

THE PROPOSED DISCLOSURE STATEMENT HAS NOT BEEN APPROVED UNDER SECTION 1125(b) OF THE BANKRUPTCY CODE BY THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION FOR USE IN CONNECTION WITH THE SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN OF LIQUIDATION DESCRIBED HEREIN. ACCORDINGLY, THE FILING AND DISSEMINATION OF THIS PROPOSED DISCLOSURE STATEMENT ARE NOT INTENDED AND SHOULD NOT IN ANY WAY BE CONSTRUED AS A SOLICITATION OF VOTES ON THE PLAN, NOR SHOULD THE INFORMATION CONTAINED HEREIN BE RELIED UPON FOR ANY PURPOSE BEFORE A DETERMINATION BY THE BANKRUPTCY COURT THAT THE PROPOSED DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
LAREDO DIVISION

IN RE: §
§
G.B.G. RANCH, LTD. § Case No. 14-50155
§ Chapter 11
Debtor. §

**DEBTOR’S DISCLOSURE STATEMENT IN SUPPORT OF
CHAPTER 11 PLAN OF LIQUIDATION**

COMES NOW G.B.G. Ranch, Ltd., (“Debtor”), and pursuant to §1121(a), Title 11, United States Code (the “Bankruptcy Code”), proposes the following Disclosure Statement in support of its Plan of Liquidation for the Debtor (the “Plan”).

I.
INTRODUCTION

The Debtor has formulated the Plan consistent with the provisions of the Bankruptcy Code. The purpose of the Plan is not only to provide the maximum recovery to each Class of Claims in light of the assets and anticipated funds available for distribution to Creditors, but to dispose of all of the assets of the Debtor and, thereafter, to wind down the operation of the Debtor in accordance with applicable Texas law. The Debtor believes that the Plan permits the maximum possible recovery for all Classes of Claims and equity interest holders of the Debtor.

This Disclosure Statement is not intended to replace a careful review and analysis of the Plan, including the specific treatment you will receive under the Plan. It is submitted

as an aid and supplement to your review of the Plan in an effort to explain the terms and implications of the Plan. Every effort has been made to explain fully various aspects of the Plan as it affects Creditors. If any questions arise, the Debtor urges you to consult with your own counsel. The Debtor also urges you to contact Debtor's counsel and every effort will be made to resolve your questions.

A general discussion of the projected assets and distributions under the Plan are set out below in this Disclosure Statement. The following summary is general in nature. Creditors are referred to the Plan for a full discussion of these matters.

The Disclosure Statement is prepared to reflect all relevant information known to management of the Debtor and its professionals as of the date of this Disclosure Statement. To the extent that the Debtor becomes aware of any events subsequent to the date hereof that would materially affect the analysis presented herein, the Debtor will modify this Disclosure Statement and, as necessary, the Plan. There

THERE CAN BE NO ASSURANCE THAT THE VALUES AND AMOUNTS REFLECTED IN THE ANALYSIS SET FORTH IN THIS DISCLOSURE STATEMENT WILL BE REALIZED AND ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE SHOWN HERE.

After a plan has been filed with a bankruptcy court, it must be accepted by holders of impaired claims against, or interests in, the Debtor. Section 1125 of the Bankruptcy Code requires that a plan proponent fully disclose sufficient information about a debtor, its assets and the plan to creditors and equity interest owners before acceptances of that plan may be solicited. This Disclosure Statement is being provided to the holders of all known claims against, or equity interests in, the Debtor to satisfy such requirements of section 1125 of the Bankruptcy Code. If each creditor of a debtor is unimpaired under the proposed plan, then the creditors are not entitled to vote on the plan. Equity interest holders, like shareholders, members or partners, are not entitled to vote on the plan. Because the Debtor's plan proposes to pay all allowed claims in cash and in full upon the later of the Effective Date or the entry of a final non-appealable order allowing the, the creditors of the Debtor are unimpaired and acceptance of the plan will not be solicited.

The Bankruptcy Code generally provides that creditors and equity interest holders are to be grouped into "classes" under a plan and that they are to vote to accept or reject a plan by class. Although courts have disagreed on the proper method to be used in classifying creditors and equity interest holders, a general rule of thumb (which is subject to exceptions) is that creditors with similar legal rights are placed together in the same class and that equity interest holders with similar legal rights are placed together in the same class. For example, all creditors entitled to priority under the Bankruptcy Code might be placed in one class, while all creditors holding subordinated unsecured claims might be placed in a separate class. Generally, each secured creditor will be placed in a

class by itself, because each such creditor usually has a lien on distinct property and, therefore, has distinct legal rights.

