay the Secured Creditors *and* administrative expenses *and* provide a distribution to
2 General Unsecured Creditors. Conversion to Chapter 7 will most likely result in the foreclosure
3 of the Resort and no distribution to creditors beyond the senior secured creditor. If the Property
4 were sold in a Chapter 7, it is likely that it would be sold for less due to the chilling effect of a
5 Chapter 7 liquidation.

6 In addition, in conversion to Chapter 7, a new Claims bar date would be set, permitting
7 the filing of timely Claims by Creditors whose Claims may be time barred under the Plan and
8 which may significantly increase the costs of a claims reconciliation process. Even if no
9 Creditors file otherwise time-barred Claims upon a conversion to Chapter 7, some Creditors will
10 file second or third Claims in the Chapter 7 case.

11 Further, it is extremely rare for a Chapter 7 trustee to make interim distributions to
12 Creditors, in the unlikely event sufficient recoveries were achieved, meaning that unsecured
13 Creditors will receive no distributions in a Chapter 7 until the case is fully administered and
14 ready to be closed, which would likely be much longer than it will take for Creditors to receive at
15 least a partial interim distribution under the Plan.

16 Accordingly, the Proponent believes that the Plan provides for a greater and significantly
17 more expeditious administration of this Chapter 11 Case, will result in a higher percentage return
18 to the Allowed Claims of the general unsecured Creditors, and will allow for a prompt
19 completion of this case in a manner consistent with the desires of Creditors and parties in
20 interest.

21 **[Proponent is not soliciting ballots at this time. This language is included to reflect**
22 **the language to be used if the Disclosure Statement is approved.]** Accordingly, the Proponent
23 recommends that all holders of Claims and Interests vote to accept the Plan.

24 **B. Alternative Plan**

25 If the Plan is not confirmed, any other party in interest may be entitled to file and seek
26 confirmation of a different plan. The Proponent believes that the Plan provides holders of Claims
27 and Interests with the greatest value possible under the circumstances. The Proponent believes
28

1 that any subsequently proposed plan would also likely provide less favorable treatment than that
 2 to be afforded by the Plan and would further delay the payment of distributions. As discussed
 3 other parties have stated an intention to submit alternative proposed plans. This disclosure
 4 statement contains no information about these alternative plans. Plan Proponents believe the
 5 overbidding procedures set forth herein adequately protect other parties' rights, if any, to
 6 purchase the Debtor's assets.

7 **C. Relief from the Automatic Stay and Foreclosure**

8 Failure to confirm a plan also would increase the risk that the Bankruptcy Court could
 9 grant the motion filed by Hall for relief from the automatic stay to foreclose on the Debtor's real
 10 property and/or grant the motion filed by Ladera for relief from the automatic stay to foreclose
 11 on the 100% membership interests in New Cal Neva.

12 **D. Feasibility**

13 In order to confirm a plan, the Bankruptcy Code requires the Bankruptcy Court to find
 14 that confirmation of the Plan is not likely to be followed by liquidation or the need for further
 15 financial reorganization of the debtor, unless that liquidation is contemplated by the plan
 16 ("Feasibility Test"). Since a form of liquidation is proposed under the Plan and no further
 17 reorganization of the Debtor is contemplated, the Plan proponents believe that the Plan meets the
 18 Feasibility Test. Further, Penta and the Committee have been satisfied that Northlight has the
 19 financial resources to make the Plan Payments and other financial obligations required under the
 20 Plan.

21 **ARTICLE XIV - GENERAL OVERVIEW OF CHAPTER 11**

22 Chapter 11 of the Bankruptcy Code is the principal business reorganization chapter of the
 23 Bankruptcy Code. Under Chapter 11, a debtor may be reorganized or liquidated for the benefit of
 24 its stakeholders. Formulation of a plan is the principal objective of Chapter 11. In general, a plan
 25 (1) divides claims and interests into separate classes, (2) specifies the property or consideration
 26 that each class is to receive under the plan, and (3) contains other provisions necessary to the
 27 reorganization or administration of the debtor and its estate. Alternatively, the Bankruptcy Code
 28

1 allows a debtor to file a plan of liquidation that provides for the orderly liquidation of the assets
2 of the debtor.

