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7 Attorneys for Debtors

10 UNITED STATES BANKRUPTCY COURT

11 DISTRICT OF OREGON

12 In re

13 Bonavia Timber Company, LLC,
Nevada First Corporation,

14 Debtors.

Case No. 11-39459-rld11 (LEAD CASE)
Case No. 11-39460-rld11
(Jointly Administered Under Case
No. 11-39459-rld11)

DEBTORS' ~~FIRST~~SECOND
AMENDED JOINT DISCLOSURE
STATEMENT (APRIL ~~6~~10, 2012)

17 **1. INTRODUCTION**

18 On November 1, 2011 (the "Petition Date"), each of Bonavia Timber Company, LLC
19 ("Bonavia") and Nevada First Corporation ("Nevada First") (each a "Debtor and collectively
20 "Debtors") filed a voluntary petition for relief under Chapter 11 of Title 11 of the United
21 States Code (the "Bankruptcy Code"). On November 16, 2011, the Bankruptcy Court
22 entered an order administratively consolidating the bankruptcy cases of Bonavia and Nevada
23 First.

24 On February 29, 2012, Debtors filed a Joint Plan of Reorganization (the "Plan") with
25 the Bankruptcy Court. The Plan provides that Debtors will pay all creditors in full. A copy
26 of the Plan is attached hereto as Exhibit 1.

1 Debtors are seeking acceptance of the Plan by their creditors. A ballot has been
2 enclosed with this Disclosure Statement for use in voting on the Plan. Debtors believe
3 confirmation of the Plan is in the best interest of their creditors and urge those parties entitled
4 to vote to vote to accept the Plan.

5 **2. PURPOSE OF THE DISCLOSURE STATEMENT**

6 The purpose of this Disclosure Statement is to provide you with adequate information
7 to enable you to make an informed judgment concerning whether to vote for or against the
8 Plan. You are urged to review the Plan and, if appropriate, consult with counsel about the
9 Plan and Disclosure Statement and their impact on your legal rights before voting on the
10 Plan. Capitalized terms used but not defined in this Disclosure Statement shall have the
11 meanings assigned to such terms in the Plan or the Bankruptcy Code (see Article 1 of the
12 Plan).

13 This Disclosure Statement has been approved by Order of the Bankruptcy Court as
14 containing adequate information to permit parties-in-interest to make an informed judgment
15 as to whether to vote to accept or reject the Plan. The Bankruptcy Court's approval of this
16 Disclosure Statement, however, does not constitute a recommendation by the Bankruptcy
17 Court either for or against the Plan.

18 This Disclosure Statement is submitted in accordance with Section 1125 of the
19 Bankruptcy Code and Bankruptcy Rule 3016. The description of the Plan contained in this
20 Disclosure Statement is intended as a summary only and is qualified in its entirety by
21 reference to the Plan itself. If any inconsistency exists between the Plan and this Disclosure
22 Statement, the terms of the Plan are controlling. This Disclosure Statement may not be relied
23 on for any purpose other than to determine how to vote on the Plan.

24 This Disclosure Statement has been prepared by Debtors in good faith based upon
25 information available to Debtors and information contained in Debtors' books and records.
26 The information concerning the Plan has not been subject to a verified audit. The statements

1 contained in this Disclosure Statement are made as of the date hereof, unless another time is
2 specified herein, and the delivery of this Disclosure Statement shall not imply there has been
3 no change in the facts set forth herein since the date of this Disclosure Statement and the date
4 the material relied on in preparation of this Disclosure Statement was compiled.

5 Nothing contained herein shall constitute an admission of any fact or liability by any
6 party, or be admissible in any proceeding involving Debtors or any other party.

7 **3. BRIEF EXPLANATION OF CHAPTER 11**

8 Chapter 11 of the Bankruptcy Code is the principal reorganization provision of the
9 Bankruptcy Code. The formulation and confirmation of a plan of reorganization is the
10 principal purpose of a Chapter 11 case. A plan of reorganization sets forth a proposed
11 method of compensating a debtor's creditors. Chapter 11 does not require all holders of
12 claims to vote in favor of a plan of reorganization in order for the Bankruptcy Court to
13 confirm the plan. However, the Bankruptcy Court must find that the plan of reorganization
14 meets a number of statutory tests before it may confirm, or approve, the plan of
15 reorganization. These tests are designed to protect the interests of holders of claims who do
16 not vote to accept the plan of reorganization, but who will nonetheless be bound by the plan's
17 provisions if it is confirmed by the Bankruptcy Court.

18 **4. OVERVIEW OF DEBTORS**

19 Bonavia owns over 18,400 acres of timber and pasture land in Umatilla and Morrow
20 Counties, Oregon. Bonavia operates a cattle ranch, grows and sells timber, and leases
21 properties to third parties for grazing and timber operations.

22 Nevada First is a holding company that owns, among other interests, 100% of the
23 membership interests in Bonavia and 100% of the membership interests in NFC Land &
24 Cattle, LLC, a Nevada limited liability company ("NFC"). Nevada First provides
25 administrative and management services to both Bonavia and NFC. NFC owns
26 approximately 145,000 acres of real property in Nevada. NFC also has over 1,000,000 acres

1 of United States Forest Service and Bureau of Land Management allotments. NFC conducts
2 ranching and farming operations on its properties.

3 **5. SIGNIFICANT POST-PETITION EVENTS**

4 5.1 Joint Administration of Bankruptcy Cases. On November 16, 2011, the
5 Bankruptcy Court entered an order directing the joint administration and procedural
6 consolidation of the Bankruptcy Cases of Bonavia and Nevada First.

7 5.2 Motion to Dismiss Bankruptcy Cases. On February 8, 2012, Debtors' largest
8 creditor, Third Eye Capital Corporation ("Third Eye"), filed a motion to dismiss the
9 Bankruptcy Cases and a memorandum in support of its motion. The Bankruptcy Court has
10 indicated that a hearing on the motion will be scheduled for the same time as the hearing on
11 confirmation of the Plan.

12 **6. THIRD EYE CAPITAL CORPORATION**

13 Debtors' largest creditor is Third Eye, as agent for Strative Capital, Ltd. ("Strative").
14 Third Eye is fully secured and is treated and classified under the Plan in its own class.

15 In July of 2009, Strative, and Hill & Brand Productions 7, LLC ("Hill & Brand")
16 entered into a loan transaction for the purpose of financing the print and advertising costs for
17 a motion picture entitled "Transylmania" being produced by Hill & Brand. Third Eye asserts
18 that the obligations owing by Hill & Brand to Strative exceed \$31,000,000.

19 On November 19, 2009, Bonavia and Nevada First each executed a limited guarantee
20 in favor of Third Eye (as agent for Strative) pursuant to which they guaranteed all
21 obligations, including principal, interest, fees and costs, of Hill & Brand to Strative under the
22 loan documents entered into between Third Eye and Hill & Brand. The guarantees are
23 governed by New York law.

24 Pursuant to the express terms of the guarantees, the Debtors' combined maximum
25 liability under the guarantees shall not exceed \$5,000,000, plus interest accrued thereon, and,
26 if applicable, any and all costs incurred by Third Eye in enforcing collection of such

1 amounts. Each guarantee contains an integration clause that states that the guarantee
2 constitutes the entire agreement between Debtor and Third Eye pertaining to the subject
3 matter contained herein.

4 In late December 2009, Third Eye declared a default under the Hill & Brand loan
5 documents and accelerated the obligations of Hill & Brand. Contemporaneously, Third Eye
6 demanded that Nevada First and Bonavia pay Third Eye \$5,000,000 under the guarantees on
7 or before January 4, 2010. Debtors have not made any payments to Third Eye on the
8 guarantees.

9 On April 2, 2011, Third Eye filed a complaint against Debtors in Umatilla County,
10 Oregon seeking to enforce the guarantees and to foreclose a deed of trust executed by
11 Bonavia granting to Third Eye a lien on certain real property of Bonavia.

12 In its complaint, Third Eye asserts that Bonavia and Nevada First guaranteed
13 "\$5,000,000 of the principal amount of the obligations of Hill & Brand to Strative, together
14 with interest thereon," and asserts that the interest is to be computed using the rate
15 determined under the Hill & Brand loan documents. The interest rate under the Hill & Brand
16 loan documents is an escalating interest rate that began at 6% but now, according to Third
17 Eye, exceeds 60% per annum, and continues to increase by 2% each month. Third Eye
18 asserts that Debtor's guarantee liability exceeds \$9,000,000 and is accruing interest at an
19 increasing rate that already exceeds 60% per annum.

20 Notwithstanding the plain language of the guarantees, and the integration clause,
21 Third Eye asserts that the interest rate provided in the Hill & Brand loan documents is
22 imported into the guarantees.

23 Debtors believe that Third Eye's position is incorrect and inconsistent with the terms
24 of the guarantees for at least two reasons:

25 1. Contrary to Third Eye's assertion, the guarantees are not guarantees of
26 \$5,000,000 in principal under the loan documents, plus interest on that principal. The

1 guarantees do not contain any such language, and contain language to the contrary. The
2 guarantees specifically provide that they are guarantees of the "Guaranteed Obligations."
3 "Guaranteed Obligations" are defined to include any and all obligations owing by the
4 borrower under the loan documents, including interest owing under the loan documents. The
5 guarantees then state that "the Guarantor's maximum liability hereunder shall not exceed,
6 when combined with the liability of the Guarantor's subsidiaries and affiliates, an amount
7 equal to \$5,000,000 plus interest accrued thereon." The "interest thereon" is interest on the
8 guarantor's liability under the guaranty, not interest on the principal owing under the loan
9 documents. Interest accrual under the loan documents is irrelevant because interest accruing
10 under the loan documents is subject to the \$5,000,000 cap. Since no interest rate is specified
11 in the guarantees, the law of the state of New York provides the rate. That rate is 9% simple
12 per annum interest.

13 2. The integration clause set forth in the guarantees prevents the incorporation of
14 the terms of the loan documents, including the interest rate term set forth in the loan
15 documents. The guarantees are separate, stand-alone contracts. Interest accrual under the
16 loan documents, and the interest rate provided in the loan documents, is irrelevant once the
17 \$5,000,000 maximum liability under the guarantees is reached.

18 Third Eye disagrees with Debtors' position and asserts that Debtors' position is
19 incorrect as a matter of law. [In its objections to this Disclosure Statement, Third Eye makes](#)
20 [the following assertions:](#)

21 ["The Disclosure Statement is inadequate because it fails to state that](#)
22 [these bankruptcy cases are essentially the result of a two party](#)
23 [dispute between Third Eye and Debtors which can and should be](#)
24 [resolved in Oregon state court, without the involvement of other](#)
25 [creditors or the significant expense of the chapter 11 process."](#)

26 [Third Eye further asserts:](#)

["The Disclosure Statement is inadequate because it fails to state that](#)
[Third Eye disagrees with Debtors' position and asserts that Debtors'](#)

1 legal position regarding their obligations to Third Eye is incorrect as
 2 a matter of law. Third Eye asserts that the interest rate applicable to
 3 the guaranties is the same rate stated in the loan agreement. There is
 4 no separate rate expressed in either guaranty. The Disclosure
 5 Statement fails to inform creditors that the law of New York, which
 6 is the governing law, supports Third Eye's position that the interest
 7 rate in the other loan documents applies to the guaranty. In cases like
 8 this, New York law provides that a guaranty should be read together
 9 with other loan documents to supply terms not specifically
 10 referenced in the guaranty, including the interest rate. When a
 11 guaranty does not explicitly state the rate of interest, New York
 12 courts apply the rate of interest identified in the other loan documents
 13 to the guaranty. See, e.g., *Mfrs. & Traders Trust Co. v. Thielman*, 92
 14 A.D.2d 742, 743, 461 N.Y.S.2d 86 (NY App. Div. 1983) (holding
 15 that no issue of fact existed with regard to the interest rate and
 16 applying the default note rate to a guaranty that had no specific rate
 17 listed but provided that the guarantor was liable 'up to the principal
 18 amount of \$26,000,000, plus all interest at any time accrued
 19 thereon.'); *Bank of America, N.A. v. Solow*, No. 601892/07, 2008 WL
 20 1821877, at *4 (NY Sup. Ct. Apr. 17, 2008) (unreported) (holding
 21 that the documents regarding the underlying obligation 'provide the
 22 necessary background to enforcing the guaranty, by establishing the
 23 amount owed, the interest rate, and the nature of the primary
 24 obligation,' and granting summary judgment against the guarantor at
 25 the contract rate of interest, rather than the lower statutory rate). The
 26 regular interest rate provision in the Loan Agreement was negotiated,
and provided that the interest rate would be a fixed rate of 6% per
annum for the first six months, and then would gradually increase the
longer the loan was outstanding. The Loan Agreement also provides
for a default interest rate of an additional 10% per annum.

The Disclosure Statement further fails to state that deposition
testimony from Nicholas Bonavia, the person principally responsible
for the loan and guaranties at the time they were made, suggests that
he knew that the interest rate expressed in the loan agreement applied
to each guaranty. The Disclosure Statement further fails to state that
Debtor Nevada First corporation had itself made at least one
media/entertainment related loan (to Archer entertainment Media),
which bore interest at 60% per annum."

Debtor disagrees with Third Eye's assertions.

7. PLAN SUMMARY/CLASSIFICATION AND TREATMENT OF CLAIMS

The following is a general summary of certain provisions of the Plan. It is not a complete summary of the Plan, or all the provisions of the Plan. Each holder of a Claim should carefully review the entire Plan, along with this Disclosure Statement, before voting on the Plan.

1 7.1 General. The Plan provides that Debtors will pay all creditors in full. Holders
2 of Allowed General Unsecured Claims will be paid in full no later than six months after the
3 Effective Date, with interest accruing from and after the Petition Date at the Federal
4 Judgment Rate. The Plan provides that it becomes effective (the "Effective Date" of the
5 Plan) on the date that each of the following conditions has been satisfied or waived by
6 Debtors: the Bankruptcy Court shall have entered the Confirmation Order in form and
7 substance reasonably acceptable to Debtors, the South Ganger Sale (discussed later in this
8 Disclosure Statement) shall have closed, and the Equitable Loan (discussed later in this
9 Disclosure Statement) shall have closed. Debtor anticipates that the Effective Date will be
10 sometime in the summer of 2012.

11 7.2 Classification and Treatment of Claims Under the Plan. As summarized
12 below, other than "unclassified" Claims (discussed below), the Plan classifies all Claims into
13 one of four Classes – Other Priority Claims (Class 1), Third Eye (Class 2), General
14 Unsecured Claims (Class 3), and Interests (Class 4).

15 7.2.1 Class 1 – Other Priority Claims. Class 1 consists of all Allowed
16 Other Priority Claims. Class 1 is not impaired by the Plan.

17 Debtors are not aware of any Other Priority Claims. An Other Priority Claim is a
18 claim against Debtors entitled to priority under Section 507(a) of the Bankruptcy Code, other
19 than an Administrative Expense Claim or a Priority Tax Claim. Each holder of an Allowed
20 Class 1 Claim will be paid the full amount of such Claim on the later of (a) the Effective
21 Date, or (b) the date on which such Claim becomes Allowed.

22 7.2.2 Class 2 – Third Eye. Class 2 consists of the Allowed Secured Claim
23 of Third Eye. Class 2 is impaired by the Plan.

24 Third Eye will have an Allowed Secured Claim in such amount as is determined by
25 agreement of Debtor and Third Eye or, absent agreement, in such amount as is determined
26

1 and Allowed by the Bankruptcy Court. Third Eye's Allowed Secured Claim will be paid as
2 follows:

3 On the Effective Date, Debtors will pay to Third Eye an amount equal to the sum of
4 (a) the net sales proceeds from the South Ganger Sale (which net sales proceeds shall not be
5 less than \$1,500,000), plus (b) the net loan proceeds from the Equitable Loan (which net loan
6 proceeds shall not be less than \$4,400,000).

7 Upon the closing of the South Ganger Sale and the payment of the net sales proceeds
8 to Third Eye, Third Eye will release its lien on the South Ganger Property. Upon the closing
9 of the Equitable Loan and the payment of the net loan proceeds to Third Eye, Third Eye will
10 release its lien on the Ukiah Property and any claimed lien on the Heppner Property. Third
11 Eye will cooperate with Debtors in closing the South Ganger Sale and the Equitable Loan
12 and will execute and deliver such lien releases and reconveyances into closing escrow as may
13 be necessary or appropriate to close such transactions.

14 The remaining balance, if any, of Third Eye's Allowed Secured Claim will be paid in
15 full within five years after the Effective Date, with interest accruing from and after the
16 Effective Date until paid at a fixed interest rate of 4.5% per annum. Reorganized Debtors
17 will sell or refinance, or cause NFC to sell or finance, such additional properties as are
18 necessary to enable Reorganized Debtors to timely pay and satisfy Third Eye's Allowed
19 Secured Claim.

20 As Collateral securing any portion of Third Eye's Allowed Secured Claim that is not
21 paid on the Effective Date, Third Eye will retain its liens upon its Collateral (other than the
22 Collateral to be released by Third Eye under this Plan) with the same priority and to the same
23 extent such liens had as of the Petition Date. Upon payment in full of its Allowed Secured
24 Claim, Third Eye shall release all of its liens upon its Collateral.

25 7.2.3 Class 3 - General Unsecured Claims. Class 3 consists of all Allowed
26 General Unsecured Claims. Class 3 is impaired by the Plan.

1 The Plan provides that all Allowed General Unsecured Claims will be paid in full no
2 later than six months after the Effective Date, with interest from the Petition Date at the
3 Federal Judgment Rate.

4 7.2.4 Class 4 - Interests. The Plan provides that existing Interests in
5 Debtors will be preserved. However, the Plan provides that until all Allowed Claims have
6 been paid in full, Reorganized Debtors will not repurchase any stock or membership
7 interests, or make or pay any distributions or dividends to owners on account of their stock or
8 membership interests, except for tax distributions necessary to meet income tax obligations
9 arising from income attributable to Debtors or Reorganized Debtors.

10 7.3 Unclassified Claims. Administrative Expense Claims and Priority Tax Claims
11 are not classified under the Plan.

12 7.3.1 Administrative Expense Claims. An Administrative Expense Claim
13 is a claim against Debtors constituting an expense of administration of the Bankruptcy Case
14 allowed under Section 503(b) of the Bankruptcy Code, including, without limitation, the
15 actual and necessary costs and expenses of preserving the estate and operating the business of
16 Debtors during the case, any indebtedness or obligations incurred by Debtors during the
17 pendency of the case in connection with the conduct of, the acquisition or lease of property
18 by, or the rendition of services to, Debtors; compensation for legal and other professional
19 services; and reimbursement of expenses and statutory fees payable to the United States
20 Trustee. Debtors project that administrative expense obligations owing to professionals on
21 the Effective Date of the Plan will be approximately \$100,000.

22 Pursuant to the Plan, Administrative Expense Claims will be paid in full on the later
23 of the Effective Date or the date on which the Administrative Expense Claim becomes an
24 Allowed Claim; provided, however, that Administrative Expense Claims representing
25 liabilities incurred by Debtors in the ordinary course of business (including amounts owed to
26 vendors and suppliers that sold products or furnished services to Debtors after the Petition

1 Date) will be paid in accordance with the terms and conditions of the particular transactions,
2 and any other agreements relating thereto. Additionally, any agreements between Debtors
3 and holders of Allowed Administrative Expense Claims for treatment other than payment in
4 full on the date described above must be in writing.