The Bankruptcy Code does not require that each claimant or equity interest holder vote in favor of a plan for the Court to confirm a plan. Rather, each class of impaired claimants and equity interest holders must accept a plan (subject to the exception discussed below). A class of claimants accepts a plan if, of the claimants in the class who actually vote on a plan, such claimants holding at least two-thirds in dollar amount and more than one-half in number of allowed claims vote to accept the plan. For example, if a hypothetical class has ten creditors that vote and the total dollar amount of the claims of those ten creditors' is \$1,000,000.00, then for such class to have accepted the plan, six or more of those creditors must have voted to accept the plan (a simple majority), and the claims of the creditors voting to accept the plan must total at least \$666,667.00 (a two-thirds majority).

The Court may confirm a plan even though fewer than all impaired classes of claims and interests vote to accept the plan. In this instance, the plan must be accepted by at least one "impaired" class of claims, without including any acceptance of the plan by an insider. Section 1124 of the Bankruptcy Code defines "impairment" and generally provides that a claim as to which legal, equitable or contractual rights are altered under a plan is deemed to be "impaired." Under the Plan, there are no impaired classes.

If all impaired classes of claims and interests under a plan do not vote to accept the plan, the Debtor is entitled to request that the Court confirm the plan pursuant to the "cramdown" provisions of Section 1129(b) of the Bankruptcy Code. These "cramdown" provisions permit a plan to be confirmed over the dissenting votes of classes of claims and/or interests if at least one impaired class of claims votes to accept a plan (excluding the votes of insiders) and the Court determines that the plan does not discriminate unfairly and is fair and equitable with respect to each impaired, dissenting class of claims and interests.

Independent of the acceptance of a plan as described above, to confirm a plan, the Court must determine that the requirements of section 1129(a) of the Bankruptcy Code have been satisfied. See, *infra*, "Requirements for Confirmation of the Plan," Article XII, for a discussion of the section 1129 requirements for confirmation of a plan of reorganization.

THE DEBTOR BELIEVES THAT THIS PLAN SATISFIES EACH OF THE CONFIRMATION REQUIREMENTS OF SECTION 1129(a) AND, IF NECESSARY, SECTION 1129(b) OF THE BANKRUPTCY CODE.

The Bankruptcy Code requires that the Debtor solicit acceptances and rejections of the proposed plan from all impaired classes before the plan can be confirmed by the

Bankruptcy Court. Before the Debtor can solicit acceptances of the plan, the Bankruptcy Court must approve the disclosure statement and determine that the disclosure statement contains information adequate to allow creditors to make informed judgments about the plan. After Bankruptcy Court approval of the disclosure statement, the disclosure statement, the proposed plan and a ballot are sent to the holders of claims. The impaired creditors will then have the opportunity to vote on the Plan and should consider this Disclosure Statement for such vote.

On the ___ day of _____, 201__, the Bankruptcy Court approved this Disclosure Statement as containing information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the Debtor and the condition of the Debtor's books and records, to enable a hypothetical, reasonable investor typical of holders of claims of the relevant classes specified in the Plan to make an informed judgment whether to vote to accept or reject the Plan. Final approval of this Disclosure Statement will be combined with the hearing on confirmation. The Bankruptcy Court's approval of this Disclosure Statement does not constitute an endorsement of the Plan and Disclosure Statement or any of the information contained in either the Disclosure Statement or the Plan. Likewise, although the Debtor and its counsel have utilized information believed to be accurate in preparing this Disclosure Statement, neither the Debtor nor any of its counsel warrant the accuracy for the information contained in or relied upon in preparing this Disclosure Statement. This Disclosure Statement shall not be construed to be a representation or warranty of any kind whatsoever, express, implied or otherwise, that the Plan is free from risk, that acceptance or confirmation of the Plan will result in a risk-free or assured payment of the debts of the Debtor, or that the projections or plans of the Debtor for payment will be realized.