3 Chapter 11 does not require each holder of a claim or interest to vote in favor of the plan
4 in order for the Bankruptcy Court to confirm the plan. However, the plan must be accepted by
5 the holders of at least one class of claims that is impaired without considering the votes of
6 “insiders” within the meaning of the Bankruptcy Code.

7 **A. Classification and Treatment of Claims and Equity Interests Generally**

8 Section 1123(a)(1) of the Bankruptcy Code requires that the plan must classify all claims
9 (other than administrative expenses, administrative operating expenses, and priority tax claims)
10 and interests.

11 In this case, the Proponent believes it has classified all Claims and Interests in
12 compliance with the provisions of the Bankruptcy Code. If a holder of a Claim or Interest
13 challenges such classification of the Claims or Interests, and the Bankruptcy Court finds that a
14 different classification is required for the Plan to be confirmed, the Proponent, to the extent
15 permitted by the Bankruptcy Court, intends to make such reasonable modifications to the
16 classification of Claims or Interests under the Plan to provide for whatever classification might
17 be required by the Bankruptcy Court for confirmation.

18 Except to the extent that such modification of classification adversely affects the
19 treatment of a holder of a Claim or Interest and requires re-solicitation, acceptance of the Plan by
20 any holder of a Claim or Interest pursuant to this solicitation will be deemed to be a consent to
21 the Plan’s treatment of such holder of a Claim or Interest regardless of the class to which such
22 holder of a Claim or Interest is ultimately deemed to belong.

23 The Bankruptcy Code also requires that the Plan provide the same treatment for each
24 Claim or Interest in a particular Class unless the holder of a particular Claim or Interest agrees to
25 a less favorable treatment of its Claim or Interest. The Proponent believes that the Plan complies
26 with this standard. If the Bankruptcy Court finds that the Plan does not comply with this
27 standard, it could deny confirmation of the Plan if the holders of Claims or Interests affected do
28

1 not consent to the treatment afforded them under the Plan.

2 In accordance with the Bankruptcy Code, Administrative Expense Claims, U.S. Trustee's
3 Fees, and Priority Tax Claims are not classified into classes. The Plan also specifies the
4 treatment proposed for the Claims and Interests in each class.

5 **B. Good Faith Solicitation Under Section 1125**

6 The Plan provides that the Proponent, upon Confirmation of the Plan, shall be deemed to
7 have solicited acceptances of the Plan in good faith and in compliance with the applicable
8 provisions of the Bankruptcy Code.

9 The Proponent believes that the Plan treats the respective classes of Claims and Interests
10 fairly and equitably in compliance with the absolute priority rule and fair and equitable standard
11 of section 1129(b)(2) of the Bankruptcy Code. Because the Proponent has crafted the Plan to
12 follow the Bankruptcy Code Distribution Priorities, the Proponent believes that the Plan provides
13 each Creditor and Interest holder with at least as much, if not more, as it would receive if the
14 Debtor was liquidated under Chapter 7 of the Bankruptcy Code as required by section
15 1129(a)(7).

16 Set forth in detail below is a description of the technical aspects of confirmation of a
17 Chapter 11 plan, the risks inherent in the Plan, and the applicable bankruptcy and tax
18 consequences of the liquidation, as applicable, of the Debtor. The Plan is the product of lengthy
19 discussions and negotiations between parties in interest and is based upon the Proponent's
20 analysis of all Claims asserted or known as of the date hereof and an evaluation of the relative
21 merits of potential conflicting Claims, including potential conflicting claims to priority of the
22 Debtor's Secured Claims. The Proponent believes that the following overview of what holders of
23 Claims and Interest holders will receive under the Plan will be helpful in your consideration of
24 whether you wish to accept or reject the Plan.

25 Please do not return any other documentation with your ballot. For further information
26 on casting a ballot to vote on the Plan, please see the General Information Section of this
27 Disclosure Statement.

28

1 **C. “Yes” Votes Required for Acceptance; Voting Procedures**

2 Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by an impaired
3 class of claims as acceptance by holders of at least two-thirds in dollar amount, and more than
4 one-half in number, of the claims of that class that actually cast ballots. An impaired class of
5 holders of equity securities shall have accepted the plan if the plan is accepted by at least two-
6 thirds in amount of the allowed equity securities of such class held by holders of such equity
7 securities. 11 U.S.C. § 1126(d).