5 7.3.2 Priority Tax Claims. A "Priority Tax Claim" is a claim of a
6 governmental unit of the kind entitled to priority under Section 507(a)(8) of the Bankruptcy
7 Code. Debtors are not aware of any Priority Tax Claims. To the extent there are any Priority
8 Tax Claims, the Plan provides that Priority Tax Claims will be paid as allowed in
9 Section 1129(a)(9) within 30 days following the later of the Effective Date or the date upon
10 which the Priority Tax Claim becomes an Allowed Claim.

11 7.4 Leases and Executory Contracts. The Bankruptcy Code gives Debtors the
12 right, after commencement of their Chapter 11 Case, subject to approval of the Bankruptcy
13 Court, to assume or reject executory contracts and unexpired leases. Generally, an
14 "executory contract" is a contract under which material performance (other than the payment
15 of money) is still due by each party.

16 The Plan provides that all of Debtors' executory contracts will be deemed assumed by
17 operation of law on the Effective Date except any executory contract that has been
18 specifically assumed or rejected by Debtors on or before the Effective Date or in respect of
19 which a motion for assumption or rejection has been Filed by Debtors on or before the
20 Effective Date.

21 7.5 Cram Down. The Plan provides that in the event any impaired Class does not
22 vote to accept the Plan, Debtor reserves the right to request that the Bankruptcy Court
23 confirm the Plan in accordance with Section 1129(b) of the Bankruptcy Code or otherwise
24 modify the Plan.

25 7.6 United States Trustee Fees. The Plan provides that all fees payable by
26 Debtors to the United States Trustee under 28 U.S.C. § 1930(a)(6), or to the Clerk of the

1 Bankruptcy Court, will be paid in full on the Effective Date. The Plan further provides that
2 Reorganized Debtors will continue to pay such fees to the Bankruptcy Court post-
3 confirmation until the Case is closed by the Bankruptcy Court, dismissed, or converted.

4 **8. MEANS FOR IMPLEMENTATION OF THE PLAN**

5 8.1 Continuation of Debtor. Reorganized Debtor will fund payments to its
6 Creditors and otherwise satisfy its Plan obligations from available Cash, from continuing
7 operations, and, as more fully set forth below, from the sale or refinancing of certain of
8 Debtor's assets. Debtors' annual operating revenues come primarily from the sale of cattle,
9 which generally occurs in late fall (October or November). Debtors' cash flow projections
10 through June 2013 are attached hereto as Exhibit 4. Assuming an Effective Date of July 1 or
11 August 1, Debtors' projections indicate that Debtors will have cash available of less than
12 \$100,000. Debtor will have administrative expense obligations of approximately \$100,000.
13 The revenue from Debtors' cattle sales in the late fall of 2012 will provide the funds
14 necessary for Debtors to pay General Unsecured Claims.

15 8.2 Sale of South Ganger Property. In August 2011, Bonavia (as Seller) and
16 Michael T. Warn and Cynthia L. Warn (as Purchaser) entered into an agreement for Bonavia
17 to sell to the Warns Bonavia's property generally referred to as South Ganger, which consists
18 of approximately 1,687 acres in Umatilla County, Oregon. The Plan provides that promptly
19 after entry of the Confirmation Order, Bonavia will sell the South Ganger Property to the
20 Warns and utilize the net sales proceeds (which shall not be less than \$1,500,000) towards
21 satisfaction of Third Eye's Allowed Class 2 Claim.

22 8.3 Equitable Loan. Debtors have obtained a loan commitment from AXA
23 Equitable Life Insurance Company ("Equitable") to loan Debtors \$4,500,000, to be secured
24 by Bonavia's real property in Umatilla County, Oregon generally referred to as Ukiah
25 (exclusive of the South Ganger property to be sold to the Warns) and Bonavia's real property
26 in Morrow County, Oregon generally referred to as Heppner (or Cunha Place). The Plan

1 provides that promptly after entry of the Confirmation Order, Debtors will obtain and close
 2 on the Equitable Loan and utilize the net loan proceeds (which shall not be less than
 3 \$4,400,000) towards satisfaction of Third Eye's Allowed Class 2 Claim. Debtors believe the
 4 collective net proceeds from the South Ganger Sale and the Equitable Loan will satisfy all or
 5 nearly all of Third Eye's Allowed Claim.

6 The Equitable Loan will have a term of 15 years, and will be payable in semi-annual
 7 installments of principal and interest. For the first five years, the loan will bear interest at a
 8 fixed per annum rate of 4.20%. The interest rate may adjust in years 5 and 10 of the loan.

9 8.4 Additional Sales or Financing. Reorganized Debtors will sell or refinance, or
 10 cause NFC to sell or finance, such additional properties as are necessary to enable
 11 Reorganized Debtors to timely pay and satisfy Third Eye's Allowed Secured Claim.

12 8.5 Management Team/Board of Directors. The officers and directors of Nevada
 13 First, which is the sole (and managing) member of Bonavia, will continue to manage Debtors
 14 post-confirmation. Those directors and officers are set forth below.

- 15 • Gary Bengochea (Director, President and CEO). Post-confirmation,
 16 Mr. Bengochea will continue to earn an annual salary of \$100,000.
- 17 • Richard Gavica (Director, Vice President and Treasurer). Post-
 18 confirmation, Mr. Gavica will continue to receive an annual salary of
 19 \$70,000.
- 20 • Emily Bonavia (Director, Secretary).
- 21 • Nick Bonavia (Director).

22 **9. ASSETS AND LIABILITIES**

23 For each Debtor, set forth on Exhibit 2 attached hereto is Debtor's internally-
 24 prepared, unaudited balance sheet as of January 31, 2012. In addition, for each Debtor, set
 25 forth on Exhibit 3 attached hereto is Debtor's internally prepared unaudited profit and loss
 26 statement for Debtor's fiscal year ending March 31, 2011.

1 9.1 Bonavia Assets and Liabilities. The value of Bonavia's assets far exceeds the
2 amount of Bonavia's liabilities. As set forth on Exhibit 2 and in Bonavia's Schedules,
3 Bonavia's assets consist primarily of real property in Umatilla County, Oregon (over 14,000
4 acres; property commonly known as Ukiah and Meacham (or Rail Creek)) and Morrow
5 County, Oregon (over 4,000 acres; property commonly known as Heppner). Ukiah is
6 encumbered in favor of Third Eye pursuant to a trust deed recorded in Umatilla County,
7 Oregon. Based on December 2011 appraisals, Ukiah has a present market value of
8 approximately \$10,000,000, and Meacham and Heppner each have a fair market value in
9 excess of \$1,000,000. Bonavia also has various personal property (including cash, a note
10 receivable, cows, bulls, and farm equipment) with an estimated value of approximately
11 \$1,000,000, for total assets of approximately \$13,000,000. Bonavia's principal liability is its
12 liability owing to Third Eye under its guarantee, as more fully discussed above.

13 9.2 Nevada First Assets and Liabilities. The value of Nevada First's assets far
14 exceeds the amount of Nevada First's liabilities. Nevada First is a holding company that
15 owns, among other interests, 100% of the membership interests in Bonavia and 100% of the
16 membership interests in NFC Land & Cattle, LLC, a Nevada limited liability company
17 ("NFC"). NFC owns approximately 145,000 acres of real property in Nevada. NFC also has
18 over 1,000,000 acres of United States Forest Service and Bureau of Land Management
19 allotments. NFC conducts ranching and farming operations on its properties. NFC does not
20 have current appraisals for its assets, but Debtors believe the fair market value of NFC's
21 assets is in the range of \$30,000,000. In addition to its ownership interests in various entities,
22 Nevada First also has various accounts receivable and notes receivable with a book value in
23 excess of \$3,000,000; however, the actual value of those notes is uncertain. Third Eye has a
24 security interest in all or substantially all of Nevada First's personal property. Nevada First's
25 principal liability is its liability owing to Third Eye under its guarantee, as more fully
26 discussed above.

1 **10. VOTING PROCEDURES**

2 10.1 Ballots and Voting Deadline. A ballot has been enclosed with this Disclosure
3 Statement for use in voting on the Plan. After carefully reviewing the Plan and this
4 Disclosure Statement, and if you are entitled to vote on the Plan, please indicate your
5 acceptance or rejection of the Plan by voting for or against the Plan on the enclosed ballot as
6 directed below.

7 To be counted for voting purposes, ballots must be received no later than
8 _____ .m. Pacific time, on _____, 2012 by Debtors at the following
9 address:

10 Tonkon Torp LLP
11 Attention: Spencer Fisher
12 1600 Pioneer Tower
13 888 SW Fifth Avenue
14 Portland, OR 97204-2099

14 Any ballots received after _____ .m. Pacific time on _____, 2012 will not be
15 included in any calculation to determine whether the parties entitled to vote on the Plan have
16 voted to accept or reject the Plan.

17 If you do not receive a ballot, or if a ballot is damaged or lost, please contact:

18 Tonkon Torp LLP
19 Attention: Spencer Fisher
20 1600 Pioneer Tower
21 888 SW Fifth Avenue
22 Portland, OR 97204-2099
23 Telephone Number: (503) 802-2167

22 When a ballot is signed and returned without further instruction regarding acceptance
23 or rejection of the Plan, the signed ballot shall be counted as a vote accepting the Plan. When
24 a ballot is returned indicating acceptance or rejection of the Plan but is unsigned, the
25 unsigned ballot will not be included in any calculation to determine whether parties entitled
26 to vote on the Plan have voted to accept or reject the Plan. When a ballot is returned without

1 indicating the amount of the Claim, the amount shall be as set forth on Debtors' Schedules or
2 any Proof of Claim filed with respect to such Claim.

3 10.2 Parties Entitled to Vote. Pursuant to Section 1126 of the Bankruptcy Code,
4 any holder of an Allowed Claim that is in an impaired Class under the Plan, and whose Class
5 is not deemed to reject the Plan, is entitled to vote. A Class is "impaired" unless the legal,
6 equitable and contractual rights of the holders of claims in that Class are left unaltered by the
7 Plan or if the Plan reinstates the Claims held by members of such Class by (a) curing any
8 defaults, (b) reinstating the maturity of such claim, (c) compensating the holder of such claim
9 for damages that result from the reasonable reliance on any contractual provision of law that
10 allows acceleration of such claim, and (d) otherwise leaving unaltered any legal, equitable or
11 contractual right of which the Claim entitles the holder of such claim. Because of their
12 favorable treatment, Classes that are not impaired are conclusively presumed to accept the
13 Plan. Accordingly, it is not necessary to solicit votes from the holders of Claims in Classes
14 that are not impaired. Classes of claims or interests that will not receive or retain any money
15 or property under a plan on account of such claims or interests are deemed, as a matter of law
16 under Section 1126(g) of the Bankruptcy Code, to have rejected the Plan and are likewise not
17 entitled to vote on the Plan. There are no such Classes in Debtors' Plan and, therefore, no
18 Classes are deemed to have rejected Debtors' Plan.

19 Class 1 (Other Priority Claims) is not impaired by the Plan and is deemed to have
20 accepted the Plan.

21 Class 2 (Third Eye), Class 3 (General Unsecured Creditors) and Class 4 (Interests) are
22 impaired under the Plan and are entitled to vote to accept or reject the Plan.

23 10.3 Votes Required for Class Acceptance of the Plan. For a Class of Claims to
24 accept the Plan, Section 1126 of the Bankruptcy Code requires acceptance by Creditors that
25 hold at least two-thirds in dollar amount and a majority in number of the Allowed Claims of
26 such Class, in both cases counting only those Claims actually voting to accept or reject the

1 Plan. The holders of Claims who fail to vote are not counted as either accepting or rejecting
2 the Plan. If the Plan is confirmed, the Plan will be binding with respect to all holders of
3 Claims in each Class, including Classes and members of Classes that did not vote or that
4 voted to reject the Plan.

5 If a proof of claim has been filed with respect to an impaired Claim, then the vote will
6 be based on the amount of the proof of claim. If no proof of claim has been filed, then the
7 vote will be based on the amount scheduled by Debtors in their Schedules. Holders of
8 disputed Claims who have settled their dispute with Debtors are entitled to vote the settled
9 amount of their Claim. The Bankruptcy Code provides that such votes will be counted unless
10 the Claim has been disputed, disallowed, disqualified or suspended prior to computation of
11 the vote on the Plan. The Claim to which an objection has been filed is not allowed to vote
12 unless and until the Bankruptcy Court rules on the objection. The Bankruptcy Code provides
13 that the Bankruptcy Court may, if requested to do so by the holder of such Claim, estimate or
14 temporarily allow a Disputed Claim for purposes of voting on the Plan.

15 **11. CONFIRMATION OF THE PLAN**

16 11.1 Confirmation Hearing. The Bankruptcy Court has scheduled a hearing on
17 confirmation of the Plan on _____, 2012 at _____ Pacific time. The hearing
18 will be held at the United States Bankruptcy Court for the District of Oregon, Courtroom
19 No. 3, 1001 SW Fifth Avenue, Portland, Oregon 97204, before the Honorable Randall L.
20 Dunn, United States Bankruptcy Judge. At that hearing, the Bankruptcy Court will consider
21 whether the Plan satisfies the various requirements of the Bankruptcy Code, including
22 whether it is feasible and whether it is in the best interests of creditors of Debtors. Debtors
23 will submit a report to the Bankruptcy Court at that time concerning the votes for acceptance
24 or rejection of the Plan by the parties entitled to vote thereon.

25 Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may
26 object to confirmation of the Plan. Any objections to confirmation of the Plan must be made

1 in writing and filed with the Bankruptcy Court and received by counsel for Debtors no later
2 than _____, 2012. Unless an objection to confirmation is timely filed and received,
3 it may not be considered by the Bankruptcy Court.

4 11.2 Requirements of Confirmation. At the hearing on confirmation, the
5 Bankruptcy Court will determine whether the provisions of Section 1129 of the Bankruptcy
6 Code have been satisfied. If all the provisions of Section 1129 are met, the Bankruptcy Court
7 may enter an order confirming the Plan. Debtors believe the Plan satisfies all the
8 requirements of Chapter 11 of the Bankruptcy Code, that it has complied or will have
9 complied with all the requirements of Chapter 11, and that the Plan has been proposed and is
10 made in good faith.

11 11.2.1 The Best Interests of Creditors – Liquidation Alternative. Among
12 other requirements for confirmation, to confirm the Plan the Bankruptcy Court must
13 determine that the Plan meets the requirements of Section 1129(a)(7) of the Bankruptcy
14 Code; that is, that the Plan is in the best interests of each holder of a Claim in an impaired
15 Class that has not voted to accept the Plan. Accordingly, if an impaired Class does not
16 unanimously accept the Plan, the "best interests" test requires that the Bankruptcy Court find
17 that the Plan provides to each holder of a Claim in such impaired Class a recovery on account
18 of the holder's Claim that has a value at least equal to the value of the distribution each such
19 holder would receive if Debtors were liquidated under Chapter 7 of the Bankruptcy Code.

20 In the opinion of Debtors, confirmation of the Plan is in the best interests of all
21 holders of Allowed Claims because it provides for the payment in full of all Allowed Claims.
22 Consequently, their recovery under the Plan is at least equal to (and cannot be less) than the
23 distribution they would receive if Debtors were liquidated under Chapter 7 of the Bankruptcy
24 Code.

25 Debtors believe that all holders of Allowed Claims would be paid in full under a
26 Chapter 7 liquidation. However, due to the illiquid nature of most of Debtors' assets, and the

1 general nature of Chapter 7 liquidations, Debtors believe a Chapter 7 liquidation would
2 significantly delay payments to creditors. Significant delays would occur while a Chapter 7
3 trustee analyzed options, retained professionals, obtained various court approvals, and
4 worked to liquidate assets.

5 Debtors believe conversion of this case to a Chapter 7 liquidation is not in the best
6 interest of creditors.

7 11.2.2 Feasibility of the Plan. Among other requirements for confirmation,
8 to confirm the Plan the Court must find that the Plan is feasible; that is, that the confirmation
9 of the Plan is not likely to be followed by the liquidation of Debtors (other than to the extent
10 already proposed in the Plan) or the need for a further financial reorganization of Debtors.
11 Debtors believe the Court will find that the Plan is feasible as Debtors have sufficient assets,
12 and will have sufficient revenues from operations, sales, and financing, to make all required
13 Plan payments, and thereafter confirmation of the Plan is not likely to be followed by the
14 liquidation of Debtors (other than as already proposed in the Plan) or the need for further
15 financial reorganization.

16 **12. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

17 CIRCULAR 230 DISCLAIMER: TO ENSURE COMPLIANCE WITH
18 REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE, WE INFORM
19 YOU THAT (A) ANY U.S. FEDERAL TAX ADVICE CONTAINED IN THIS
20 COMMUNICATION (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR
21 WRITTEN TO BE USED OR RELIED UPON, AND CANNOT BE USED OR RELIED
22 UPON, FOR THE PURPOSE OF (1) AVOIDING TAX-RELATED PENALTIES UNDER
23 THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR (2) PROMOTING,
24 MARKETING OR RECOMMENDING TO ANOTHER PARTY ANY TRANSACTION
25 OR TAX MATTER(S) ADDRESSED HEREIN, AND (B) THIS DISCUSSION WAS
26

1 WRITTEN IN CONNECTION WITH DEBTOR SOLICITING ACCEPTANCES OF THE
2 PLAN THROUGH THIS DISCLOSURE STATEMENT.

3 12.1 General Tax Considerations. DEBTORS DO NOT ANTICIPATE THAT
4 ANY MATERIAL TAX CONSEQUENCES WILL RESULT TO DEBTORS OR ANY
5 HOLDER OF A CLAIM OR INTEREST FROM THE TERMS OF THIS PLAN.
6 HOWEVER, EACH HOLDER IS URGED TO CONSULT SUCH HOLDER'S OWN TAX
7 ADVISOR AS TO THE CONSEQUENCES OF THE PLAN TO SUCH HOLDER UNDER
8 FEDERAL AND APPLICABLE STATE, LOCAL AND FOREIGN TAX LAWS.
9 DEBTORS AND DEBTORS' COUNSEL EXPRESS NO OPINION AS TO THE TAX
10 CONSEQUENCES OF THE PLAN OR THE EFFECT THEREOF ON ANY CLAIMANT
11 AND THIS DISCLOSURE STATEMENT IS NOT INTENDED TO BE, AND MAY NOT
12 BE, USED OR RELIED UPON BY ANY TAXPAYER FOR THE PURPOSE OF
13 AVOIDING PENALTIES UNDER FEDERAL TAX LAW.