At the hearing scheduled by the Court, the Court will consider whether the Plan of Reorganization should be confirmed. Section 1129 of the Bankruptcy Code contains the requirements for confirmation of a Plan. In order to confirm a plan, the Court must find that:

1. the Plan complies with the applicable provisions of the Bankruptcy Code;
2. the proponent of the Plan has also complied with the Bankruptcy Code;
3. the Plan has been proposed in good faith and not by any means forbidden by law;
4. the proponent of the Debtor has disclosed the identity and affiliation of the persons who will manage the Debtor after confirmation, that the appointment of such persons is consistent with the interest of creditors and equity security holders and with public policy, and that the identity and compensation of any insiders that will be employed or retained by the reorganized Debtor have been disclosed;
5. each class of claims has either accepted the Plan or will receive at least as much as it would under Chapter 7 liquidation;
6. Confirmation of the Plan is not likely to be followed by the liquidation or the need for further reorganization of the Debtor; and

7. That the required fees payable to the US Trustee are adequately provided for under the plan.

The Code also provides for the treatment of certain priority claims. If any classes of claims are impaired under the Plan, the Court must find that at least one class of claims that is impaired has accepted the Plan without counting any votes by insiders.

In the event that the Plan is not accepted by all classes of claims or interest, the Debtor may attempt to obtain confirmation under what is known as “cram- down.” To obtain confirmation by cram- down, the Court must find that the Plan does not discriminate unfairly and is fair and equitable with respect to each class of claims or interest that is impaired by the Plan and has not accepted the Plan. The Code provides several options for a Plan to be “fair and equitable” to a secured creditor. Included among these options are that the secured creditor retains its lien and received deferred cash payments at a market interest rate totaling either the value of the property securing the claim or the amount of the allowed claim as found by the Court, whichever is less. With respect to a class of unsecured claims, the requirement that a Plan be “fair and equitable” requires that the holder of an unsecured claim be paid the allowed amount of its claim or that no junior interest receive or retain any property on account of its prior claim.

All terms in this Disclosure Statement shall have the same meaning as defined in the Plan.

II. DISCLAIMERS

NO SOLICITATION OF VOTES HAS BEEN OR MAY BE MADE EXCEPT PURSUANT TO THIS DISCLOSURE STATEMENT AND SECTION 1125 OF THE BANKRUPTCY CODE, AND NO PERSON HAS BEEN AUTHORIZED TO USE ANY INFORMATION CONCERNING THE DEBTOR TO SOLICIT ACCEPTANCES OR REJECTIONS OF THE PLAN OTHER THAN THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. CREDITORS SHOULD NOT RELY ON ANY INFORMATION RELATING TO THE DEBTOR OTHER THAN THAT CONTAINED IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS ATTACHED HERETO OR SUBMITTED HEREWITH. EXCEPT AS SET FORTH IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS, NO REPRESENTATION CONCERNING THE DEBTOR, ITS ASSETS, PAST OR FUTURE OPERATIONS, THE FORMATION AND SETTLEMENT OF THE GBG RANCH TRUST, *INFRA*. OR CONCERNING THE PLAN IS AUTHORIZED, NOR ARE ANY SUCH REPRESENTATIONS TO BE RELIED UPON IN ARRIVING AT A DECISION WITH RESPECT TO THE PLAN. ANY REPRESENTATIONS MADE TO SECURE ACCEPTANCE OR REJECTION OF THE PLAN OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR.

UNLESS ANOTHER TIME IS SPECIFIED, THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF. NEITHER DELIVERY OF THE DISCLOSURE STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE IN CONNECTION WITH THE DISCLOSURE STATEMENT AND THE PLAN SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE THE DISCLOSURE STATEMENT AND THE MATERIALS RELIED UPON IN PREPARATION OF THE DISCLOSURE STATEMENT WERE COMPILED.

THE APPROVAL BY THE BANKRUPTCY COURT OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR A GUARANTEE OF THE ACCURACY OR THE COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.

THIS DISCLOSURE STATEMENT AND THE PLAN ATTACHED HERETO SHOULD BE READ IN THEIR ENTIRETY PRIOR TO VOTING ON THE PLAN. FOR THE CONVENIENCE OF HOLDERS OF CLAIMS, THE TERMS OF THE PLAN ARE SUMMARIZED IN THIS DISCLOSURE STATEMENT, BUT ALL SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY THE PLAN, WHICH CONTROLS IN THE EVENT OF ANY INCONSISTENCY.