8 The vote of a creditor may be disregarded if the Bankruptcy Court determines, after
9 notice and hearing, that the acceptance or rejection was not solicited or procured in good faith. A
10 “Yes” vote will indicate your acceptance of the Plan, while a “No” vote will indicate your
11 rejection of the Plan. The Proponent urges all parties-in-interest entitled to vote on the Plan to
12 vote “Yes” to accept the Plan.

13 Some creditors may hold Impaired Claims or Interests in more than one class and must
14 vote separately in each class. If you hold Claims or Interests in more than one class, or multiple
15 Claims in the same class, you must cast a separate vote based on each individual Claim.

16 The following voting procedures (the “Voting Procedures”) have been established with
17 respect to the amount and classification of Claims and Interests, and the determination of the
18 validity of ballots submitted, for voting purposes:

19 1. Unless otherwise provided in the Tabulation Rules (described below), a Claim will
20 be deemed temporarily allowed for voting purposes in an amount equal to (a) if a proof of Claim
21 has not been timely filed, the amount of such Claim as set forth in the Schedules or (b) the amount
22 of such Claim as set forth in a timely filed proof of Claim.

23 2. If a Claim is deemed Allowed in accordance with the Plan, such Claim will be
24 temporarily allowed for voting purposes in the deemed Allowed amount set forth in the Plan.

25 3. If a Claim for which a proof of Claim has been timely filed is marked in whole or
26 in part in the Schedules as contingent, unliquidated, and/or disputed, such portion of the Claim that
27 is marked as contingent, unliquidated, or disputed will be temporarily allowed for voting purposes
28

1 in the amount of \$1.00.

2 4. If a Claim has been estimated or otherwise allowed for voting purposes by order of
3 the Court, such Claim will be temporarily allowed for voting purposes in the amount so estimated
4 or allowed by the Court.

5 5. If a Creditor casts more than one ballot voting the same Claim before the Voting
6 Deadline, the last dated Ballot received before the Voting Deadline will be deemed to reflect the
7 voter's intent and thus will supersede any prior Ballots.

8 6. Creditors will be required to vote all of their Claims within a particular class under
9 the Plan either to accept or reject the Plan and may not split their vote. A ballot (or a group of
10 ballots within a class received from a single creditor) that partially rejects and partially accepts the
11 Plan will not be counted.

12 In addition, the following tabulation rules (the "Tabulation Rules") will be used for the
13 tabulation of Ballots:

14 1. If a holder of a Claim identifies a claim amount on its ballot that is less than the
15 amount otherwise calculated in accordance with these Tabulation Rules, the Voting Procedures,
16 and/or the Schedules, the Claim will be temporarily allowed for voting purposes in the lesser
17 amount identified on such ballot.

18 2. Ballots that are otherwise validly executed but do not indicate either acceptance or
19 rejection of the Plan will not be counted.

20 3. The Proponent will not accept ballots by e-mail or facsimile transmission.

21 4. Only ballots that are timely received with signatures will be counted. Unsigned
22 ballots will not be counted.

23 5. Ballots postmarked prior to the Voting Deadline, but received after the Voting
24 Deadline, will not be counted.

25 6. Ballots that are illegible, or contain insufficient information to permit the
26 identification of the creditor, will not be counted.

27 7. If a creditor simultaneously casts inconsistent duplicate ballots with respect to the
28

1 same Claim, no ballots from such creditor with respect to that Claim will be counted.

2 8. Unless otherwise ordered by the Court, questions as to the validity, form, eligibility
3 (including time of receipt), acceptance, and revocation or withdrawal of ballots shall be determined
4 by the Proponent, which determination shall be final and binding.

5 **IN ORDER TO BE COUNTED, EXCEPT TO THE EXTENT THE PROPONENT**
6 **SO DETERMINES OR AS PERMITTED BY THE BANKRUPTCY COURT PURSUANT**
7 **TO FEDERAL RULE OF BANKRUPTCY PROCEDURE 3018, BALLOTS MUST BE**
8 **SIGNED AND RETURNED SO THAT THEY ARE ACTUALLY RECEIVED NO**
9 **LATER THAN 5:00 P.M. (PREVAILING CALIFORNIA TIME) ON AUGUST __, 2017,**
10 **AT THE FOLLOWING ADDRESS:**

11 Christopher H. Hart
12 **NUTI HART LLP**
13 411 30th Street, Suite 408
14 Oakland, CA 94609-3311
15 510-506-7154

15 Please follow the directions contained on the ballot carefully. As mentioned above, if
16 your ballot is not signed and returned as described, it will not be counted. If your ballot is
17 damaged or lost, or if you do not receive a ballot, you may request a replacement by addressing a
18 written request to the foregoing counsel for the Proponent at the address set forth above or by e-
19 mailing Proponent’s counsel at: chart@nutihart.com.