14 12.2 Importance Of Obtaining Professional Tax Assistance. THE FOREGOING
15 DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL
16 INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR
17 CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE
18 DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX
19 ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND
20 MAY VARY DEPENDING ON THE PARTICULAR SITUATION OF A HOLDER OF AN
21 ALLOWED CLAIM, OR ANY EQUITY INTEREST HOLDER'S PARTICULAR
22 CIRCUMSTANCES. ACCORDINGLY, EACH HOLDER OF AN ALLOWED CLAIM
23 AND EACH EQUITY INTEREST HOLDER IS URGED TO CONSULT ITS TAX
24 ADVISOR ABOUT THE FEDERAL, STATE, LOCAL, AND APPLICABLE FOREIGN,
25 INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

1 **13. ALTERNATIVES TO CONFIRMATION OF THE PLAN**

2 If the Plan is not confirmed, Debtors or another party-in-interest may attempt to
3 formulate or propose a different plan or plans of reorganization. If no plan of reorganization
4 is determined by the Bankruptcy Court to be confirmable, this Chapter 11 case may be
5 dismissed or converted to a liquidation proceeding under Chapter 7 of the Bankruptcy Code.

6 In a liquidation, a Chapter 7 trustee would be appointed with the purpose of
7 liquidating the assets of Debtors. Proceeds from a Chapter 7 liquidation would be distributed
8 to creditors of Debtors in accordance with the priorities set forth in the Bankruptcy Code.

9 As the Plan provides for payment in full to all creditors, Debtors believe there is no
10 currently available alternative that would offer holders of Claims greater value than the Plan,
11 and urges all parties entitled to vote on the Plan to vote to accept the Plan.

12 **14. CONCLUSION**

13 Please read this Disclosure Statement and the Plan carefully. After reviewing all the
14 information and making an informed decision, please vote by using the enclosed ballot.

15 DATED this 6~~10~~¹⁰th day of April, 2012.

16 BONAVIA TIMBER COMPANY, LLC

17
18 By /s/ Gary L. Bengochea
19 Gary L. Bengochea, Manger

20 NEVADA FIRST CORPORATION

21
22 By /s/ Gary L. Bengochea
23 Gary L. Bengochea, President
24
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Presented by:

TONKON TORP LLP

By /s/ Michael W. Fletcher
Albert N. Kennedy, OSB No. 82142
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Portland, OR 97204

7 Attorneys for Debtors

10 UNITED STATES BANKRUPTCY COURT

11 DISTRICT OF OREGON

12 In re

13 Bonavia Timber Company, LLC,
Nevada First Corporation,

14 Debtors.

Case No. 11-39459-rld11 (LEAD CASE)

Case No. 11-39460-rld11

(Jointly Administered Under Case
No. 11-39459-rld11)

**DEBTORS' SECOND AMENDED
JOINT DISCLOSURE STATEMENT
(APRIL 10, 2012)**

17 **1. INTRODUCTION**

18 On November 1, 2011 (the "Petition Date"), each of Bonavia Timber Company, LLC
19 ("Bonavia") and Nevada First Corporation ("Nevada First") (each a "Debtor and collectively
20 "Debtors") filed a voluntary petition for relief under Chapter 11 of Title 11 of the United
21 States Code (the "Bankruptcy Code"). On November 16, 2011, the Bankruptcy Court
22 entered an order administratively consolidating the bankruptcy cases of Bonavia and Nevada
23 First.

24 On February 29, 2012, Debtors filed a Joint Plan of Reorganization (the "Plan") with
25 the Bankruptcy Court. The Plan provides that Debtors will pay all creditors in full. A copy
26 of the Plan is attached hereto as Exhibit 1.

1 Debtors are seeking acceptance of the Plan by their creditors. A ballot has been
2 enclosed with this Disclosure Statement for use in voting on the Plan. Debtors believe
3 confirmation of the Plan is in the best interest of their creditors and urge those parties entitled
4 to vote to vote to accept the Plan.

5 **2. PURPOSE OF THE DISCLOSURE STATEMENT**

6 The purpose of this Disclosure Statement is to provide you with adequate information
7 to enable you to make an informed judgment concerning whether to vote for or against the
8 Plan. You are urged to review the Plan and, if appropriate, consult with counsel about the
9 Plan and Disclosure Statement and their impact on your legal rights before voting on the
10 Plan. Capitalized terms used but not defined in this Disclosure Statement shall have the
11 meanings assigned to such terms in the Plan or the Bankruptcy Code (see Article 1 of the
12 Plan).

13 This Disclosure Statement has been approved by Order of the Bankruptcy Court as
14 containing adequate information to permit parties-in-interest to make an informed judgment
15 as to whether to vote to accept or reject the Plan. The Bankruptcy Court's approval of this
16 Disclosure Statement, however, does not constitute a recommendation by the Bankruptcy
17 Court either for or against the Plan.

18 This Disclosure Statement is submitted in accordance with Section 1125 of the
19 Bankruptcy Code and Bankruptcy Rule 3016. The description of the Plan contained in this
20 Disclosure Statement is intended as a summary only and is qualified in its entirety by
21 reference to the Plan itself. If any inconsistency exists between the Plan and this Disclosure
22 Statement, the terms of the Plan are controlling. This Disclosure Statement may not be relied
23 on for any purpose other than to determine how to vote on the Plan.

24 This Disclosure Statement has been prepared by Debtors in good faith based upon
25 information available to Debtors and information contained in Debtors' books and records.
26 The information concerning the Plan has not been subject to a verified audit. The statements

1 contained in this Disclosure Statement are made as of the date hereof, unless another time is
2 specified herein, and the delivery of this Disclosure Statement shall not imply there has been
3 no change in the facts set forth herein since the date of this Disclosure Statement and the date
4 the material relied on in preparation of this Disclosure Statement was compiled.

5 Nothing contained herein shall constitute an admission of any fact or liability by any
6 party, or be admissible in any proceeding involving Debtors or any other party.

7 **3. BRIEF EXPLANATION OF CHAPTER 11**

8 Chapter 11 of the Bankruptcy Code is the principal reorganization provision of the
9 Bankruptcy Code. The formulation and confirmation of a plan of reorganization is the
10 principal purpose of a Chapter 11 case. A plan of reorganization sets forth a proposed
11 method of compensating a debtor's creditors. Chapter 11 does not require all holders of
12 claims to vote in favor of a plan of reorganization in order for the Bankruptcy Court to
13 confirm the plan. However, the Bankruptcy Court must find that the plan of reorganization
14 meets a number of statutory tests before it may confirm, or approve, the plan of
15 reorganization. These tests are designed to protect the interests of holders of claims who do
16 not vote to accept the plan of reorganization, but who will nonetheless be bound by the plan's
17 provisions if it is confirmed by the Bankruptcy Court.

18 **4. OVERVIEW OF DEBTORS**

19 Bonavia owns over 18,400 acres of timber and pasture land in Umatilla and Morrow
20 Counties, Oregon. Bonavia operates a cattle ranch, grows and sells timber, and leases
21 properties to third parties for grazing and timber operations.

22 Nevada First is a holding company that owns, among other interests, 100% of the
23 membership interests in Bonavia and 100% of the membership interests in NFC Land &
24 Cattle, LLC, a Nevada limited liability company ("NFC"). Nevada First provides
25 administrative and management services to both Bonavia and NFC. NFC owns
26 approximately 145,000 acres of real property in Nevada. NFC also has over 1,000,000 acres

1 of United States Forest Service and Bureau of Land Management allotments. NFC conducts
2 ranching and farming operations on its properties.

3 **5. SIGNIFICANT POST-PETITION EVENTS**

4 5.1 Joint Administration of Bankruptcy Cases. On November 16, 2011, the
5 Bankruptcy Court entered an order directing the joint administration and procedural
6 consolidation of the Bankruptcy Cases of Bonavia and Nevada First.

7 5.2 Motion to Dismiss Bankruptcy Cases. On February 8, 2012, Debtors' largest
8 creditor, Third Eye Capital Corporation ("Third Eye"), filed a motion to dismiss the
9 Bankruptcy Cases and a memorandum in support of its motion. The Bankruptcy Court has
10 indicated that a hearing on the motion will be scheduled for the same time as the hearing on
11 confirmation of the Plan.

12 **6. THIRD EYE CAPITAL CORPORATION**

13 Debtors' largest creditor is Third Eye, as agent for Strative Capital, Ltd. ("Strative").
14 Third Eye is fully secured and is treated and classified under the Plan in its own class.

15 In July of 2009, Strative, and Hill & Brand Productions 7, LLC ("Hill & Brand")
16 entered into a loan transaction for the purpose of financing the print and advertising costs for
17 a motion picture entitled "Transylmania" being produced by Hill & Brand. Third Eye asserts
18 that the obligations owing by Hill & Brand to Strative exceed \$31,000,000.

19 On November 19, 2009, Bonavia and Nevada First each executed a limited guarantee
20 in favor of Third Eye (as agent for Strative) pursuant to which they guaranteed all
21 obligations, including principal, interest, fees and costs, of Hill & Brand to Strative under the
22 loan documents entered into between Third Eye and Hill & Brand. The guarantees are
23 governed by New York law.

24 Pursuant to the express terms of the guarantees, the Debtors' combined maximum
25 liability under the guarantees shall not exceed \$5,000,000, plus interest accrued thereon, and,
26 if applicable, any and all costs incurred by Third Eye in enforcing collection of such

1 amounts. Each guarantee contains an integration clause that states that the guarantee
2 constitutes the entire agreement between Debtor and Third Eye pertaining to the subject
3 matter contained herein.

4 In late December 2009, Third Eye declared a default under the Hill & Brand loan
5 documents and accelerated the obligations of Hill & Brand. Contemporaneously, Third Eye
6 demanded that Nevada First and Bonavia pay Third Eye \$5,000,000 under the guarantees on
7 or before January 4, 2010. Debtors have not made any payments to Third Eye on the
8 guarantees.

9 On April 2, 2011, Third Eye filed a complaint against Debtors in Umatilla County,
10 Oregon seeking to enforce the guarantees and to foreclose a deed of trust executed by
11 Bonavia granting to Third Eye a lien on certain real property of Bonavia.

12 In its complaint, Third Eye asserts that Bonavia and Nevada First guaranteed
13 "\$5,000,000 of the principal amount of the obligations of Hill & Brand to Strative, together
14 with interest thereon," and asserts that the interest is to be computed using the rate
15 determined under the Hill & Brand loan documents. The interest rate under the Hill & Brand
16 loan documents is an escalating interest rate that began at 6% but now, according to Third
17 Eye, exceeds 60% per annum, and continues to increase by 2% each month. Third Eye
18 asserts that Debtor's guarantee liability exceeds \$9,000,000 and is accruing interest at an
19 increasing rate that already exceeds 60% per annum.

20 Notwithstanding the plain language of the guarantees, and the integration clause,
21 Third Eye asserts that the interest rate provided in the Hill & Brand loan documents is
22 imported into the guarantees.

23 Debtors believe that Third Eye's position is incorrect and inconsistent with the terms
24 of the guarantees for at least two reasons:

25 1. Contrary to Third Eye's assertion, the guarantees are not guarantees of
26 \$5,000,000 in principal under the loan documents, plus interest on that principal. The

1 guarantees do not contain any such language, and contain language to the contrary. The
2 guarantees specifically provide that they are guarantees of the "Guaranteed Obligations."
3 "Guaranteed Obligations" are defined to include any and all obligations owing by the
4 borrower under the loan documents, including interest owing under the loan documents. The
5 guarantees then state that "the Guarantor's maximum liability hereunder shall not exceed,
6 when combined with the liability of the Guarantor's subsidiaries and affiliates, an amount
7 equal to \$5,000,000 plus interest accrued thereon." The "interest thereon" is interest on the
8 guarantor's liability under the guaranty, not interest on the principal owing under the loan
9 documents. Interest accrual under the loan documents is irrelevant because interest accruing
10 under the loan documents is subject to the \$5,000,000 cap. Since no interest rate is specified
11 in the guarantees, the law of the state of New York provides the rate. That rate is 9% simple
12 per annum interest.

13 2. The integration clause set forth in the guarantees prevents the incorporation of
14 the terms of the loan documents, including the interest rate term set forth in the loan
15 documents. The guarantees are separate, stand-alone contracts. Interest accrual under the
16 loan documents, and the interest rate provided in the loan documents, is irrelevant once the
17 \$5,000,000 maximum liability under the guarantees is reached.

18 Third Eye disagrees with Debtors' position and asserts that Debtors' position is
19 incorrect as a matter of law. In its objections to this Disclosure Statement, Third Eye makes
20 the following assertions:

21 "The Disclosure Statement is inadequate because it fails to state that
22 these bankruptcy cases are essentially the result of a two party
23 dispute between Third Eye and Debtors which can and should be
resolved in Oregon state court, without the involvement of other
creditors or the significant expense of the chapter 11 process."

24 Third Eye further asserts:

25 "The Disclosure Statement is inadequate because it fails to state that
26 Third Eye disagrees with Debtors' position and asserts that Debtors'
legal position regarding their obligations to Third Eye is incorrect as

1 a matter of law. Third Eye asserts that the interest rate applicable to
 2 the guaranties is the same rate stated in the loan agreement. There is
 3 no separate rate expressed in either guaranty. The Disclosure
 4 Statement fails to inform creditors that the law of New York, which
 5 is the governing law, supports Third Eye's position that the interest
 6 rate in the other loan documents applies to the guaranty. In cases like
 7 this, New York law provides that a guaranty should be read together
 8 with other loan documents to supply terms not specifically
 9 referenced in the guaranty, including the interest rate. When a
 10 guaranty does not explicitly state the rate of interest, New York
 11 courts apply the rate of interest identified in the other loan documents
 12 to the guaranty. *See, e.g., Mfrs. & Traders Trust Co. v. Thielman*, 92
 13 A.D.2d 742, 743, 461 N.Y.S.2d 86 (NY App. Div. 1983) (holding
 14 that no issue of fact existed with regard to the interest rate and
 15 applying the default note rate to a guaranty that had no specific rate
 16 listed but provided that the guarantor was liable 'up to the principal
 17 amount of \$26,000,000, plus all interest at any time accrued
 18 thereon. '); *Bank of America, N.A. v. Solow*, No. 601892/07, 2008 WL
 19 1821877, at *4 (NY Sup. Ct. Apr. 17, 2008) (unreported) (holding
 20 that the documents regarding the underlying obligation 'provide the
 21 necessary background to enforcing the guaranty, by establishing the
 22 amount owed, the interest rate, and the nature of the primary
 23 obligation,' and granting summary judgment against the guarantor at
 24 the contract rate of interest, rather than the lower statutory rate). The
 25 regular interest rate provision in the Loan Agreement was negotiated,
 26 and provided that the interest rate would be a fixed rate of 6% per
 annum for the first six months, and then would gradually increase the
 longer the loan was outstanding. The Loan Agreement also provides
 for a default interest rate of an additional 10% per annum.

The Disclosure Statement further fails to state that deposition
 testimony from Nicholas Bonavia, the person principally responsible
 for the loan and guaranties at the time they were made, suggests that
 he knew that the interest rate expressed in the loan agreement applied
 to each guaranty. The Disclosure Statement further fails to state that
 Debtor Nevada First corporation had itself made at least one
 media/entertainment related loan (to Archer entertainment Media),
 which bore interest at 60% per annum."

Debtor disagrees with Third Eye's assertions.

7. PLAN SUMMARY/CLASSIFICATION AND TREATMENT OF CLAIMS

The following is a general summary of certain provisions of the Plan. It is not a
 complete summary of the Plan, or all the provisions of the Plan. Each holder of a Claim
 should carefully review the entire Plan, along with this Disclosure Statement, before voting
 on the Plan.

1 7.1 General. The Plan provides that Debtors will pay all creditors in full. Holders
2 of Allowed General Unsecured Claims will be paid in full no later than six months after the
3 Effective Date, with interest accruing from and after the Petition Date at the Federal
4 Judgment Rate. The Plan provides that it becomes effective (the "Effective Date" of the
5 Plan) on the date that each of the following conditions has been satisfied or waived by
6 Debtors: the Bankruptcy Court shall have entered the Confirmation Order in form and
7 substance reasonably acceptable to Debtors, the South Ganger Sale (discussed later in this
8 Disclosure Statement) shall have closed, and the Equitable Loan (discussed later in this
9 Disclosure Statement) shall have closed. Debtor anticipates that the Effective Date will be
10 sometime in the summer of 2012.

11 7.2 Classification and Treatment of Claims Under the Plan. As summarized
12 below, other than "unclassified" Claims (discussed below), the Plan classifies all Claims into
13 one of four Classes – Other Priority Claims (Class 1), Third Eye (Class 2), General
14 Unsecured Claims (Class 3), and Interests (Class 4).

15 7.2.1 Class 1 – Other Priority Claims. Class 1 consists of all Allowed
16 Other Priority Claims. Class 1 is not impaired by the Plan.

17 Debtors are not aware of any Other Priority Claims. An Other Priority Claim is a
18 claim against Debtors entitled to priority under Section 507(a) of the Bankruptcy Code, other
19 than an Administrative Expense Claim or a Priority Tax Claim. Each holder of an Allowed
20 Class 1 Claim will be paid the full amount of such Claim on the later of (a) the Effective
21 Date, or (b) the date on which such Claim becomes Allowed.

22 7.2.2 Class 2 – Third Eye. Class 2 consists of the Allowed Secured Claim
23 of Third Eye. Class 2 is impaired by the Plan.

24 Third Eye will have an Allowed Secured Claim in such amount as is determined by
25 agreement of Debtor and Third Eye or, absent agreement, in such amount as is determined
26

1 and Allowed by the Bankruptcy Court. Third Eye's Allowed Secured Claim will be paid as
2 follows:

3 On the Effective Date, Debtors will pay to Third Eye an amount equal to the sum of
4 (a) the net sales proceeds from the South Ganger Sale (which net sales proceeds shall not be
5 less than \$1,500,000), plus (b) the net loan proceeds from the Equitable Loan (which net loan
6 proceeds shall not be less than \$4,400,000).

7 Upon the closing of the South Ganger Sale and the payment of the net sales proceeds
8 to Third Eye, Third Eye will release its lien on the South Ganger Property. Upon the closing
9 of the Equitable Loan and the payment of the net loan proceeds to Third Eye, Third Eye will
10 release its lien on the Ukiah Property and any claimed lien on the Heppner Property. Third
11 Eye will cooperate with Debtors in closing the South Ganger Sale and the Equitable Loan
12 and will execute and deliver such lien releases and reconveyances into closing escrow as may
13 be necessary or appropriate to close such transactions.

14 The remaining balance, if any, of Third Eye's Allowed Secured Claim will be paid in
15 full within five years after the Effective Date, with interest accruing from and after the
16 Effective Date until paid at a fixed interest rate of 4.5% per annum. Reorganized Debtors
17 will sell or refinance, or cause NFC to sell or finance, such additional properties as are
18 necessary to enable Reorganized Debtors to timely pay and satisfy Third Eye's Allowed
19 Secured Claim.

20 As Collateral securing any portion of Third Eye's Allowed Secured Claim that is not
21 paid on the Effective Date, Third Eye will retain its liens upon its Collateral (other than the
22 Collateral to be released by Third Eye under this Plan) with the same priority and to the same
23 extent such liens had as of the Petition Date. Upon payment in full of its Allowed Secured
24 Claim, Third Eye shall release all of its liens upon its Collateral.