III. THE DEBTOR'S BUSINESS

A. Organizational Structure

The Debtor was formed in 2006 under the structure of a Texas limited partnership. The Debtor has one general partner owning 2% of the Debtor and 13 limited partners owning 98% of the Debtor. The limited partners of the Debtor are Guillermo Benavides Z. ("Memo") and trusts for the benefit of his children totaling 39%, trusts for the benefit of the children of Guero totaling 39%, and the Residuary Trust under the Last Will and Testament of Guillermo Benavides Garza ("Residuary Trust") representing 20%. The General Partner of the Debtor is Guillermo Benavides Garza Investment Company ("GBGIC"). GBGIC is a Texas general partnership. GBGIC is has two shareholders each owning 50% of the issued and outstanding common stock of GBGIC. The shareholders of GBGIC are (1) the Residuary Trust, and (2) Manuel A. Benavides ("Guero"). The board of directors of GBGIC consists of two members – Guero and Norma Z. Benavides ("Norma"). Guero serves as President and Norma serves as the Vice President and Secretary of GBGIC. Under the Debtor's organizational documents, the Debtor has a finite duration of 40 years and is currently set to expire in 2046.

B. Formation and Operation

The Debtor's charter states that the business of the Debtor is owning, managing, leasing, selling, exchanging, operating and holding for investment the surface estate of three ranches in the vicinity of Laredo, Webb County, Texas. The Debtor currently owns approximately 20,680 surface acres divided into three non-contiguous ranches. The ranches are identified as the Hill Ranch (the "Hill"), the Corazon Ranch (the "Corazon"), and the Oilton Ranch (the "Oilton") (collectively the "Ranches"). The Ranches consist of the following acreage: the Hill 5,297.32; the Corazon 8,673.86; and the Oilton 6,709.81 total acres. Both the Hill and the Corazon contain mineral classified lands, approximately 1,700 acres on the Hill and 2,300 acres on the Corazon. On a prepetition basis, in an effort to maximize the value of the Hill in light of its location on IH 35 at the Camino Columbia Toll Road, the Debtor determined that the Hill was well suited to be divided into nine (9) tracts. The Debtor engaged Howland Engineering to perform the survey on the Hill. The resulting tract designation is evidenced by Hill Survey attached to this Disclosure Statement as Exhibit A. The Debtor owns the surface only of Tracts 1, 2, 3, 4, 6, 7, 8, and 9. Tract 5 is mineral classified land. Accordingly, the Debtor, as the surface owner of Tract 5 and agent for the State of Texas, is entitled to fifty percent (50%) of any subsurface mineral royalty generated from Tract 5.

The general administrative operations of the Debtor, including all clerical, administrative, payroll, and book keeping functions are performed by the employees of GBGIC. As such, the Debtor has no direct employees. The Debtor does pay a percentage of the total costs incurred by GBGIC for the general administrative services. The assessment is made quarterly and is assessed to the Debtor at the rate of 30% of the actual general administrative operations incurred by GBGIC. This amount of the assessment was determined on a prepetition bases by the board of directors of GBGIC. The assessment does not include extraordinary expenses or litigation expenses.

C. Background and Pre-Petition Litigation

The Benavides family¹, consisting of the matriarch, Norma, her two sons, Memo and Guero, and various entities owned and controlled by them in varying percentages, have been embroiled in acrimonious litigation since early 2011. In the years preceding the filing, the Debtor was made a party to three separate state court lawsuits². The Ranch Litigation together with two related party lawsuits³, were consolidated into a single lawsuit

1 In addition to Memo and Guero, Norma has two daughters, Norma Benavides Hunt and Anna Claudia Benavides. Neither Mrs. Hunt nor Ms. Benavides participate in the ownership or management of any of the Benavides Family entities.

2 The "Anam Litigation": Cause No. 2011-CVF-00194-D1, the "GBG Ranch Litigation": Cause No. 2011CVF-00696-D4, and the "GBGIC Litigation": Cause No. 2012-CVQ-001889-D1.