20 The process of soliciting acceptance of the Plan must be fair and open without outside
21 influence in the form of representations, inducements, or duress of any kind. To the extent that
22 you believe solicitation of your vote from any party is being sought outside of the judicially-
23 approved and statutorily-defined disclosure requirements and Voting Procedures, please contact
24 Proponent’s counsel.

25 **ARICLE XV - CERTAIN FEDERAL INCOME TAX CONSEQUENCES**

26 *(i) Tax Consequences to Debtor*

27 With respect to the tax consequences of the Plan to the Debtor, Proponent does not expect
28 confirmation of the Plan to have a material impact. The Plan does not seek to avoid payment of

1 any valid claims, and therefore, the Plan will not affect Debtor's net operating loss carry
2 forwards, which will remain available to offset any post-bankruptcy income.

3 (ii) *Potential Tax Consequences to Creditors*

4 A few generalizations can be made as to the basic tax consequences, although none of the
5 following statements can be treated as advice on the tax treatment to a specific creditor.

6 The Plan contemplates repayment in full to all holders of unclassified, priority "allowed"
7 claims, and the Architect Claim. Therefore, Proponent is not of the view that any holder of these
8 types of claims would be permitted to deduct the amount owed by the Debtor from the creditor's
9 gross income on the basis that it constitutes an uncollectable debt.

10 The Plan contemplates less than full payment to other Classes. The extent to which a
11 creditor must recognize loss on repayment of principal amounts owed by the Debtor depends
12 upon the creditor's tax basis in the debt and overall financial situation. For example, if a creditor
13 provided credit of \$10,000 to the Debtor and had a tax basis of \$10,000 in the credit advanced,
14 repayment of 25% the principal amount would trigger a 75% loss. In general, such a loss may be
15 credited against income. Each Holder of an Allowed Claim is urged, however, to consult its own
16 tax advisors as to the consequences and treatment of any such loss.

17 (iii) *Potential Tax Consequences to Equity Holders*

18 The Plan provides for the elimination Interests and no payment on account of Equity
19 Holder's investment in the Debtor. As a general matter, amounts invested may be considered an
20 investment loss. Each Interest Holder is urged to consult its own tax advisors as to the
21 consequences and treatment of the investment loss.

22 *The foregoing discussion is intended to give general information, but each creditor and*
23 *equity holder must be advised that the tax consequences of the Plan will vary based on the*
24 *individual circumstances of each holder of a Claim. Accordingly, each creditor is strongly*
25 *urged to consult with its own tax advisor regarding the federal, state, local and foreign tax*
26 *consequences of the Plan.*

27 **ARTICLE XVI - ABSOLUTE PRIORITY RULE AND CRAM DOWN**

1 The Proponent has crafted the Plan to follow the Bankruptcy Code Distribution Priorities.
2 As such, the Proponent believes that the Plan does not violate the “absolute priority rule” and if a
3 Class of Creditors does not vote to accept the Plan, it may be “crammed down” and confirmed
4 notwithstanding such rejection.

5 **ARTICLE XVII - CONCLUSION AND RECOMMENDATION**

6 **Northlight is not soliciting ballots at this time. This language is included to reflect**
7 **the language to be used if the Disclosure Statement is approved.]** The Proponent believes
8 that confirmation of the Plan, by providing for a maximum return to Creditors. The Proponents
9 therefore urges you to vote “Yes” to accept the Plan.

10 **Date: August 7, 2017**

11 **NUTI HART LLP**

12
13 /s/ Christopher H. Hart
14 Christopher H. Hart (CA SBN 184117)
15 (By Pro Hac Vice)
16 411 30th Street, Suite 408
17 Oakland, CA 94609

18
19 Attorneys for Northlight Capital Partners, LLC

20 **Date: August 7, 2017**

21 **MUSHKIN•CICA•COPPEDGE**

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28