25 7.2.3 Class 3 - General Unsecured Claims. Class 3 consists of all Allowed
26 General Unsecured Claims. Class 3 is impaired by the Plan.

1 The Plan provides that all Allowed General Unsecured Claims will be paid in full no
2 later than six months after the Effective Date, with interest from the Petition Date at the
3 Federal Judgment Rate.

4 7.2.4 Class 4 - Interests. The Plan provides that existing Interests in
5 Debtors will be preserved. However, the Plan provides that until all Allowed Claims have
6 been paid in full, Reorganized Debtors will not repurchase any stock or membership
7 interests, or make or pay any distributions or dividends to owners on account of their stock or
8 membership interests, except for tax distributions necessary to meet income tax obligations
9 arising from income attributable to Debtors or Reorganized Debtors.

10 7.3 Unclassified Claims. Administrative Expense Claims and Priority Tax Claims
11 are not classified under the Plan.

12 7.3.1 Administrative Expense Claims. An Administrative Expense Claim
13 is a claim against Debtors constituting an expense of administration of the Bankruptcy Case
14 allowed under Section 503(b) of the Bankruptcy Code, including, without limitation, the
15 actual and necessary costs and expenses of preserving the estate and operating the business of
16 Debtors during the case, any indebtedness or obligations incurred by Debtors during the
17 pendency of the case in connection with the conduct of, the acquisition or lease of property
18 by, or the rendition of services to, Debtors; compensation for legal and other professional
19 services; and reimbursement of expenses and statutory fees payable to the United States
20 Trustee. Debtors project that administrative expense obligations owing to professionals on
21 the Effective Date of the Plan will be approximately \$100,000.

22 Pursuant to the Plan, Administrative Expense Claims will be paid in full on the later
23 of the Effective Date or the date on which the Administrative Expense Claim becomes an
24 Allowed Claim; provided, however, that Administrative Expense Claims representing
25 liabilities incurred by Debtors in the ordinary course of business (including amounts owed to
26 vendors and suppliers that sold products or furnished services to Debtors after the Petition

1 Date) will be paid in accordance with the terms and conditions of the particular transactions,
2 and any other agreements relating thereto. Additionally, any agreements between Debtors
3 and holders of Allowed Administrative Expense Claims for treatment other than payment in
4 full on the date described above must be in writing.

5 7.3.2 Priority Tax Claims. A "Priority Tax Claim" is a claim of a
6 governmental unit of the kind entitled to priority under Section 507(a)(8) of the Bankruptcy
7 Code. Debtors are not aware of any Priority Tax Claims. To the extent there are any Priority
8 Tax Claims, the Plan provides that Priority Tax Claims will be paid as allowed in
9 Section 1129(a)(9) within 30 days following the later of the Effective Date or the date upon
10 which the Priority Tax Claim becomes an Allowed Claim.

11 7.4 Leases and Executory Contracts. The Bankruptcy Code gives Debtors the
12 right, after commencement of their Chapter 11 Case, subject to approval of the Bankruptcy
13 Court, to assume or reject executory contracts and unexpired leases. Generally, an
14 "executory contract" is a contract under which material performance (other than the payment
15 of money) is still due by each party.

16 The Plan provides that all of Debtors' executory contracts will be deemed assumed by
17 operation of law on the Effective Date except any executory contract that has been
18 specifically assumed or rejected by Debtors on or before the Effective Date or in respect of
19 which a motion for assumption or rejection has been Filed by Debtors on or before the
20 Effective Date.

21 7.5 Cram Down. The Plan provides that in the event any impaired Class does not
22 vote to accept the Plan, Debtor reserves the right to request that the Bankruptcy Court
23 confirm the Plan in accordance with Section 1129(b) of the Bankruptcy Code or otherwise
24 modify the Plan.

25 7.6 United States Trustee Fees. The Plan provides that all fees payable by
26 Debtors to the United States Trustee under 28 U.S.C. § 1930(a)(6), or to the Clerk of the

1 Bankruptcy Court, will be paid in full on the Effective Date. The Plan further provides that
2 Reorganized Debtors will continue to pay such fees to the Bankruptcy Court post-
3 confirmation until the Case is closed by the Bankruptcy Court, dismissed, or converted.

4 **8. MEANS FOR IMPLEMENTATION OF THE PLAN**

5 8.1 Continuation of Debtor. Reorganized Debtor will fund payments to its
6 Creditors and otherwise satisfy its Plan obligations from available Cash, from continuing
7 operations, and, as more fully set forth below, from the sale or refinancing of certain of
8 Debtor's assets. Debtors' annual operating revenues come primarily from the sale of cattle,
9 which generally occurs in late fall (October or November). Debtors' cash flow projections
10 through June 2013 are attached hereto as Exhibit 4. Assuming an Effective Date of July 1 or
11 August 1, Debtors' projections indicate that Debtors will have cash available of less than
12 \$100,000. Debtor will have administrative expense obligations of approximately \$100,000.
13 The revenue from Debtors' cattle sales in the late fall of 2012 will provide the funds
14 necessary for Debtors to pay General Unsecured Claims.

15 8.2 Sale of South Ganger Property. In August 2011, Bonavia (as Seller) and
16 Michael T. Warn and Cynthia L. Warn (as Purchaser) entered into an agreement for Bonavia
17 to sell to the Warns Bonavia's property generally referred to as South Ganger, which consists
18 of approximately 1,687 acres in Umatilla County, Oregon. The Plan provides that promptly
19 after entry of the Confirmation Order, Bonavia will sell the South Ganger Property to the
20 Warns and utilize the net sales proceeds (which shall not be less than \$1,500,000) towards
21 satisfaction of Third Eye's Allowed Class 2 Claim.

22 8.3 Equitable Loan. Debtors have obtained a loan commitment from AXA
23 Equitable Life Insurance Company ("Equitable") to loan Debtors \$4,500,000, to be secured
24 by Bonavia's real property in Umatilla County, Oregon generally referred to as Ukiah
25 (exclusive of the South Ganger property to be sold to the Warns) and Bonavia's real property
26 in Morrow County, Oregon generally referred to as Heppner (or Cunha Place). The Plan

1 provides that promptly after entry of the Confirmation Order, Debtors will obtain and close
 2 on the Equitable Loan and utilize the net loan proceeds (which shall not be less than
 3 \$4,400,000) towards satisfaction of Third Eye's Allowed Class 2 Claim. Debtors believe the
 4 collective net proceeds from the South Ganger Sale and the Equitable Loan will satisfy all or
 5 nearly all of Third Eye's Allowed Claim.

6 The Equitable Loan will have a term of 15 years, and will be payable in semi-annual
 7 installments of principal and interest. For the first five years, the loan will bear interest at a
 8 fixed per annum rate of 4.20%. The interest rate may adjust in years 5 and 10 of the loan.

9 8.4 Additional Sales or Financing. Reorganized Debtors will sell or refinance, or
 10 cause NFC to sell or finance, such additional properties as are necessary to enable
 11 Reorganized Debtors to timely pay and satisfy Third Eye's Allowed Secured Claim.

12 8.5 Management Team/Board of Directors. The officers and directors of Nevada
 13 First, which is the sole (and managing) member of Bonavia, will continue to manage Debtors
 14 post-confirmation. Those directors and officers are set forth below.

- 15 • Gary Bengochea (Director, President and CEO). Post-confirmation,
 16 Mr. Bengochea will continue to earn an annual salary of \$100,000.
- 17 • Richard Gavica (Director, Vice President and Treasurer). Post-
 18 confirmation, Mr. Gavica will continue to receive an annual salary of
 19 \$70,000.
- 20 • Emily Bonavia (Director, Secretary).
- 21 • Nick Bonavia (Director).

22 **9. ASSETS AND LIABILITIES**

23 For each Debtor, set forth on Exhibit 2 attached hereto is Debtor's internally-
 24 prepared, unaudited balance sheet as of January 31, 2012. In addition, for each Debtor, set
 25 forth on Exhibit 3 attached hereto is Debtor's internally prepared unaudited profit and loss
 26 statement for Debtor's fiscal year ending March 31, 2011.

1 9.1 Bonavia Assets and Liabilities. The value of Bonavia's assets far exceeds the
2 amount of Bonavia's liabilities. As set forth on Exhibit 2 and in Bonavia's Schedules,
3 Bonavia's assets consist primarily of real property in Umatilla County, Oregon (over 14,000
4 acres; property commonly known as Ukiah and Meacham (or Rail Creek)) and Morrow
5 County, Oregon (over 4,000 acres; property commonly known as Heppner). Ukiah is
6 encumbered in favor of Third Eye pursuant to a trust deed recorded in Umatilla County,
7 Oregon. Based on December 2011 appraisals, Ukiah has a present market value of
8 approximately \$10,000,000, and Meacham and Heppner each have a fair market value in
9 excess of \$1,000,000. Bonavia also has various personal property (including cash, a note
10 receivable, cows, bulls, and farm equipment) with an estimated value of approximately
11 \$1,000,000, for total assets of approximately \$13,000,000. Bonavia's principal liability is its
12 liability owing to Third Eye under its guarantee, as more fully discussed above.

13 9.2 Nevada First Assets and Liabilities. The value of Nevada First's assets far
14 exceeds the amount of Nevada First's liabilities. Nevada First is a holding company that
15 owns, among other interests, 100% of the membership interests in Bonavia and 100% of the
16 membership interests in NFC Land & Cattle, LLC, a Nevada limited liability company
17 ("NFC"). NFC owns approximately 145,000 acres of real property in Nevada. NFC also has
18 over 1,000,000 acres of United States Forest Service and Bureau of Land Management
19 allotments. NFC conducts ranching and farming operations on its properties. NFC does not
20 have current appraisals for its assets, but Debtors believe the fair market value of NFC's
21 assets is in the range of \$30,000,000. In addition to its ownership interests in various entities,
22 Nevada First also has various accounts receivable and notes receivable with a book value in
23 excess of \$3,000,000; however, the actual value of those notes is uncertain. Third Eye has a
24 security interest in all or substantially all of Nevada First's personal property. Nevada First's
25 principal liability is its liability owing to Third Eye under its guarantee, as more fully
26 discussed above.

1 **10. VOTING PROCEDURES**

2 10.1 Ballots and Voting Deadline. A ballot has been enclosed with this Disclosure
3 Statement for use in voting on the Plan. After carefully reviewing the Plan and this
4 Disclosure Statement, and if you are entitled to vote on the Plan, please indicate your
5 acceptance or rejection of the Plan by voting for or against the Plan on the enclosed ballot as
6 directed below.

7 To be counted for voting purposes, ballots must be received no later than
8 _____ .m. Pacific time, on _____, 2012 by Debtors at the following
9 address:

10 Tonkon Torp LLP
11 Attention: Spencer Fisher
12 1600 Pioneer Tower
13 888 SW Fifth Avenue
14 Portland, OR 97204-2099

14 Any ballots received after _____ .m. Pacific time on _____, 2012 will not be
15 included in any calculation to determine whether the parties entitled to vote on the Plan have
16 voted to accept or reject the Plan.

17 If you do not receive a ballot, or if a ballot is damaged or lost, please contact:

18 Tonkon Torp LLP
19 Attention: Spencer Fisher
20 1600 Pioneer Tower
21 888 SW Fifth Avenue
22 Portland, OR 97204-2099
23 Telephone Number: (503) 802-2167

22 When a ballot is signed and returned without further instruction regarding acceptance
23 or rejection of the Plan, the signed ballot shall be counted as a vote accepting the Plan. When
24 a ballot is returned indicating acceptance or rejection of the Plan but is unsigned, the
25 unsigned ballot will not be included in any calculation to determine whether parties entitled
26 to vote on the Plan have voted to accept or reject the Plan. When a ballot is returned without

1 indicating the amount of the Claim, the amount shall be as set forth on Debtors' Schedules or
2 any Proof of Claim filed with respect to such Claim.

3 10.2 Parties Entitled to Vote. Pursuant to Section 1126 of the Bankruptcy Code,
4 any holder of an Allowed Claim that is in an impaired Class under the Plan, and whose Class
5 is not deemed to reject the Plan, is entitled to vote. A Class is "impaired" unless the legal,
6 equitable and contractual rights of the holders of claims in that Class are left unaltered by the
7 Plan or if the Plan reinstates the Claims held by members of such Class by (a) curing any
8 defaults, (b) reinstating the maturity of such claim, (c) compensating the holder of such claim
9 for damages that result from the reasonable reliance on any contractual provision of law that
10 allows acceleration of such claim, and (d) otherwise leaving unaltered any legal, equitable or
11 contractual right of which the Claim entitles the holder of such claim. Because of their
12 favorable treatment, Classes that are not impaired are conclusively presumed to accept the
13 Plan. Accordingly, it is not necessary to solicit votes from the holders of Claims in Classes
14 that are not impaired. Classes of claims or interests that will not receive or retain any money
15 or property under a plan on account of such claims or interests are deemed, as a matter of law
16 under Section 1126(g) of the Bankruptcy Code, to have rejected the Plan and are likewise not
17 entitled to vote on the Plan. There are no such Classes in Debtors' Plan and, therefore, no
18 Classes are deemed to have rejected Debtors' Plan.

19 Class 1 (Other Priority Claims) is not impaired by the Plan and is deemed to have
20 accepted the Plan.

21 Class 2 (Third Eye), Class 3 (General Unsecured Creditors) and Class 4 (Interests) are
22 impaired under the Plan and are entitled to vote to accept or reject the Plan.

23 10.3 Votes Required for Class Acceptance of the Plan. For a Class of Claims to
24 accept the Plan, Section 1126 of the Bankruptcy Code requires acceptance by Creditors that
25 hold at least two-thirds in dollar amount and a majority in number of the Allowed Claims of
26 such Class, in both cases counting only those Claims actually voting to accept or reject the

1 Plan. The holders of Claims who fail to vote are not counted as either accepting or rejecting
2 the Plan. If the Plan is confirmed, the Plan will be binding with respect to all holders of
3 Claims in each Class, including Classes and members of Classes that did not vote or that
4 voted to reject the Plan.

5 If a proof of claim has been filed with respect to an impaired Claim, then the vote will
6 be based on the amount of the proof of claim. If no proof of claim has been filed, then the
7 vote will be based on the amount scheduled by Debtors in their Schedules. Holders of
8 disputed Claims who have settled their dispute with Debtors are entitled to vote the settled
9 amount of their Claim. The Bankruptcy Code provides that such votes will be counted unless
10 the Claim has been disputed, disallowed, disqualified or suspended prior to computation of
11 the vote on the Plan. The Claim to which an objection has been filed is not allowed to vote
12 unless and until the Bankruptcy Court rules on the objection. The Bankruptcy Code provides
13 that the Bankruptcy Court may, if requested to do so by the holder of such Claim, estimate or
14 temporarily allow a Disputed Claim for purposes of voting on the Plan.

15 **11. CONFIRMATION OF THE PLAN**

16 11.1 Confirmation Hearing. The Bankruptcy Court has scheduled a hearing on
17 confirmation of the Plan on _____, 2012 at _____ Pacific time. The hearing
18 will be held at the United States Bankruptcy Court for the District of Oregon, Courtroom
19 No. 3, 1001 SW Fifth Avenue, Portland, Oregon 97204, before the Honorable Randall L.
20 Dunn, United States Bankruptcy Judge. At that hearing, the Bankruptcy Court will consider
21 whether the Plan satisfies the various requirements of the Bankruptcy Code, including
22 whether it is feasible and whether it is in the best interests of creditors of Debtors. Debtors
23 will submit a report to the Bankruptcy Court at that time concerning the votes for acceptance
24 or rejection of the Plan by the parties entitled to vote thereon.

25 Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may
26 object to confirmation of the Plan. Any objections to confirmation of the Plan must be made

1 in writing and filed with the Bankruptcy Court and received by counsel for Debtors no later
2 than _____, 2012. Unless an objection to confirmation is timely filed and received,
3 it may not be considered by the Bankruptcy Court.

4 11.2 Requirements of Confirmation. At the hearing on confirmation, the
5 Bankruptcy Court will determine whether the provisions of Section 1129 of the Bankruptcy
6 Code have been satisfied. If all the provisions of Section 1129 are met, the Bankruptcy Court
7 may enter an order confirming the Plan. Debtors believe the Plan satisfies all the
8 requirements of Chapter 11 of the Bankruptcy Code, that it has complied or will have
9 complied with all the requirements of Chapter 11, and that the Plan has been proposed and is
10 made in good faith.

11 11.2.1 The Best Interests of Creditors – Liquidation Alternative. Among
12 other requirements for confirmation, to confirm the Plan the Bankruptcy Court must
13 determine that the Plan meets the requirements of Section 1129(a)(7) of the Bankruptcy
14 Code; that is, that the Plan is in the best interests of each holder of a Claim in an impaired
15 Class that has not voted to accept the Plan. Accordingly, if an impaired Class does not
16 unanimously accept the Plan, the "best interests" test requires that the Bankruptcy Court find
17 that the Plan provides to each holder of a Claim in such impaired Class a recovery on account
18 of the holder's Claim that has a value at least equal to the value of the distribution each such
19 holder would receive if Debtors were liquidated under Chapter 7 of the Bankruptcy Code.

20 In the opinion of Debtors, confirmation of the Plan is in the best interests of all
21 holders of Allowed Claims because it provides for the payment in full of all Allowed Claims.
22 Consequently, their recovery under the Plan is at least equal to (and cannot be less) than the
23 distribution they would receive if Debtors were liquidated under Chapter 7 of the Bankruptcy
24 Code.

25 Debtors believe that all holders of Allowed Claims would be paid in full under a
26 Chapter 7 liquidation. However, due to the illiquid nature of most of Debtors' assets, and the

1 general nature of Chapter 7 liquidations, Debtors believe a Chapter 7 liquidation would
2 significantly delay payments to creditors. Significant delays would occur while a Chapter 7
3 trustee analyzed options, retained professionals, obtained various court approvals, and
4 worked to liquidate assets.

5 Debtors believe conversion of this case to a Chapter 7 liquidation is not in the best
6 interest of creditors.

7 11.2.2 Feasibility of the Plan. Among other requirements for confirmation,
8 to confirm the Plan the Court must find that the Plan is feasible; that is, that the confirmation
9 of the Plan is not likely to be followed by the liquidation of Debtors (other than to the extent
10 already proposed in the Plan) or the need for a further financial reorganization of Debtors.
11 Debtors believe the Court will find that the Plan is feasible as Debtors have sufficient assets,
12 and will have sufficient revenues from operations, sales, and financing, to make all required
13 Plan payments, and thereafter confirmation of the Plan is not likely to be followed by the
14 liquidation of Debtors (other than as already proposed in the Plan) or the need for further
15 financial reorganization.