3 The "Residuary Trust Litigation": Cause No. 2011-CVQ-000574-D1, and the "BFM Litigation": Cause No. 2011-CVQ-00929-D1.

under Cause No. 2011 CVF 000194-D1 (hereinafter the “ Litigation”). The parties to these lawsuits are various factions of the Benavides family and organizations controlled by them which are suing each other on a multiplicity of claims including efforts to wrest control over the Ranches from the current management of the Debtor⁴ and to displace the current management of the Debtor. The various lawsuits in the Litigation were filed between February 2011 and December 2012. Though no substantive discovery has been completed, more than \$3,000,000.00 in attorneys’ fees had been paid by the parties in the state court litigation prior to the initiation of this bankruptcy proceeding.

The Debtor removed the Litigation on July 9, 2014. The Litigation is pending in bankruptcy court under Adversary No. 14-0506. Subsequent to the removal of the Litigation, Memo filed a Motion to Remand [Adv. Docket. No. 15]. The Litigation has been abated by the agreement of the parties pending further order of the Bankruptcy Court. The Debtor believes that the Litigation can and will be resolved by the Bankruptcy Court, either by agreement or judgment subsequent to the confirmation of the Plan.

D. Financial

The Debtor’s only source of regular monthly income is the revenue it receives from oil and gas production on the mineral classified lands on the Hill (Tract 5). Though there are mineral classified lands on the Corazon, no production has existed on mineral classified lands either before or after the formation of the Debtor on the Corazon mineral classified lands. Between the formation of the Debtor in 2006 and 2010 there was no mineral classified production on the Hill. In 2010, with the Eagleford Shale production in full operational mode, Laredo Energy secured leases on the Hill. Currently, there are 10 wells producing on the Hill and 4 of those wells generate production under the mineral classified land (Tract 5). The payments received by Debtor from the mineral classified lands on the Hill averaged \$33,598.70 per month for the six months immediately preceding the filing of this case.

The Debtor has historically been entitled to receive annual revenue from an affiliated entity, GBG Cattle & Hunting, LLC (“C&H”), for grazing and hunting rights pursuant to the terms of a Master Lease executed between the Debtor and C&H dated August 2, 2006, and renewed by agreement from year to year. As of the Petition date, C&H was in payment default under the Master Lease and was indebted to the Debtor in the amount of \$494,386.60 in unpaid grazing and hunting fees. Since the petition date, the Debtor has notified C&H of the payment default under the Master Lease and demanded payment of the past due payments. The Debtor is aware that C&H is unable to pay the full amount of the past due sum owing, but believes that the debt owing by C&H may be substantially satisfied. The Debtor intends to collect this affiliated entity debt

⁴ The Debtor, as noted above is managed by the General Partner – GBGIC – which is, in turn, managed by Guero as the President and member of the Board of Directors, and Norma as the Vice President and member of the Board of Directors.

prior to confirmation.

The master lease will be rejected not later than confirmation on the basis of the payment default. The master lease will be cancelled as to each tract sold on the Hill effective not later than the closing date of each such sale. The rights and privileges of leasing the surface estate of the Oilton and the Corazon for grazing and hunting will be owned by the GBG Ranch Trust together with all of the income generated therefrom.

The Debtor receives non-recurring income in the form of payments for the placement of pipelines, roads and surface damages from oil and gas companies. The Debtor also sells caliche, fill dirt and water to the energy industry. None of these sources produce a regular flow of income for the Debtor. The Debtor received no income from any of these sources in the six months preceding the filing of this case.

IV. **THE CHAPTER 11 CASE**

A. General

On July 8, 2014 (the "Petition Date"), the Debtor filed a voluntary petition ("Petition") under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. § 101 *et. seq.* ("Bankruptcy Code"). The Debtor continues to operate its business and manage its property as debtor-in-possession pursuant to §§1107 and 1108 of the Bankruptcy Code.

B. The Debtor's Schedules, Claims Bar Dates and Exclusivity

The Debtor has filed its Schedule of Assets and Liabilities with the Bankruptcy Court and amended these filings 2 times. In the aggregate, the pre-petition unsecured claims total approximately \$865,000.00. This number does not include the unliquidated claims of Memo and Will against the Debtor asserted in the Anam Litigation. The Debtor does not believe that these claims are valid or enforceable, but the determination of the amount, if any of these liabilities will be concluded on a post-confirmation basis and will not impact the distribution to non-insider creditors holding allowed claims.