16 **12. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

17 CIRCULAR 230 DISCLAIMER: TO ENSURE COMPLIANCE WITH
18 REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE, WE INFORM
19 YOU THAT (A) ANY U.S. FEDERAL TAX ADVICE CONTAINED IN THIS
20 COMMUNICATION (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR
21 WRITTEN TO BE USED OR RELIED UPON, AND CANNOT BE USED OR RELIED
22 UPON, FOR THE PURPOSE OF (1) AVOIDING TAX-RELATED PENALTIES UNDER
23 THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR (2) PROMOTING,
24 MARKETING OR RECOMMENDING TO ANOTHER PARTY ANY TRANSACTION
25 OR TAX MATTER(S) ADDRESSED HEREIN, AND (B) THIS DISCUSSION WAS
26

1 WRITTEN IN CONNECTION WITH DEBTOR SOLICITING ACCEPTANCES OF THE
2 PLAN THROUGH THIS DISCLOSURE STATEMENT.

3 12.1 General Tax Considerations. DEBTORS DO NOT ANTICIPATE THAT
4 ANY MATERIAL TAX CONSEQUENCES WILL RESULT TO DEBTORS OR ANY
5 HOLDER OF A CLAIM OR INTEREST FROM THE TERMS OF THIS PLAN.
6 HOWEVER, EACH HOLDER IS URGED TO CONSULT SUCH HOLDER'S OWN TAX
7 ADVISOR AS TO THE CONSEQUENCES OF THE PLAN TO SUCH HOLDER UNDER
8 FEDERAL AND APPLICABLE STATE, LOCAL AND FOREIGN TAX LAWS.
9 DEBTORS AND DEBTORS' COUNSEL EXPRESS NO OPINION AS TO THE TAX
10 CONSEQUENCES OF THE PLAN OR THE EFFECT THEREOF ON ANY CLAIMANT
11 AND THIS DISCLOSURE STATEMENT IS NOT INTENDED TO BE, AND MAY NOT
12 BE, USED OR RELIED UPON BY ANY TAXPAYER FOR THE PURPOSE OF
13 AVOIDING PENALTIES UNDER FEDERAL TAX LAW.

14 12.2 Importance Of Obtaining Professional Tax Assistance. THE FOREGOING
15 DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL
16 INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR
17 CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE
18 DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX
19 ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND
20 MAY VARY DEPENDING ON THE PARTICULAR SITUATION OF A HOLDER OF AN
21 ALLOWED CLAIM, OR ANY EQUITY INTEREST HOLDER'S PARTICULAR
22 CIRCUMSTANCES. ACCORDINGLY, EACH HOLDER OF AN ALLOWED CLAIM
23 AND EACH EQUITY INTEREST HOLDER IS URGED TO CONSULT ITS TAX
24 ADVISOR ABOUT THE FEDERAL, STATE, LOCAL, AND APPLICABLE FOREIGN,
25 INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

1 **13. ALTERNATIVES TO CONFIRMATION OF THE PLAN**

2 If the Plan is not confirmed, Debtors or another party-in-interest may attempt to
3 formulate or propose a different plan or plans of reorganization. If no plan of reorganization
4 is determined by the Bankruptcy Court to be confirmable, this Chapter 11 case may be
5 dismissed or converted to a liquidation proceeding under Chapter 7 of the Bankruptcy Code.

6 In a liquidation, a Chapter 7 trustee would be appointed with the purpose of
7 liquidating the assets of Debtors. Proceeds from a Chapter 7 liquidation would be distributed
8 to creditors of Debtors in accordance with the priorities set forth in the Bankruptcy Code.

9 As the Plan provides for payment in full to all creditors, Debtors believe there is no
10 currently available alternative that would offer holders of Claims greater value than the Plan,
11 and urges all parties entitled to vote on the Plan to vote to accept the Plan.

12 **14. CONCLUSION**

13 Please read this Disclosure Statement and the Plan carefully. After reviewing all the
14 information and making an informed decision, please vote by using the enclosed ballot.

15 DATED this 10th day of April, 2012.

16 BONAVIA TIMBER COMPANY, LLC

17
18 By /s/ Gary L. Bengochea
19 Gary L. Bengochea, Manger

20 NEVADA FIRST CORPORATION

21
22 By /s/ Gary L. Bengochea
23 Gary L. Bengochea, President
24
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Presented by:

TONKON TORP LLP

By /s/ Michael W. Fletcher
Albert N. Kennedy, OSB No. 82142
Michael W. Fletcher, OSB No. 010448
Of Attorneys for Debtors

EXHIBIT 1 TO
SECOND AMENDED JOINT
DISCLOSURE STATEMENT
Joint Plan of Reorganization

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5 **TONKON TORP LLP**

1600 Pioneer Tower

6 888 S.W. Fifth Avenue

Portland, OR 97204

7 Attorneys for Debtors

10 UNITED STATES BANKRUPTCY COURT

11 DISTRICT OF OREGON

12 In re

13 Bonavia Timber Company, LLC,
14 Nevada First Corporation,

15 Debtors.

Case No. 11-39459-rld11 (LEAD CASE)

Case No. 11-39460-rld11

(Jointly Administered Under Case
No. 11-39459-rld11)

**DEBTORS' JOINT PLAN
OF REORGANIZATION
(FEBRUARY 29, 2012)**

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DEBTORS' JOINT PLAN OF REORGANIZATION (FEBRUARY 29, 2012)

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1 Bonavia Timber Company LLC ("Bonavia") and Nevada First Corporation
2 ("Nevada First") (each a "Debtor" and collectively "Debtors") propose the following Joint
3 Plan of Reorganization (the "Plan") pursuant to Chapter 11 of the Bankruptcy Code. The
4 Plan provides for the payment in full of all Allowed Claims.

5 A Disclosure Statement is enclosed with this Plan to assist you in
6 understanding the Plan and making an informed decision whether to vote for or against the
7 Plan.

8 **ARTICLE 1**

9 **DEFINITIONS**

10 Definitions of certain terms used in the Plan are set forth below. Other terms
11 are defined in the text of the Plan or in the text of the Disclosure Statement. In either case,
12 when a defined term is used, the first letter of each word in the defined term is capitalized.
13 Terms used and not defined in the Plan or Disclosure Statement shall have the meanings
14 given in the Bankruptcy Code or Bankruptcy Rules, or otherwise as the context requires.
15 The meanings of all terms shall be equally applicable to both the singular and plural, and
16 masculine and feminine forms of the terms defined. The words "herein," "hereof," "hereto,"
17 "hereunder," and others of similar import, refer to the Plan as a whole and not to any
18 particular article, section, subsection, or clause contained in the Plan. Captions and headings
19 to articles, sections, and exhibits are inserted for convenience of reference only and are not
20 intended to be part of or to affect the interpretation of the Plan. The rules of construction set
21 forth in Section 102 of the Bankruptcy Code shall apply. In computing any period of time
22 prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

23 1.1. "Administrative Expense Claim" means any Claim entitled to the
24 priority afforded by Sections 503(b) and 507(a)(2) of the Bankruptcy Code.

25 1.2. "Allowed" means, with respect to any Claim, (a) if no proof of
26 claim has been filed, the amount (if any) listed by Debtor in the Schedules as not being

1 | disputed, contingent, or unliquidated, or (b) if a proof of claim has been filed (i) the
2 | amount of the Claim as set forth on the proof of claim if no objection to such Claim, or
3 | motion to estimate such Claim, has been Filed within any period of limitation fixed by
4 | the Code or the rules or orders of the Court, or (ii) if an objection has been interposed,
5 | (x) the amount determined by a Final Order with respect to such Claim or (y) the amount
6 | set forth in this Plan as the allowed amount of such Claim.

7 | 1.3. "Avoidance Action" means any avoidance or recovery action of
8 | Debtor that may be brought on behalf of Debtor or its estate under Sections 544, 545,
9 | 547, 548, 549, 550 and 553 of the Bankruptcy Code, or under any similar or related state
10 | or federal statutes and common law, including, without limitation, state fraudulent
11 | transfer or conveyance laws, whether or not such actions are pending on the Effective
12 | Date or are thereafter asserted or commenced.

13 | 1.4. "Bankruptcy Code" or "Code" means the Bankruptcy Reform Act
14 | of 1978, as amended from time to time, set forth in Sections 101 *et seq.* of Title 11 of the
15 | United States Code.

16 | 1.5. "Bankruptcy Court" or "Court" means the United States
17 | Bankruptcy Court for the District of Oregon or such other court that exercises jurisdiction
18 | over the Chapter 11 Case or any proceeding therein, including the United States District
19 | Court for the District of Oregon, to the extent the reference to the Chapter 11 Case or any
20 | proceeding therein is withdrawn.

21 | 1.6. "Bankruptcy Rules" means, collectively, the Federal Rules of
22 | Bankruptcy Procedure, as amended and promulgated under Section 2075, Title 28, of the
23 | United States Code, and the local rules and standing orders of the Bankruptcy Court.

24 | 1.7. "Bonavia" means Bonavia Timber Company, LLC, an Oregon
25 | limited liability company.

26 | 1.8. "Cash" means lawful currency of the United States of America.

1 1.9. "Chapter 11 Case" or "Case" means, with respect to each Debtor,
2 the applicable case under Chapter 11 of the Bankruptcy Code with respect to such
3 Debtor, pending in the District of Oregon.

4 1.10. "Claim" means (a) any right to payment from Debtor arising before
5 the Effective Date, whether or not such right is reduced to judgment, liquidated,
6 unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal,
7 equitable, secured, or unsecured; or (b) any right to an equitable remedy against Debtor
8 arising before the Effective Date for breach of performance if such breach gives rise to a
9 right of payment from Debtor, whether or not such right to an equitable remedy is
10 reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed,
11 secured, or unsecured.

12 1.11. "Claims Bar Date" means March 5, 2012.

13 1.12. "Class" means and refers to a class of Claims described in Article 3
14 hereof.

15 1.13. "Collateral" means any property in which Debtor has an interest
16 that is subject to a lien or security interest securing the payment of an Allowed Secured
17 Claim.

18 1.14. "Confirmation Date" means the date on which the Confirmation
19 Order is entered on the docket by the Clerk of the Bankruptcy Court.

20 1.15. "Confirmation Order" means the order of the Bankruptcy Court
21 confirming the Plan in accordance with the provisions of Chapter 11 of the Bankruptcy
22 Code.

23 1.16. "Debtor" means each of Bonavia and Nevada First, as Debtor and
24 Debtor-in-Possession in their respective Chapter 11 Case.

25 1.17. "Debtors" means Bonavia and Nevada First, collectively.
26

1 1.18. "Disallowed Claim" means any Claim, or portion thereof, that has
2 been disallowed pursuant to a Final Order.

3 1.19. "Disclosure Statement" means Debtors' Joint Disclosure Statement
4 as amended, modified, restated, or supplemented from time to time pertaining to the Plan.

5 1.20. "Disputed Claim" means any Claim that is not an Allowed Claim
6 or a Disallowed Claim.

7 1.21. "Effective Date" means the date on which all conditions to
8 effectiveness specified in Section 11.4 of this Plan have been satisfied or waived.

9 1.22. "Equitable Loan" has the meaning assigned to such term in
10 Section 7.3.

11 1.23. "Federal Judgment Rate" means, with respect to an Allowed
12 Claim, the interest rate as of the Petition Date established by 28 U.S.C. § 1961 as the
13 interest rate on federal court judgments.

14 1.24. "Filed" means filed with the Bankruptcy Court in the Chapter 11
15 Case.

16 1.25. "Final Order" means an order or judgment entered on the docket
17 by the Clerk of the Bankruptcy Court, or any other court exercising jurisdiction over the
18 subject matter and the parties, that has not been reversed, stayed, modified, or amended
19 and as to which the time for filing a notice of appeal, or petition for *certiorari* or request
20 for *certiorari*, or request for rehearing, shall have expired.

21 1.26. "General Unsecured Claim" means any Claim that is not an
22 Administrative Expense Claim, a Secured Claim, a Priority Tax Claim, or an Other
23 Priority Claim.

24 1.27. "Heppner Property" means that certain real property of Bonavia
25 commonly referred to as "Heppner" or "Cunha Place" consisting of approximately 4,221
26

1 acres in Morrow County, Oregon, and more particularly described in Exhibit 1 to this
2 Plan.

3 1.28. "Insider" shall have the meaning ascribed to it by Section 101(31)
4 of the Bankruptcy Code.

5 1.29. "Interests" means the rights of the owners of the membership
6 interests, or of the issued and outstanding shares of common stock, of Debtor, as
7 applicable.

8 1.30. "Meacham Property" means that certain real property of Bonavia
9 commonly referred to as "Meacham" or "Rail Creek" consisting of approximately 1,110
10 acres in Umatilla County, Oregon, and more particularly described in Exhibit 2 to this
11 Plan.

12 1.31. "Nevada First" means Nevada First Corporation, a Nevada
13 corporation.

14 1.32. "Other Priority Claim" means any Claim for an amount entitled to
15 priority in right of payment pursuant to Section 507(a) of the Code, other than a Priority
16 Tax Claim or an Administrative Expense Claim.

17 1.33. "Petition Date" means November 1, 2011.

18 1.34. "Plan" means this Joint Plan of Reorganization (including all
19 exhibits and schedules), as amended, modified, restated, or supplemented from time to
20 time.

21 1.35. "Priority Tax Claim" means a Claim of a governmental unit of the
22 kind entitled to priority under Section 507(a)(8) of the Bankruptcy Code.

23 1.36. "Rejection Claim" means a Claim arising from the rejection of an
24 unexpired executory contract pursuant to this Plan or a Final Order.

25 1.37. "Reorganized Debtor" means, with respect to each Debtor, Debtor
26 from and after the Effective Date. Unless the context clearly requires otherwise, any

1 reference to "Debtor" herein for a period from and after the Effective Date shall be
2 deemed to refer to Reorganized Debtor.

3 1.38. "Scheduled Amounts" means the amount of Claims stated in the
4 Schedules.

5 1.39. "Schedules" means the Schedules of Assets and Liabilities Filed by
6 Debtor pursuant to Section 521 of the Bankruptcy Code, as amended, modified, restated,
7 or supplemented from time to time.

8 1.40. "Secured Claim" means any Claim to the extent such Claim
9 constitutes a secured claim under the Bankruptcy Code.

10 1.41. "South Ganger Property" means that certain real property of
11 Bonavia commonly known as "South Ganger," which consists of approximately 1,687
12 acres in Umatilla County, Oregon (revised tax lot #1101; and is included within the
13 Ukiah Property), more particularly described in Exhibit 3 attached to this Plan. The
14 South Ganger Property is a part of the larger Ukiah Property.

15 1.42. "South Ganger Sale" has the meaning assigned to such term in
16 Section 7.2.

17 1.43. "Third Eye" means Third Eye Capital Corporation, as agent for
18 Strative Capital, Ltd.

19 1.44. "Ukiah Property" means that certain real property of Bonavia
20 commonly known as "Ukiah," which consists of approximately 13,000 acres in Umatilla
21 County, Oregon, more particularly described in Exhibit 4 to this Plan.

22 **ARTICLE 2**

23 **UNCLASSIFIED CLAIMS**

24 2.1. Administrative Expense Claims. Each holder of an Allowed
25 Administrative Expense Claim shall receive payment of such Claim in full in Cash on the
26 later of (a) the Effective Date or (b) the date on which such Claim becomes Allowed,

1 unless such holder shall agree to a different treatment of such Claim (including, without
2 limitation, any different treatment that may be provided for in any documentation, statute,
3 or regulation governing such Claim); provided, however, that Administrative Expense
4 Claims representing obligations incurred in the ordinary course of business by Debtor
5 during the Chapter 11 Case shall be paid by Debtor or Reorganized Debtor in the
6 ordinary course of business and in accordance with any terms and conditions of the
7 particular transaction, and any agreements relating thereto. Any agreement between
8 Debtor and a holder of an Allowed Administrative Expense Claim for treatment other
9 than payment in full on the date described above shall be in writing.

10 2.2. Priority Tax Claims. Each holder of an Allowed Priority Tax
11 Claim shall receive payment of such Claim in full in Cash in a manner and within the
12 timeframes specified by Section 1129(a)(9)(C) and (D) of the Bankruptcy Code.

13 2.3. United States Trustee Fees. Fees payable by Debtor to the United
14 States Trustee under 28 U.S.C. § 1930(a)(6), or to the Clerk of the Bankruptcy Court, will
15 be paid in full on the Effective Date. Reorganized Debtor shall continue to pay such fees
16 until this Case is closed by the Bankruptcy Court, dismissed, or converted. This
17 requirement is subject to any amendments to 28 U.S.C. § 1930(a)(6) that Congress makes
18 retroactively applicable to confirmed Chapter 11 cases. After confirmation, Reorganized
19 Debtor shall file with the Court a monthly financial report for each month, or portion
20 thereof, that the case remains open. The monthly financial report shall include a
21 statement of all disbursements made during the course of the month, whether or not
22 pursuant to the Plan.

1 **ARTICLE 3**

2 **CLASSIFIED CLAIMS**

3 All Claims (other than unclassified Claims addressed in Article 2 above) are
4 divided into the following Classes for all purposes of this Plan, including voting,
5 confirmation, and distribution pursuant to this Plan.

6 3.1. Class 1 – Other Priority Claims. Class 1 consists of all Allowed
7 Other Priority Claims.

8 3.2. Class 2 – Third Eye. Class 2 consists of the Allowed Secured
9 Claim of Third Eye.

10 3.3. Class 3 – General Unsecured Claims. Class 3 consists of all
11 Allowed General Unsecured Claims.

12 3.4. Class 4 – Interests. Class 4 consists of all Interests.

13 **ARTICLE 4**

14 **TREATMENT OF UNIMPAIRED CLASSES**

15 Class 1 (Other Priority Claims) is unimpaired under this Plan. Accordingly,
16 pursuant to 11 U.S.C. § 1126(f), Class 1, and each holder of a Claim in Class 1, is
17 conclusively presumed to have accepted this Plan, will not be solicited to accept this Plan,
18 and is not entitled to vote to accept or reject this Plan.

19 Class 1 - Other Priority Claims. Each holder of an Allowed Class 1 Claim
20 shall be paid the full amount of such Claim in Cash on the later of (a) the Effective Date, or
21 (b) the date on which such Claim becomes Allowed.

22 **ARTICLE 5**

23 **TREATMENT OF IMPAIRED CLASSES**

24 Each holder of a Claim in Class 2 (Third Eye), Class 3 (General Unsecured
25 Claims) and Class 4 (Interests) is impaired under this Plan and holders of Claims in such
26 Classes are entitled to vote to accept or reject this Plan.

1 5.1. Class 2 – Third Eye. Third Eye will have an Allowed Secured
2 Claim in such amount as is determined by agreement of Debtor and Third Eye or, absent
3 agreement, in such amount as is determined and Allowed by the Bankruptcy Court.

4 Third Eye's Allowed Secured Claim will be paid as follows:

5 On the Effective Date, Debtors will pay to Third Eye an amount equal to the
6 sum of (a) the net sales proceeds from the South Ganger Sale (which net sales proceeds shall
7 not be less than \$1,500,000), plus (b) the net loan proceeds from the Equitable Loan (which
8 net loan proceeds shall not be less than \$4,400,000).

9 Upon the closing of the South Ganger Sale and the payment of the net sales
10 proceeds to Third Eye, Third Eye will release its lien on the South Ganger Property. Upon
11 the closing of the Equitable Loan and the payment of the net loan proceeds to Third Eye,
12 Third Eye will release its lien on the Ukiah Property (and any claimed lien on the Heppner
13 Property). Third Eye will cooperate with Debtors in closing the South Ganger Sale and the
14 Equitable Loan and will execute and deliver such lien releases and reconveyances into
15 closing escrow as may be necessary or appropriate to close such transactions.