The Debtor has no secured debt and, therefore, there are no secured claims scheduled. The general bar date for filing proofs of claim in this case is December 6, 2014. By agreement, the bar date for the filing of proofs of claim for the affiliated entities and individuals⁵ has been extended to 30 days following the filing of the Claims Report by

5 Guillermo Benavides Garza Investment and Company ("GBGIC"); GBG Ranch, Ltd., GBG Cattle & Hunting Co., LLC ("GBG Cattle & Hunting"); GBG Minerals, Ltd. ("GBG Minerals"); Benavides Family Minerals, Ltd. ("BFM"); Quita Wind Energy Co., LLC ("Quita"); Anam Ltd.; Anam Management, L.C.; Guillermo R. Benavides ("Will"); and Guillermo Benavides Z ("Memo")

the Examiner. The Debtor will examine the Claims Report and all of the filed claims. Upon completion of this examination, it is expected that substantive objections to claims of affiliated entities consistent with the issues asserted in the Litigation will be filed.

The Debtor's exclusive period to file the Plan was extended to December 8, 2014. Pursuant to the same order that granted the extension of the claims bar date for the affiliated individuals and entities, the Debtor retains the exclusive right to confirm the Plan until sixty (60) days after the Examiner files his Claims Report.

C. Post-Petition Operations

The Debtor has continued to operate its business and manage its property since the filing of the Petition. The court, by agreement of the Debtor and Memo, has appointed an examiner, Mr. Ronald Hornberger, to examine all aspects of the bankruptcy case and report his findings to the court [Docket Nos. 91 and 131] (the "Examiner"). The Examiner has made substantial progress in fulfilling his duties under the Examiner Order. The Debtor has and continues to fully cooperate with the Examiner.

Hill Ranch

Post-petition the Debtor has been able to market the Ranches. The Debtor has been presented with an offer for the purchase of four (4) tracts out of the Hill: Tracts 1, 2, 8 and 9. The proposed purchase price is \$3,520,000.00 which represents the appraised value of these tracts as evidenced by the April 9, 2014 Market Value Appraisal of the Hill prepared by Southwest Appraisal Group. On December 5, 2014, the Debtor was presented with a competing bid for Tracts 1, 2, 8 and 9 by Memo. The competing bid by Memo offers \$3,979,542.40, approximately 113% of the appraised value of those tracts. As a result of the competing bid, an auction sale of Tracts 1, 2, 8 and 9 will be conducted on December 19, 2014 at 9:30 a.m. in the U. S. Bankruptcy Court for the Southern District of Texas, Laredo Division.

Corazon Ranch

Subsequent to the filing of the Petition, the Debtor commissioned a Market Value Appraisal for the Corazon Ranch by Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc. ("Valbridge"). The appraisal was performed by John "Tooter" Robertson, an MAI appraiser with Valbridge. The appraisal reflects a market value for the Corazon of \$13,040,000.00 or \$1,525.00 per acre. The Debtor has also received an offer for the purchase of the Corazon. The offer was substantially below the market value as determined by the Valbridge appraisal and was rejected by the Debtor on that basis. Pursuant to the Wind Stipulation, the Corazon will be conveyed into the GBG Ranch Trust, *infra*. in order to facilitate the exploitation of the wind opportunities on the Corazon.

D. Filings

Since the filing of this case, the Debtor has filed and/or responded to the following matters:

- a. First Motion To Reject Executory Contracts: Corazon Sale Contract [Docket No. 27]. The Motion was granted. [Docket No. 43].
- b. Application to Employ Carl M. Barto and the Law Offices of Carl M. Barto as Debtor's counsel. [Mtn. at Dkt. No. 15, Order at Dkt. No. 20];
- c. Application to Employ Leslie M. Luttrell and Luttrell + Villarreal Law Group as Special Litigation Counsel [Mtn. Dkt No. 24, Order at Dkt. No. 25];
- d. Application to Employ Gutierrez Martinez & Co., LLP and George Martinez as Accountants for the Debtor [Mtn. Dkt No. 26, Order at Dkt. No. 31];
- e. First Motion to Reject Executory Contract: Corazon Earnest Money Contract [Mtn. Dkt No. 27, Order at Dkt. No. 43];
- f. Application to Employ LHP Holdings, LLC dba LP Properties Ralty as Broker for the Debtor [Mtn. Dkt No. 32, Order at Dkt. No. 41];
- g. Motion To Establish Bid Procedures [Mtn. Dkt No. 35, Order at Dkt No. 71];
- h. Motion To Sell Real Property Free and Clear of Liens, Claims and Encumbrances [Mtn. Dkt No. 37], this Motion is pending;
- i. Second Motion to Reject Executory Contracts: Rule 11 Agreements [Mtn. Dkt No. 60], this Motion is pending;
- j. Application to Employ Upton, Mickits & Heymann, LLP as Special Energy Counsel [Mtn. Dkt No. 47, Order at Dkt No. 72];
- k. Application to employ Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc. to conduct a fair market value appraisal on the Corazon Ranch (Docket Nos. 102, and 121);
- l. Motion to Reject Wind Lease [Docket No. 106] this motion was resolved pursuant to the terms of the Wind Stipulation attached as Exhibit A to the Emergency Motion To Approve Stipulation Regarding Correction Wind Lease And Easement Agreement With Quita Wind Energy Co., LLC [Docket No. 148];