16 The remaining balance, if any, of Third Eye's Allowed Secured Claim will be
17 paid in full within five years after the Effective Date, with interest accruing from and after
18 the Effective Date until paid at a fixed per annum interest rate of 4.5% per annum.

19 As Collateral securing any portion of Third Eye's Allowed Secured Claim that
20 is not paid on the Effective Date, Third Eye will retain its liens upon its Collateral (other than
21 the Collateral to be released by Third Eye as of the Effective Date) with the same priority and
22 to the same extent such liens had as of the Petition Date. Upon payment in full of its
23 Allowed Secured Claim, Third Eye shall release all of its liens upon the Collateral.

24 5.2. Class 3 – General Unsecured Claims. Each holder of an Allowed
25 Class 3 Claim will be paid in Cash the full amount of its Class 3 Claim no later than six
26

1 months after the Effective Date, with interest from the Petition Date at the Federal
2 Judgment Rate.

3 5.3. Class 4 – Interests. Existing Interests in Debtor will be preserved.
4 However, until all Allowed Claims have been paid in full, Reorganized Debtor will not
5 repurchase any stock or membership interests or make or pay any distributions or
6 dividends to its owners on account of their stock or membership interests, except for tax
7 distributions necessary to meet income tax obligations arising from income attributable to
8 Debtor or Reorganized Debtor.

9 **ARTICLE 6**

10 **DISPUTED CLAIMS; OBJECTIONS TO CLAIMS; SETOFFS**

11 6.1. Disputed Claims; Objections to Claims. No payments or
12 distributions shall be made with respect to any Claim to the extent it is a Disputed Claim
13 unless and until the Disputed Claim becomes an Allowed Claim. Debtor reserves the
14 right to contest and object to any Claims and previously Scheduled Amounts, including,
15 without limitation, those Claims and Scheduled Amounts that are specifically referenced
16 herein, are not listed in the Schedules, are listed therein as disputed, contingent, or
17 unliquidated in amount, or are listed therein at a different amount than Debtor currently
18 believes is validly due and owing. Unless otherwise ordered by the Bankruptcy Court, all
19 objections to Claims and Scheduled Amounts (other than Administrative Expense
20 Claims) shall be Filed and served upon counsel for Debtor and the holder of the Claim
21 objected to on or before the later of (a) 30 days after the Effective Date or (b) 60 days
22 after the date (if any) on which a proof of claim is Filed in respect of a Rejection Claim.
23 The last day for filing objections to Administrative Expense Claims shall be set pursuant
24 to order of the Bankruptcy Court. All Disputed Claims shall be resolved by the
25 Bankruptcy Court, except to the extent that (a) Debtor may otherwise elect consistent
26

1 with the Plan and the Bankruptcy Code, or (b) the Bankruptcy Court may otherwise
2 order.

3 6.2. Setoffs. Debtor or Reorganized Debtor may, but shall not be
4 required to, set off against any Claim and the distributions to be made pursuant to the
5 Plan in respect of such Claim, any claims of any nature whatsoever that Debtor or
6 Reorganized Debtor may have against the holder of such Claim, but neither the failure to
7 do so nor the allowance of any Claim hereunder shall constitute a waiver or release of
8 any such claim Debtor or Reorganized Debtor may have against such holder.

9 **ARTICLE 7**

10 **MEANS FOR IMPLEMENTATION OF THE PLAN**

11 7.1. Continuation of Debtor. Reorganized Debtor will fund payments
12 to its Creditors and otherwise satisfy its Plan obligations from available Cash, from
13 continuing operations, and, as more fully set forth below, from the sale or finance of
14 certain of Debtor's assets.

15 7.2. Sale of South Ganger Property. Promptly after entry of the
16 Confirmation Order, Bonavia will sell and convey to Michael Warn and Cynthia Warn
17 (or their successors or assigns, the "Warns") the South Ganger Property, free and clear of
18 all liens, security interests, claims and encumbrances (including any lien of Third Eye),
19 and on such terms as are agreed to between Bonavia and the Warns (the "South Ganger
20 Sale"). Debtors are hereby authorized to enter into such documents or agreements in
21 connection with the South Ganger Sale as Debtors deem necessary or appropriate. The
22 South Ganger Property is encumbered in favor of Third Eye. Upon closing of the South
23 Ganger Sale, the net sales proceeds (which shall not be less than \$1,500,000) will be paid
24 by or on behalf of Debtors to Third Eye toward satisfaction of Third Eye's Allowed
25 Class 2 Claim. Third Eye will execute and deliver into a closing escrow such lien
26 releases and reconveyances as may be necessary or appropriate to close the South Ganger

1 Sale. In the event Third Eye fails or refuses to execute and deliver such documents, this
2 Plan may be recorded with the Register of Deeds for Umatilla County, Oregon and will
3 for all purposes give notice that Debtor conveyed the South Ganger Property to the
4 Warns free and clear of all liens, security interests, claims, and encumbrances, including
5 all liens, security interests, claims, and encumbrances of Third Eye.

6 7.3. Equitable Loan. Promptly after entry of the Confirmation Order,
7 Debtors will obtain and close on a \$4,500,000 loan to be obtained from AXA Equitable
8 Life Insurance Company, or its successor or assigns ("Equitable"), on such terms as are
9 agreed to between Debtors and Equitable (the "Equitable Loan"). Debtors will enter into
10 such documents or agreements with Equitable in connection with the Equitable Loan as
11 Debtors deem necessary or appropriate, including security documents granting to
12 Equitable a lien on the Ukiah Property (but not including the South Ganger Property) and
13 on the Heppner Property, free and clear of any lien or claimed lien of Third Eye. Upon
14 the closing of the Equitable Loan, the net loan proceeds (which shall not be less than
15 \$4,400,000) will be paid by or on behalf of Debtors to Third Eye toward satisfaction of
16 Third Eye's Allowed Class 2 Claim. Third Eye will execute and deliver into a closing
17 escrow such lien releases and reconveyances as may be necessary or appropriate to close
18 the Equitable Loan. In the event Third Eye fails or refuses to execute and deliver such
19 documents, this Plan may be recorded with the Register of Deeds for Umatilla County,
20 Oregon and Morrow County, Oregon, and will for all purposes give notice that Debtor
21 encumbered the Ukiah Property (excluding the South Ganger Property) and the Heppner
22 Property in favor of Equitable free and clear of all liens, security interests, claims, and
23 encumbrances, including all liens, security interests, claims, and encumbrances of Third
24 Eye.

25 7.4. Additional Sales. Reorganized Debtors will sell or refinance, or
26 cause NFC to sell or finance, such additional properties as are necessary to pay and

1 satisfy any portion of the Class 2 Claim that remains unpaid after the South Ganger Sale
2 and the Equitable Loan are closed and the net proceeds are paid to Third Eye.

3 7.5. Corporate Action. Upon entry of the Confirmation Order by the
4 Clerk of the Bankruptcy Court, all actions contemplated by the Plan shall be authorized
5 and approved in all respects (subject to the provisions of the Plan), including, without
6 limitation, the execution, delivery and performance of all documents and agreements
7 relating to the Plan and any of the foregoing. On and following the Effective Date, the
8 appropriate officers of Reorganized Debtor are authorized and directed to execute and
9 deliver any and all agreements, documents, and instruments contemplated by the Plan
10 and/or the Disclosure Statement in the name of and on behalf of Reorganized Debtor.

11 **ARTICLE 8**

12 **EXECUTORY CONTRACTS**

13 8.1. Generally. Except as otherwise specifically provided in this Plan,
14 all of Debtor's executory contracts will be deemed assumed by operation of law on the
15 Effective Date, except any executory contract that has been specifically assumed or
16 rejected by Debtor on or before the Effective Date or in respect of which a motion for
17 assumption or rejection has been Filed by Debtor on or before the Effective Date. The
18 Confirmation Order shall constitute an order authorizing assumption of all such
19 executory contracts and unexpired leases. Reorganized Debtor shall promptly pay all
20 amounts required under Section 365 of the Bankruptcy Code to cure any monetary
21 defaults for executory contracts and unexpired leases being assumed, and shall perform
22 its obligations under such assumed executory contracts and unexpired leases from and
23 after the Effective Date in the ordinary course of business. To the extent necessary, all
24 assumed executory contracts and unexpired leases shall be deemed assigned to
25 Reorganized Debtor as of the Effective Date. The Confirmation Order shall constitute an
26 order authorizing such assignment of assumed executory contracts and unexpired leases,

1 and no further assignment documentation shall be necessary to effectuate such
2 assignment.

3 8.2. Rejection Claims. A Rejection Claim must be filed no later than
4 the later of the Claims Bar Date or 30 days after the rejection of the executory contract.
5 Any Rejection Claim not Filed within such timeframe shall be forever barred. Each
6 Allowed Rejection Claim shall constitute a General Unsecured Claim.

7 8.3. Compensation and Benefit Programs. Except to the extent
8 specifically provided otherwise in this Plan or the Confirmation Order, all employee
9 compensation and benefit plans, policies and programs of Debtor applicable to its
10 employees as in effect on the Effective Date, including, without limitation, all savings
11 plans; retirement plans; health care plans (including Debtor's self-funded medical benefit
12 plan); disability plans; severance benefit plans; incentive plans; stock incentive plans; and
13 life, accidental death, and dismemberment insurance plans; shall continue in full force
14 and effect, without prejudice to Reorganized Debtor's rights under applicable
15 non-bankruptcy law to modify, amend or terminate any of the foregoing arrangements.

16 **ARTICLE 9**

17 **EFFECT OF CONFIRMATION**

18 9.1. Effect of Confirmation. The effect of confirmation shall be as set
19 forth in Section 1141 of the Bankruptcy Code.

20 9.2. Debtor's Injunction. Except to the extent specifically provided
21 otherwise in this Plan or in the Confirmation Order, confirmation of the Plan shall act as
22 a permanent injunction applicable to entities against (a) the commencement or
23 continuation, including the issuance or employment of process, of a judicial,
24 administrative, or other action or proceeding against Reorganized Debtor that was or
25 could have been commenced before the entry of the Confirmation Order; (b) the
26 enforcement against Reorganized Debtor or its assets of a judgment obtained before the

1 Petition Date; and (c) any act to obtain possession of or to exercise control over, or to
2 create, perfect or enforce a lien upon, all or any part of the assets.

3 9.3. Discharge. Except to the extent specifically provided otherwise in
4 this Plan or in the Confirmation Order, the confirmation of the Plan shall, provided that
5 the Effective Date shall have occurred, discharge all Claims to the fullest extent
6 authorized or provided for by the Bankruptcy Code, including, without limitation, to the
7 extent authorized or provided for by Sections 524 and 1141 thereof.

8 9.4. Revesting; Operation of Business. Except as otherwise expressly
9 provided in this Plan, on the Effective Date all property and assets of the estate of Debtor
10 shall revert in Reorganized Debtor, free and clear of all claims, liens, encumbrances,
11 charges, and other interests of Creditors arising on or before the Effective Date; and
12 Reorganized Debtor may operate, from and after the Effective Date, free of any
13 restrictions imposed by the Bankruptcy Code or the Bankruptcy Court.

14 **ARTICLE 10**

15 **RETENTION OF JURISDICTION**

16 10.1. Jurisdiction of the Bankruptcy Court. Notwithstanding the entry of
17 the Confirmation Order, the Court shall retain jurisdiction of the Chapter 11 Case
18 pursuant to and for the purposes set forth in Sections 1127(b) and 1141-1146 of the Code
19 to enforce the provisions of this Plan and to ensure that the intent and purposes of this
20 Plan are carried out and given effect. Without limiting the preceding, the Court shall
21 retain jurisdiction to:

22 (a) Classify the Claim or interest of any Creditor, reexamine
23 Claims or Interests that have been allowed for voting purposes, and determine any objections
24 that may be Filed to Claims or Interests;

1 (b) Determine requests for payment of Claims entitled to priority
2 under Section 507(a) of the Bankruptcy Code, including compensation and reimbursement of
3 expenses in favor of professionals employed at the expense of the Estate;

4 (c) Avoid transfers or obligations to subordinate Claims under
5 Chapter 5 of the Bankruptcy Code;

6 (d) Approve the assumption, assignment, or rejection of an
7 executory contract or unexpired lease pursuant to this Plan;

8 (e) Resolve controversies and disputes regarding the interpretation
9 or enforcement of this Plan;

10 (f) Implement the provisions of this Plan and enter orders in aid of
11 confirmation;

12 (g) To the extent the Court has jurisdiction, adjudicate adversary
13 proceedings and contested matters pending or hereafter commenced in the Chapter 11 Case;
14 and

15 (h) Enter a final decree closing the Chapter 11 Case.

16 10.2. Failure of Bankruptcy Court to Exercise Jurisdiction. If the
17 Bankruptcy Court abstains from exercising, or declines to exercise, jurisdiction over any
18 matter arising under, arising in, or related to the Chapter 11 Case, this Article shall not
19 prohibit or limit the exercise of jurisdiction by any other court having competent
20 jurisdiction with respect to such subject matter.

21 **ARTICLE 11**

22 **ADMINISTRATIVE PROVISIONS**

23 11.1. Modification or Withdrawal of the Plan. Debtors may alter,
24 amend, or modify the Plan pursuant to Section 1127 of the Bankruptcy Code and
25 Bankruptcy Rule 3019 at any time prior to the time the Bankruptcy Court has signed the
26 Confirmation Order. After such time, and prior to the substantial consummation of the

1 Plan, Debtor may, so long as the treatment of holders of Claims and Interests under the
2 Plan is not adversely affected, institute proceedings in Bankruptcy Court to remedy any
3 defect or omission or to reconcile any inconsistencies in the Plan, Disclosure Statement,
4 or Confirmation Order, and any other matters as may be necessary to carry out the
5 purposes and effects of the Plan; provided, however, that prior notice of such proceedings
6 shall be served in accordance with Bankruptcy Rule 2002.

7 11.2. Revocation or Withdrawal of Plan

8 11.2.1. Right to Revoke. Debtors reserve the right to revoke or
9 withdraw the Plan at any time prior to the Effective Date.

10 11.2.2. Effect of Withdrawal or Revocation. If Debtors revoke or
11 withdraw the Plan prior to the Effective Date, then the Plan shall be deemed null and void.
12 In such event, nothing contained herein shall be deemed to constitute a waiver or release of
13 any claims by or against Debtors or any other Entity, or to prejudice in any manner the rights
14 of Debtors or any Entity in any further proceeding involving Debtor.

15 11.3. Nonconsensual Confirmation. Debtors may request that the
16 Bankruptcy Court confirm the Plan pursuant to Section 1129(b) of the Bankruptcy Code
17 if the requirements of all provisions of Section 1129(a) of the Bankruptcy Code, except
18 Subsection 1129(a)(8), are met.

19 11.4. Conditions of Effectiveness. The Effective Date will not occur and
20 the Plan will not become effective unless and until each of the following conditions has
21 been satisfied or waived by Debtors:

22 11.4.1. The Bankruptcy Court shall have entered the Confirmation
23 Order in form and substance reasonably acceptable to Debtors;

24 11.4.2. The South Ganger Sale shall have closed; and

25 11.4.3. The Equitable Loan shall have closed.
26

1 11.5. Compromise of Controversies. Pursuant to Bankruptcy Rule 9019,
 2 and in consideration for the classification, distributions, and other benefits provided
 3 under the Plan, the provisions of the Plan shall constitute a good faith compromise and
 4 settlement of all Claims or controversies resolved pursuant to the Plan. The entry of the
 5 Confirmation Order shall constitute the Court's approval of each of the compromises and
 6 settlements provided for in the Plan, and the Court's findings shall constitute its
 7 determination that such compromises and settlements are in the best interests of Debtors.

8 ARTICLE 12

9 MISCELLANEOUS PROVISIONS

10 12.1. Utility Deposits. All utilities holding a utility deposit obtained as a
 11 result of this Bankruptcy Case shall immediately after the Effective Date return or refund
 12 such utility deposit to Reorganized Debtor. At the sole option of Reorganized Debtor,
 13 Reorganized Debtor may apply any such utility deposit that has not been refunded to
 14 Reorganized Debtor in satisfaction of any payments due or to become due from
 15 Reorganized Debtor to a utility holding such a utility deposit.

16 12.2. Retiree Benefits. On or after the Effective Date, to the extent
 17 required by Section 1129(a)(13) of the Bankruptcy Code, Reorganized Debtor shall
 18 continue to pay all retiree benefits (if any), as that term is defined in Section 1114 of the
 19 Bankruptcy Code, maintained or established by Debtor prior to the Effective Date,
 20 without prejudice to Reorganized Debtor's rights under applicable non-bankruptcy law to
 21 modify, amend or terminate the foregoing arrangements.

22 12.3. Rights of Action. Except as otherwise expressly provided herein,
 23 any rights or causes of action (including, without limitation, any and all avoidance
 24 actions) accruing to Debtor shall remain assets of Reorganized Debtor. Reorganized
 25 Debtor may pursue such rights of action, as appropriate, in accordance with what is in its
 26 best interests and for its benefit.

1 12.4. Governing Law. Except to the extent the Bankruptcy Code, the
2 Bankruptcy Rules, or other federal laws are applicable, the laws of the State of Oregon
3 shall govern the construction and implementation of the Plan, and all rights and
4 obligations arising under the Plan.

5 12.5. Withholding and Reporting Requirements. In connection with the
6 Plan and all instruments issued in connection therewith and distributions thereon, Debtor
7 and Reorganized Debtor shall comply with all withholding, reporting, certification, and
8 information requirements imposed by any federal, state, local, or foreign taxing
9 authorities, and all distributions hereunder shall, to the extent applicable, be subject to
10 any such withholding, reporting, certification, and information requirements. Entities
11 entitled to receive distributions hereunder shall, as a condition to receiving such
12 distributions, provide such information and take such steps as Reorganized Debtor may
13 reasonably require to ensure compliance with such withholding and reporting
14 requirements, and to enable Reorganized Debtor to obtain the certifications and
15 information as may be necessary or appropriate to satisfy the provisions of any tax law.

16 12.6. Time. Unless otherwise specified herein, in computing any period
17 of time prescribed or allowed by the Plan, the day of the act or event from which the
18 designated period begins to run shall not be included. The last day of the period so
19 computed shall be included, unless it is not a Business Day, in which event the period
20 runs until the end of the next succeeding day that is a Business Day.

21 12.7. Section 1146(c) Exemption. Pursuant to Section 1146(c) of the
22 Bankruptcy Code, the issuance, transfer, or exchange of any security under the Plan; or
23 the execution, delivery, or recording of an instrument of transfer pursuant to, in
24 implementation of, or as contemplated by the Plan; or the revesting, transfer, or sale of
25 any real property of Debtor or Reorganized Debtor pursuant to, in implementation of, or
26 as contemplated by the Plan; shall not be taxed under any state or local law imposing a

1 stamp tax, transfer tax, or similar tax or fee. Consistent with the foregoing, each recorder
2 of deeds or similar official for any city, county, or governmental unit in which any
3 instrument hereunder is to be recorded shall, pursuant to the Confirmation Order, be
4 ordered and directed to accept such instrument without requiring the payment of any
5 documentary stamp tax, deed stamps, transfer tax, intangible tax, or similar tax.

6 12.8. Severability. In the event any provision of the Plan is determined
7 to be unenforceable, such determination shall not limit or affect the enforceability and
8 operative effect of any other provisions of the Plan. To the extent any provision of the
9 Plan would, by its inclusion in the Plan, prevent or preclude the Bankruptcy Court from
10 entering the Confirmation Order, the Bankruptcy Court, on the request of Debtor, may
11 modify or amend such provision, in whole or in part, as necessary to cure any defect or
12 remove any impediment to the confirmation of the Plan existing by reason of such
13 provision.

14 12.9. Binding Effect. The provisions of the Plan shall bind Debtor,
15 Reorganized Debtor and all holders of Claims and Interests, and their respective
16 successors, heirs, and assigns.

17 12.10. Recordable Order. The Confirmation Order shall be deemed to be
18 in recordable form, and shall be accepted by any recording officer for filing and
19 recording purposes without further or additional orders, certifications, or other supporting
20 documents.

21 12.11. Plan Controls. In the event and to the extent any provision of the
22 Plan is inconsistent with the provisions of the Disclosure Statement, or any other
23 instrument or agreement contemplated to be executed pursuant to the Plan, the provisions
24 of the Plan shall control and take precedence.

25 12.12. Effectuating Documents and Further Transactions. Debtor and
26 Reorganized Debtor shall execute, deliver, file, or record such contracts, instruments,

1 assignments, and other agreements or documents, and take or direct such actions as may
2 be necessary or appropriate to effectuate and further evidence the terms and conditions of
3 this Plan.

4 12.13. Saturday, Sunday or Legal Holiday. If any payment or act under
5 the Plan is required to be made or performed on a date that is not a Business Day, then
6 the making of such payment or the performance of such act may be completed on the
7 next succeeding Business Day, but shall be deemed to have been completed as of the
8 required date.

9 12.14. Timing of Distributions. Notwithstanding anything to the contrary
10 herein: (a) any distribution required by the Plan to be made on the Effective Date in
11 respect of a Claim shall be made as soon as practicable after (but in any event within
12 30 days of) the later of (i) the Effective Date or (ii) the date on which such Claim
13 becomes Allowed and any other conditions to distribution with respect to such Claim
14 shall have been satisfied; and (b) any distribution required by the Plan or any instrument
15 issued pursuant to the Plan to be made on a date subsequent to the Effective Date shall be
16 made on the later of (i) such date or (ii) as soon as practicable after (but in any event
17 within 30 days of) the date on which the pertinent Claim becomes Allowed and any other
18 conditions to distribution with respect to such Claim shall have been satisfied.

19 12.15. Final Order. Any requirement in the Plan for a Final Order may be
20 waived by Debtor or Reorganized Debtor; provided, however, that nothing contained
21 herein shall prejudice the right of any party-in-interest to seek a stay pending appeal with
22 respect to such Final Order.

23 12.16. Event of Default; Remedy. Except as otherwise provided in the
24 Plan or in the Confirmation Order, in the event Reorganized Debtor shall default in the
25 performance of its obligations under the Plan, and shall not have cured such default
26 within 10 days after receipt of written notice of default from the Creditor to whom the

1 performance is due, then such Creditor may exercise its remedies on default. An event of
2 default occurring with respect to one Creditor or Claim shall not be an event of default
3 with respect to any other Creditor or Claim.

4 DATED this 29th day of February, 2012.

5 BONAVIA TIMBER COMPANY LLC

6
7 By /s/ Gary L. Bengochea
8 Gary L. Bengochea, Manager

9 NEVADA FIRST CORPORATION

10
11 By /s/ Gary L. Bengochea
12 Gary L. Bengochea, President

13 Presented by:

14 TONKON TORP LLP

15 By /s/ Michael W. Fletcher
16 Albert N. Kennedy, OSB No. 82142
17 Michael W. Fletcher, OSB No. 010448
18 Of Attorneys for Debtors
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EXHIBIT 1 TO
PLAN OF REORGANIZATION
Heppner Property Legal Description

EXHIBIT A

Cunha
Heppner

Township 2 South, Range 27, East of the Willamette Meridian, Morrow County, Oregon.

Section 28: The South Half.

Section 29: The Southeast Quarter. EXCEPTING THEREFROM a parcel described as follows: Beginning at the center of said Section 29, said point being the True Point of Beginning of this description; Thence East a distance of 660.00 feet to a point on the East-West centerline of said Section 29; Thence Southwesterly to the Southeast corner of the Southwest Quarter of said Section 29; Thence North to the True Point of Beginning of this description.

Section 33: All.

Section 34: All.

Section 35: The West Half of the Southwest Quarter; The Northwest Quarter.

EXCEPTING THEREFROM all roads and road rights of way.

Township 3 South, Range 27, East of the Willamette Meridian, Morrow County, Oregon.

Section 2: Government Lot 4, also known as the Northwest Quarter of the Northwest Quarter; The South West Quarter of the Northwest Quarter; The West Half of the Southwest Quarter.

Section 3: Government Lots 1, 2, 3 and 4, also known as the North Half of the North Half; The South Half of the North Half; The South Half.

Section 4: Government Lots 1, 2, 3 and 4, also known as the North Half of the North Half; The South Half of the North Half; The South Half. EXCEPTING THEREFROM a parcel described as follows: Beginning at the Northwest corner of said Section 4, said point being the True Point of Beginning of this description; Thence South to the Southwest corner of said Section 4; Thence East to the Southeast corner of the Southwest Quarter of the Southwest Quarter; Thence Northwesterly to the True Point of Beginning of this description.

Section 10: All.

Section 11: The West Half. EXCEPTING THEREFROM a parcel described as follows: Beginning at a point on the South line of said Section 11 which lies East a distance of 340.00 feet, more or less, from the Southwest corner of said Section 11, said point being the True Point of Beginning of this description; Thence East a distance of 2,300.00 feet, more or less, to the Southeast corner of the Southwest Quarter of said Section 11; Thence North, along the North-South centerline of said Section a distance of 3,000.00 feet, more or less, to a point; Thence in a Southwesterly direction to the True Point of Beginning.

EXHIBIT 2 TO
PLAN OF REORGANIZATION
Meacham Property Legal Description

meacham

TOWNSHIP 1 SOUTH, RANGE 34, E.W.M.

- Section 1 : South Half of the Southwest Quarter.
- Section 2 : Southeast Quarter of the Southeast Quarter.
- Section 10: North Half of the Northeast Quarter.
Southeast Quarter of the Northeast Quarter.

Excepting therefrom that tract of land conveyed to the Directors of School District No. 89 by deed recorded in Book 119, Page 360, Deed Records described as beginning at a point 20 feet East of and 64 rods (1,056 feet) South of the Northwest corner of the Northeast Quarter of said Section 10, Township 1 South, Range 34, E.W.M; thence East 10 rods (165 feet); thence South 16 rods (264 feet); thence West 10 rods (165 feet); thence North 16 rods (264 feet) to the point of beginning. (Containing 1 acre)

- Section 11: South Half.
South Half of the North Half.
Northeast Quarter of the Northwest Quarter.
Northwest Quarter of the Northeast Quarter.
- Section 12: West Half.
- Section 14: North Half.

All being East of the Willamette Meridian, Umatilla County, Oregon.

1,436.18 ACRES

1,436.18 (above)

319.00 sold (excluded from Meacham)

5.62 sold (excluded from Meacham)

1,111.56 Remaining is Meacham

Order No. 0052869
Page 3

Meacham

Sold
BOB BURNS

LEGAL DESCRIPTION
FILE NO.: PD0052869

TOWNSHIP 1 SOUTH, RANGE 34, East of the Willamette Meridian, Umatilla County, Oregon.

Section 10: North Half of the Northeast Quarter.
Southeast Quarter of the Northeast Quarter.

EXCEPTING THEREFROM, that Tract of land conveyed to the Directors of School District No. 89 by Deed recorded in Book 119, Page 360, Deed Records described as:

Beginning at a point 20 feet East of and 64 rods (1,056 feet) South of the Northwest Corner of the Northeast Quarter of said Section 10; thence East 10 rods (165) feet; thence South 16 rods (264 feet); thence West 10 rods (165 feet); thence North 16 rods (264 feet); to the point of beginning.

Section 11: Beginning at the Southeast Corner of the Northwest Quarter of the Northwest Quarter of said Section 11; thence Southeasterly in a straight line to the Northeast Corner of the Southeast Quarter of the Southwest Quarter of said Section 11; thence along the East line of said Southeast Quarter of the Southwest Quarter to the Southeast Corner of said Southeast Quarter of the Southwest Quarter of said Section 11; thence West along the South line of said Section 11 to the Southwest Corner of said Section 11; thence north along the West line of said Section 11 to the Southwest Corner of the Northwest Quarter of the Northwest Quarter of said Section 11; thence East along the South line of said Northwest Quarter of the Northwest Quarter of said Section 11 to the point of beginning.

319 Acres Sold
Excluded From Meacham

Meacham

Sold
BoB. Burns

DESCRIPTION OF A TRACT OF LAND TO BE SUBTRACTED FROM TAX LOT 2790 AND ADDED TO TAX LOT 2090.

Township 1 South, Range 34 East, W.M., Umatilla County, Oregon:

BEGINNING at the Northwest Corner of Section 14; thence East along the North line of Section 14 a distance of 700.00 feet; thence Southwesterly in a straight line a distance of 990 feet, more or less, to a point on the West line of Section 14, said point being South, 700.00 feet from the Northwest Corner of said Section 14; thence North along the West line of Section 14 a distance of 700.00 feet to the POINT OF BEGINNING.

COPY

REGISTERED
PROFESSIONAL
LAND SURVEYOR

WILLIAM R. WELLS

OREGON
JULY 22, 1977
WILLIAM R. WELLS
1106

renews 6-30-06

5.62 Acres Sold
Excluded from
Meacham

EXHIBIT 3 TO
PLAN OF REORGANIZATION
South Ganger Property
Legal Description

Order No. 0068027
Page 5

LEGAL DESCRIPTION

A tract of land located in Township 5 South, Range 31 East, W.M., and Township 5 South, Range 32 East, W.M., Umatilla County, Oregon, described as follows:

TOWNSHIP 5 SOUTH, RANGE 31 EAST, W.M.:

Section 12: That portion of the Southeast Quarter lying South of the Southerly Right-of-Way line of State Highway 244.

TOWNSHIP 5 SOUTH, RANGE 32 EAST, W.M.:

Section 7: That portion lying South of the Southerly Right-of-Way line of State Highway 244.

Section 8: That portion lying South of the Southerly Right-of-Way line of State Highway 244.

Section 9: That portion lying South of the Southerly Right-of-Way line of State Highway 244.

EXCEPTING THEREFROM any portion lying within County Road and Highway Rights-of-Ways.

EXHIBIT 4 TO
PLAN OF REORGANIZATION
Ukiah Property Legal Description

Quitclaim Deed
Page Two



EXHIBIT "A"
Ukiah Property

*See corrected
Deed 990 0138*

Township 4 South, Range 31, East of the Willamette Meridian, Umatilla County, Oregon.

- Section 31: East Half of the Southeast Quarter.
- Section 32: ^{west} Southeast Quarter.
West Half of Southeast Quarter.
Southeast Quarter of Southeast Quarter.
- Section 33: South Half of Northwest Quarter.
West Half of Southwest Quarter.
Southwest Quarter of Southeast Quarter.
Southeast Quarter of Southwest Quarter.
East Half of Southeast Quarter.
- Section 34: West Half of Southwest Quarter.

Township 4 South, Range 32, East of the Willamette Meridian, Umatilla County, Oregon.

- Section 31: West Half of West Half, aka Lots 1, 2, 3 & 4.
Southeast Quarter of Southwest Quarter.

Township 5 South, Range 31, East of the Willamette Meridian, Umatilla County, Oregon.

- Section 1: Lot 1, aka Northeast Quarter of Northeast Quarter.
South Half of Northeast Quarter.
South Half.
- Section 2: South Half.
- Section 3: South Half of Northwest Quarter.
West Half of Southeast Quarter.
Southwest Quarter
- Section 4: All
- Section 5: All
- Section 6: Lot 1, Southwest Quarter of Northeast Quarter.
South Half of Northwest Quarter.
South Half.
- Section 7: North Half.
- Section 8: North Half.
- Section 9: North Half.
North Half of South Half.
- Section 10: Southeast Quarter of Northeast Quarter.
West Half of Northeast Quarter.

All that portion of East Half of Northwest Quarter,
lying East of U. S. Highway No. 395;

North 1640 feet of that portion of East Half of Northwest
Quarter lying West of U. S. Highway No. 395;

West Half of Northwest Quarter.

Southwest Quarter,

EXCEPTING THEREFROM lands described in Book 130, Page 637, Deed Records.

North Half of Southeast Quarter.

Southeast Quarter of Southeast Quarter.

- Section 11: North Half of North Half.
South Half of Northwest Quarter.
North Half of Southwest Quarter.

Quitclaim Deed
Page Three



Section 12: North Half of Northwest Quarter.
Southeast Quarter of Northwest Quarter.
Southeast Quarter.

Township 5 South, Range 32, East of the Willamette Meridian, Umatilla County,
Oregon.

Section 6: West Half of Northeast Quarter.
West Half.
North Half of Southeast Quarter.

Section 7: West Half.

Township 4 South, Range 32, East of the Willamette Meridian, Umatilla County,
Oregon.

Section 17: Southwest Quarter of Northwest Quarter.
West Half of Southwest Quarter.
Southeast Quarter of Southwest Quarter.
Southwest Quarter of Southeast Quarter.

Section 18: Southeast Quarter of Southeast Quarter.

Section 19: East Half of Northeast Quarter.
South Half of Northwest Quarter.
North Half of Southwest Quarter.
Southeast Quarter.

Section 20: West Half of Northeast Quarter.
Northwest Quarter.
North Half of Southwest Quarter.
Southwest Quarter of Southwest Quarter.

Section 29: West Half of Northwest Quarter.

Section 30: East Half of Northeast Quarter.

Township 4 South, Range 31, East of the Willamette Meridian, Umatilla County,
Oregon.

Section 24: East Half of Southwest Quarter.
Northwest Quarter of Southeast Quarter.

Section 25: Northeast Quarter of Northwest Quarter.

SUBJECT TO any and all water rights of way and roads.

Township 4 South, Range 31, East of the Willamette Meridian, Umatilla County,
Oregon.

Section 23: Southwest Quarter.

Section 25: Southwest Quarter of Southwest Quarter.

Section 26: West Half.
South Half of Northeast Quarter.
North Half of Southeast Quarter.
Southeast Quarter of Southeast Quarter.

Section 27: North Half of Northeast Quarter.
Southeast Quarter of Northeast Quarter.

EXCEPTING THEREFROM lands described in Microfilm R-192, Page 1358, Deed
Records.

Section 35: Northeast Quarter.
Northeast Quarter of Northwest Quarter.
South Half of Northwest Quarter.
South Half.

Section 36: All

Township 5 South, Range 31, East of the Willamette Meridian, Umatilla County,
Oregon.

Section 1: Northwest Quarter.
Northwest Quarter of Northeast Quarter.

Quitclaim Deed
Page Four



Section 2: North Half.

SUBJECT TO any and all water rights of way and roads.

Township 4 South, Range 31, East of the Willamette Meridian, Umatilla County, Oregon.

Section 11: That portion of South Half of Southeast Quarter and of Southeast Quarter of Southwest Quarter lying Southwesterly of County Road No. 1417.

Section 14: East Half of West Half and West Half of Southeast Quarter. That portion of Northeast Quarter lying Southwesterly of County Road No. 1417.

SUBJECT TO any and all water rights of way and roads.

Township 5 South, Range 32, East of the Willamette Meridian, Umatilla County, Oregon.

Section 4: Southwest Quarter of Southwest Quarter.

Section 5: South Half.

Section 6: South Half of Southeast Quarter.

Section 7: East Half.

Section 8: All

Section 9: All

SUBJECT TO any and all roads and highways.

Township 4 South, Range 31, East of the Willamette Meridian, Umatilla County, Oregon.

Section 27: A tract of land lying in North Half of Southeast Quarter and described as all that portion lying East of the following described fence line:

Commencing at Southeast corner of Section 27, said corner being a 1 inch diameter steel pipe with a 2.5 inch diameter brass cap;

Thence North 48° 16' 16" West, 2056.07 feet to a 5/8 inch diameter steel rebar with an aluminum cap stamped PLS 933, said point being the true point of beginning for this description;

Thence following an existing fence line the following courses and distances:

North 12° 39' 51" East, 46.95 feet;
North 44° 14' 02" East, 155.95 feet;
North 5° 28' 52" East, 69.74 feet;
North 19° 25' 01" West, 128.36 feet;
North 19° 15' 16" East, 407.55 feet;
North 38° 05' 56" East, 200.31 feet;
North 27° 48' 18" East, 195.39 feet;
North 2° 37' 01" East, 211 feet more or less, to North

line of said North Half of Southeast Quarter;
Thence leaving the existing fence line East along North line of said North Half of Southeast Quarter, 1093 feet, more or less, to East Quarter corner of

Section 27;

Thence South along East line of Section 27, 1321.45 feet to South 1/16 corner;

Thence West along South line of said North Half of Southeast Quarter, 1477 feet, more or less, to a point on existing fence line;

Thence North 50° 21' 58" West along said existing fence line 74 feet, more or less, to the point of beginning.

SUBJECT TO any and all water rights of way and roads.

EXHIBIT 2 TO
SECOND AMENDED JOINT
DISCLOSURE STATEMENT

Internally Prepared,
Unaudited Balance Sheets

Nevada First Corporation
Balance Sheet (Unaudited)
As of January 31, 2012

	Jan 31, 12
ASSETS	
Current Assets	
Checking/Savings	
Bank of America ---Checking	4,091.52
Bank of America ---Depository	2,772.39
Petty Cash	100.00
Total Checking/Savings	6,963.91
Other Current Assets	
Prepaid Oregon Excise Tax	10,321.00
Prepaid Insurance	200.75
Deposit - Pro Group - Initial	9,335.00
Dep. - Pro Group - Special Ass.	2,718.00
A/R---Meritus Group	129,070.66
A/R ---NFC Land & Cattle, LLC	53,070.86
A/R ---Bonavia Timber Co., LLC	10,811.69
Other Accounts Receivable	4,744.36
N/R NJB Investments, LP	41,199.09
N/R - Gilbert/Bonavia Prod.	1,812,996.56
N/R - Nick Bonavia #1	500,000.00
N/R Meritus Group	170,290.44
Interest Receivable	486,066.12
Total Other Current Assets	3,230,811.53
Total Current Assets	3,237,775.44
Fixed Assets	
Structures & Improvements	13,941.74
A/D Structures & Improvements	-13,941.74
Equipment	76,953.99
A/D Equipment	-76,277.19
Total Fixed Assets	676.80
Other Assets	
Invest - NFC Land & Cattle	5,741,425.01
Investment - Bonavia Timber Co.	3,739,065.11
Invest. - Meritus Group, LLC	3,065,524.27
Invest. - Meritus (Inc/Loss)	-3,976,245.90
Meritus Group, LLC Def. Inc.	370,829.00
Invest---NJB Investments, LP	563,371.36
Invest - Hill & Brand Prod.	1,250,000.00
Invest - H & B Prod (Inc/Loss)	-4,585,644.00
Invest - GPS Industries	99,917.24
Invest - Moventia Capital	204,288.00
Invest. - River Bend L. P.	291,052.60
River Bend L.P. Def. Inc.	-84,887.00
Invest. - River Bend Invest. I	238,793.92
River Bend Invest I Def. Inc.	-282,686.00
Invest -River Bend Invest. II	12,840.00
River Bend Invest II Def. Inc.	-2,166.00
Invest. - Love #6 Lease	1.00
Total Other Assets	6,665,484.61
TOTAL ASSETS	9,903,936.85

Nevada First Corporation
Balance Sheet (Unaudited)
As of January 31, 2012

	Jan 31, 12
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Trade Accounts Payable	46,027.82
Total Accounts Payable	46,027.82
Other Current Liabilities	
401 K Payable	27,121.94
Cafeteria Plan Payable	1,007.75
Out of State Payroll Taxes	235.33
Country Life Insurance	43.78
FUTA & NUI Payable	646.86
Total Other Current Liabilities	29,055.64
Total Current Liabilities	75,083.46
Long Term Liabilities	
Willow Creek Installment Sale	84,547.32
Total Long Term Liabilities	84,547.32
Total Liabilities	159,630.78
Equity	
Common Stock -- Class A	2,805.14
Treasury Stock--Class A	-163,573.38
Common Stock -- Class B	10,001.09
Treasury Stock --Class B	-3,500,017.48
Contributed Capital	18,481,504.21
RETAINED EARNINGS - PRIOR	-5,211,611.98
Net Income	125,198.45
Total Equity	9,744,306.07
TOTAL LIABILITIES & EQUITY	9,903,936.85

Bonavia Timber Company, LLC
Balance Sheet (Unaudited)
As of January 31, 2012

	<u>Jan 31, 12</u>
ASSETS	
Current Assets	
Checking/Savings	
Bank of America Main	111,866.15
Bank of America Local	841.76
Total Checking/Savings	<u>112,707.91</u>
Accounts Receivable	
N/R Hank Howard	138,818.84
Interest Receivable	6,399.26
Total Accounts Receivable	<u>145,018.10</u>
Other Current Assets	
Prepaid Property Taxes	7,952.05
Prepaid Insurance	2,918.67
Deposits	45,100.00
Inventory - Hay	13,628.95
Total Other Current Assets	<u>69,599.67</u>
Total Current Assets	<u>327,325.68</u>
Fixed Assets	
Land	901,628.55
Timber	2,439,488.84
Reforestation	49,006.87
Structures & Improvements	202,736.14
A/D - Structures & Improvements	-181,263.04
Fences	215,014.39
A/D - Fences	-215,014.39
Equipment	187,729.64
A/D - Equipment	-169,639.45
Breeding Cows	121,643.48
A/D - Breeding Cows	-117,799.03
Breeding Bulls	42,031.56
A/D - Breeding Bulls	-37,514.78
Horses	2,300.00
A/D - Horses	-2,300.00
Accumulated Cost on Calves	6,584.11
Total Fixed Assets	<u>3,443,612.89</u>
TOTAL ASSETS	<u><u>3,770,938.57</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Trade Accounts Payable	31,873.46
Total Accounts Payable	<u>31,873.46</u>
Total Current Liabilities	<u>31,873.46</u>
Total Liabilities	<u>31,873.46</u>
Equity	
Contributed Capital	3,051,536.62
Undistributed Earnings	610,432.13
Net Income	77,096.36
Total Equity	<u>3,739,065.11</u>
TOTAL LIABILITIES & EQUITY	<u><u>3,770,938.57</u></u>

**EXHIBIT 3 TO
SECOND AMENDED JOINT
DISCLOSURE STATEMENT**

**Internally Prepared,
Unaudited Income Statements**

Bonavia Timber Company, LLC
Profit & Loss (Unaudited)
 April 2010 through March 2011

	<u>Apr '10 - Mar 11</u>
Income	
Pasture Sales	59,500.00
Hay Sales	7,765.00
Cost of Sales - Hay	-4,261.60
Cows Sold	21,457.34
Bulls Sold	6,270.44
Cost of Sales - Bulls	-2,133.47
Heifer Calves	29,405.30
Steer Calves	91,049.47
Hunting Income	18,000.00
CRP/CSP - FSA Income	45,793.00
Interest Income	7,153.77
Total Income	<u>279,999.25</u>
Expense	
Contract Services	2,030.00
Labor	42,765.75
Payroll Taxes	3,552.83
Misc. Employee Benefits	100.00
Employee Health Insurance	11,352.00
Workmen's Comp.	-23.60
401 (K) Matching	2,700.00
Insurance	2,943.20
Office Supplies	104.86
Maintenance of Improvements	11,479.58
Supplies	1,825.44
Fuel & Oil - Production	11,605.50
Repairs & Maint. - Equipment	5,832.53
Trucking	4,086.50
Power	1,339.56
Telephone	554.39
Meals	758.96
Taxes & Licenses	428.00
Property Taxes	17,164.05
Veterinary	3,166.59
Rent or Lease	56.00
Depreciation	39,860.35
Legal & Professional	148.43
Brand Inspection / Beef Prom.	617.50
Water	547.85
Miscellaneous	71.00
Management Fee	12,000.00
Commissary	400.00
Dues & Subscriptions	189.00
Feed	15,905.85
Supplement Feed	6,586.16
Pasture	8,052.29
Advertising	152.14
Seed & Fertilizer	64.50
Hay Harvest	0.00
Total Expense	<u>208,217.20</u>
Net Income	<u><u>71,782.05</u></u>

Nevada First Corporation
Profit & Loss (Unaudited)
April 2010 through March 2011

	<u>Apr '10 - Mar 11</u>
Income	
Management Income	315,000.00
Interest Income	204,485.53
Gain on Sale of Assets	621.00
Income/Invest River Bend LP	-32,202.00
Inc/Invest River Bend Invest I	12,755.00
Inc/Invest River Bend Invest II	-939.00
Inc/Invest - Hill & Brand	-193,843.00
Income/loss—BTC	71,782.05
Income/loss --- NFC L&C	-215,357.31
Other income	788.37
Total Income	<u>163,090.64</u>
Gross Profit	<u>163,090.64</u>
Expense	
Contract Services	1,956.00
Labor	194,200.08
Payroll Taxes	15,766.74
Misc. Employee Benefits	39,800.00
Employee Health Insurance	17,291.60
Workman's Comp.	417.77
401 (K) Matching	7,452.00
Directors Fee	27,250.00
Insurance	6,152.73
Office Supplies	5,632.68
Fuel & Oil—Production	6,443.68
Repairs & Maint.—Equipment	4,129.51
Telephone	3,714.02
Meals	624.18
Taxes & Licenses	968.00
Property Taxes	20.84
Rent or Lease	5,475.00
Depreciation	225.30
Interest	20,299.77
Accounting	34,717.50
Legal & Professional	2,434.78
Miscellaneous	4.02
Dues & Subscriptions	225.00
Advertising	325.26
Total Expense	<u>395,526.46</u>
Net Income	<u>-232,435.82</u>

EXHIBIT 4 TO
SECOND AMENDED JOINT
DISCLOSURE STATEMENT
Cash Flow Projections

BONAVIA TIMBER COMPANY, LLC
 PROJECTED CASH FLOW
 APRIL 2012 THRU JUNE 2013

	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	TOTAL
CASH BALANCES BEGINNING MONTH	\$81,460	\$67,560	\$62,685	\$59,610	\$51,635	\$48,660	\$53,035	\$195,385	\$187,410	\$217,035	\$201,785	\$189,040	\$177,965	\$164,290	\$158,490	\$81,460
INCOMING																
PASTURE SALES		\$11,100	\$11,100	\$11,100	\$11,100	\$11,100								\$11,100	\$11,100	\$77,700
COWS SOLD						\$6,500		\$5,000								\$11,500
BULLS SOLD								\$1,000								\$1,000
HEIFER CALVES							\$54,000					\$1,200				\$55,200
STEER CALVES							\$95,000									\$95,000
HUNTING INCOME		\$1,500			\$5,000		\$2,000		\$5,000		\$2,500			\$1,500		\$17,500
CRP - FSA INCOME							\$7,400		\$38,700		\$6,930					\$46,100
INTEREST RECEIVED											\$9,430	\$1,200				\$6,930
TOTAL INCOMING	\$0	\$12,600	\$11,100	\$11,100	\$16,100	\$17,600	\$158,400	\$6,000	\$43,700	\$0	\$9,430	\$1,200	\$0	\$12,600	\$11,100	\$310,930
OUTGOING																
PAYROLL & PAYROLL TAXES TO NFC	\$5,200	\$5,200	\$5,200	\$5,300	\$5,400	\$5,400	\$5,400	\$6,400	\$5,300	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$81,800
CONTRACT SERVICES	\$600	\$700	\$0	\$200	\$0	\$250	\$250	\$300	\$300	\$150	\$300	\$200	\$600	\$700	\$0	\$4,550
MISC. EMP. BENEFITS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$200	\$0	\$0	\$0	\$0	\$0	\$0	\$200
EMPL. HEALTH INSURANCE	\$800	\$800	\$800	\$800	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$13,100
WORKMEN'S COMP.	\$625	\$0	\$0	\$0	\$0	\$0	\$625	\$0	\$0	\$625	\$0	\$0	\$0	\$625	\$0	\$2,500
401K MATCHING	\$225	\$225	\$225	\$225	\$225	\$225	\$225	\$225	\$225	\$225	\$225	\$225	\$225	\$225	\$225	\$3,375
INSURANCE	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$4,500
MAINT. OF IMPROVEMENTS	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$6,000
SUPPLIES	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$3,000
FUEL & OIL-PRODUCTION	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$18,000
REPAIR & MAINT. -- EQUIP.	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$6,000
TRUCKING	\$0	\$0	\$2,400	\$0	\$0	\$0	\$2,400	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,200
POWER	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,500
TELEPHONE	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$1,125
MEALS	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$1,125
TAXES & LICENSES	\$90	\$90	\$90	\$90	\$90	\$90	\$90	\$90	\$90	\$90	\$90	\$90	\$90	\$90	\$90	\$1,350
PROPERTY TAXES	\$1,550	\$1,550	\$1,550	\$1,550	\$1,550	\$1,550	\$1,550	\$1,550	\$1,550	\$1,550	\$1,550	\$1,550	\$1,550	\$1,550	\$1,550	\$23,250
VETERINARY	\$900	\$0	\$0	\$0	\$0	\$900	\$100	\$600	\$200	\$0	\$100	\$0	\$900	\$0	\$0	\$3,700
BRAND INSPECTION/BEEF	\$0	\$0	\$0	\$0	\$0	\$0	\$600	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$600
WATER	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$750
MANAGEMENT FEE TO NFC	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$15,000
DUES & SUBSCRIPTIONS	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$150
SUPPLEMENT FEED	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,500	\$2,400	\$1,500	\$0	\$100	\$0	\$100	\$6,400
PASTURE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,200	\$0	\$0	\$0	\$0	\$8,200
SEED & FERTILIZER	\$0	\$5,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,000	\$0	\$10,000
HAY HARVEST	\$0	\$0	\$0	\$7,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,000
TOTAL OUTGOING	\$13,900	\$17,475	\$14,175	\$19,075	\$19,075	\$13,225	\$16,050	\$13,975	\$14,075	\$15,250	\$22,175	\$12,275	\$13,675	\$18,400	\$14,575	\$237,375
NET CASH INCREASE (DECREASE)	-\$13,900	-\$4,875	-\$3,075	-\$7,975	-\$2,975	\$4,375	\$142,350	-\$7,975	\$29,625	-\$15,250	-\$12,745	-\$11,075	-\$13,675	-\$5,800	-\$3,475	\$73,555
CASH BALANCES MONTH END	\$67,560	\$62,685	\$59,610	\$51,635	\$48,660	\$53,035	\$195,385	\$187,410	\$217,035	\$201,785	\$189,040	\$177,965	\$164,290	\$158,490	\$155,015	\$155,015

NEVADA FIRST CORPORATION
 PROJECTED CASH FLOW
 APRIL 2012 THRU JUNE 2013

	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	TOTAL
CASH BALANCES BEGINNING MONTH	\$5,640	\$9,800	\$6,860	\$10,920	\$15,180	\$12,140	\$15,700	\$19,660	\$16,620	\$19,905	\$22,965	\$19,525	\$22,685	\$26,245	\$22,805	\$5,640
INCOMING																
MANAGEMENT INCOME	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$393,750
BTC, LLC PAYROLL/TAXES	\$5,200	\$5,200	\$5,200	\$5,300	\$5,400	\$5,400	\$5,400	\$6,400	\$5,300	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$81,800
NFC L & C, LLC PAYROLL/TAXES	\$53,900	\$53,000	\$54,300	\$56,800	\$54,500	\$54,500	\$53,900	\$57,600	\$50,800	\$53,100	\$51,900	\$52,300	\$53,000	\$53,000	\$53,000	\$805,600
TOTAL INCOMING	\$85,350	\$84,450	\$85,750	\$88,350	\$86,150	\$86,150	\$85,550	\$90,250	\$82,350	\$84,850	\$83,650	\$84,050	\$84,750	\$84,750	\$84,750	\$1,281,150
OUTGOING																
BTC, LLC PAYROLL/TAXES	\$5,200	\$5,200	\$5,300	\$5,400	\$5,400	\$5,400	\$5,400	\$6,400	\$5,300	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$81,800
NFC L & C, LLC PAYROLL/TAXES	\$53,900	\$53,000	\$54,300	\$56,800	\$54,500	\$54,500	\$53,900	\$57,600	\$50,800	\$53,100	\$51,900	\$52,300	\$53,000	\$53,000	\$53,000	\$805,600
LABOR	\$16,200	\$16,200	\$16,200	\$16,200	\$16,200	\$16,200	\$16,200	\$16,200	\$16,200	\$16,200	\$16,200	\$16,200	\$16,200	\$16,200	\$16,200	\$243,000
PAYROLL TAXES	\$1,300	\$1,300	\$1,200	\$1,200	\$1,200	\$1,600	\$1,200	\$1,200	\$1,300	\$1,900	\$1,400	\$1,800	\$1,400	\$1,400	\$1,800	\$21,400
MISC. EMP. BENEFITS								\$300								\$300
CONTRACT SERVICES	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$3,000
EMPL. HEALTH INSURANCE	\$1,400	\$1,500	\$1,400	\$1,400	\$1,700	\$1,700	\$1,900	\$1,700	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$25,800
WORKMEN'S COMP.	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$750
401K MATCHING	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$9,000
DIRECTOR'S FEE		\$7,000		\$7,000				\$7,000			\$7,000					\$35,000
INSURANCE	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$7,500
OFFICE SUPPLIES	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,500
FUEL & OIL-PRODUCTION	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$9,000
REPAIR & MAINT. -- EQUIP.	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,500
TELEPHONE	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$5,250
TRAVEL/TRAINING	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,500
MEALS	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$750
TAXES & LICENSES	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$600
RENT OR LEASE	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$6,825
DUES & SUBSCRIPTIONS	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$750
TOTAL OUTGOING	\$81,190	\$87,390	\$81,690	\$84,090	\$89,190	\$82,590	\$81,590	\$93,290	\$79,065	\$81,790	\$87,090	\$80,890	\$81,190	\$88,190	\$81,590	\$1,260,825
NET CASH INCREASE (DECREASE)	\$4,160	-\$2,940	\$4,060	\$4,260	-\$3,040	\$3,560	\$3,960	-\$3,040	\$3,285	\$3,060	-\$3,440	\$3,160	\$3,560	-\$3,440	\$3,160	\$20,325
CASH BALANCES MONTH END	\$9,800	\$6,860	\$10,920	\$15,180	\$12,140	\$15,700	\$19,660	\$16,620	\$19,905	\$22,965	\$19,525	\$22,685	\$26,245	\$22,805	\$25,965	\$25,965

CERTIFICATE of SERVICE

I hereby certify that I served the foregoing **DEBTORS' SECOND AMENDED JOINT DISCLOSURE STATEMENT (APRIL 6, 2012)** on the parties indicated as "ECF" on the attached List of Interested Parties by electronic means through the Court's Case Management/Electronic Case File system on the date set forth below.

In addition, I served the foregoing on the parties indicated as "Non-ECF" on the attached List of Interested Parties by mailing a copy thereof in a sealed, first-class postage prepaid envelope, addressed to each party's last-known address and depositing in the U.S. mail at Portland, Oregon on the date set forth below.

DATED this 10th day of April, 2012.

TONKON TORP LLP

By /s/ Michael W. Fletcher
Albert N. Kennedy, OSB No. 821429
Michael W. Fletcher, OSB No. 010448
Attorneys for Debtors

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LIST OF INTERESTED PARTIES

In re Bonavia Timber Company, LLC
U.S. Bankruptcy Court Case No. 11-39459-tmb11

ECF PARTICIPANTS

- RONALD T ADAMS rta@bhlaw.com, tl@bhlaw.com;docketing@bhlaw.com
- MICHAEL W FLETCHER michael.fletcher@tonkon.com, tammy.brown@tonkon.com
- ALBERT N KENNEDY al.kennedy@tonkon.com, leslie.hurd@tonkon.com;andy.haro@tonkon.com
- TERESA H PEARSON teresa.pearson@millernash.com, lisa.conrad@millernash.com;brenda.hale@millernash.com
- US Trustee, Portland USTPRegion18.PL.ECF@usdoj.gov

NON-ECF PARTICIPANTS

BONAVIA TOP 20 UNSECURED CREDITORS

Bank of Eastern Oregon
250 NW Gale
POB 39
Heppner, OR 97836

City of Heppner
POB 756
Heppner, OR 97836

Country Mutual Insurance Co
POB 14180
Salem, OR 97309

Morrow County Grain Growers Inc.
POB 367
Lexington, OR 97839

Pacific Pride
POB 6869
Bend, OR 97708

NEVADA FIRST TOP 20 UNSECURED CREDITORS

AT&T
Payment Center
Sacramento, CA 95887

Bank of America (Business Card)
POB 15796
Wilmington, DE 19886

Black Helterline LLP
805 SW Broadway #1900
Portland, OR 97205

Grant Thornton LLP
33911 Treasury Center
Chicago, IL 60694

Harrington Health
75 Remittance Dr. #1854
Chicago, IL 60675

Office Products, Inc.
121 Freeport Circle
Fallon, NV 89406

PC Internet
332 S Bridge St
Winnemucca, NV 89445

Quality Tri-Co Janitorial
POB 3084
Winnemucca, NV 89446

Verizon Wireless
POB 96009
Bellevue, WA 98009

Wells Fargo Ins Sacs
3640 Warren Way
Reno, NV 89509

OTHER

SEC
Attn: Bankruptcy Counsel
5670 Wilshire Blvd., 11th Fl.
Los Angeles, CA 90036