m. Application to employ LAS, LLC as Wind Energy Experts [Docket No. 133].

Subsequent to the removal of the Litigation, Memo filed a Motion to Remand [Adv. Docket No. 15]. The Debtor filed its Objection and Response to Motion To Remand [Adv. Docket No. 23]. Effective November 7, 2014, the Debtor, Memo, Will, and Quita Wind have abated the Removed Litigation until further order of the Court or the agreement of the parties.

E. Cash Collateral Authorization

The Debtor has no secured creditors. Therefore, no cash collateral authority was sought or needed during the pendency of the Debtor's Bankruptcy case.

F. Retention of Professionals

On July 19, 2014, the Debtor filed its Application for Authority to Employ Carl M. Barto ("Barto") pursuant to §§ 327 and 330 of the Bankruptcy Code as counsel in this Chapter 11 case. On July 30, 2014, the Court granted the Debtor's Application for Authority to Employ Barto as counsel in this Chapter 11 case. On August 26, 2014, the Debtor filed its Emergency Application for Authority to Employ Special Counsel, *Nunc Pro Tunc*, requesting authority to retain the Leslie M. Luttrell and the Luttrell + Villarreal Law Group (L+V) pursuant to §327(e) of the Bankruptcy Code as special litigation counsel. Prior to the Debtor's Petition, L+V handled certain state court litigation previously pending in Webb County, Texas, which, upon the Debtor's bankruptcy filing, was removed to the Bankruptcy Court. The Bankruptcy Court authorized the Debtor to employ L+V *nunc pro tunc* to July 8, 2014 by its order entered August 26, 2014.

As previously noted, in addition to bankruptcy counsel, the Debtor has retained the following professionals during the pendency of the Bankruptcy case for specialized assistance in their respective disciplines:

- a. Gutierrez Martinez & Co., LLP and George Martinez as Accountants for the Debtor [Mtn. at Dkt No. 26, Order at Dkt. No. 31];
- b. LHP Holdings, LLC dba LP Properties Realty as Broker for the Debtor [Mtn. at Dkt No. 32, Order at Dkt. No. 41];
- c. Upton, Mickits & Heymann, LLP as Special Energy Counsel [Mtn. at Dkt No. 47, Order at Dkt No. 72];
- d. Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc. to conduct a fair market value appraisal on the Corazon Ranch [Mtn. at Dkt No. 102, Order at Dkt No. 121];

- e. LAS, LLC to serve as the Debtor's wind expert. [Mtn. at Dkt No. 133, Order at Dkt No. 136].

V.
SUMMARY OF THE PLAN

A. Generally

It is intended that the Debtor's plan shall be a plan of liquidation with all revenue remaining after the payment of allowed third party claims, costs of administration (including professional fees and U.S. Trustee's fees), and liquidation of insider and related party claims, will be distributed to the equity interest owners of the Debtor in proportion to their ownership immediately preceding the Petition date.

The Debtor proposes to dispose of all of its assets in the following manner:

1. liquidate the non-mineral classified lands located on the Hill consisting of Tracts 1, 2, 3, 4, 6, 7, 8 and 9 (collectively referred to as the "Hill Fee Lands") pursuant to a protocol that will provide transparency to all interested purchasers and parties in interest;
2. transfer the surface estate of the Corazon, the surface estate of the Oilton, and the mineral classified lands of the Hill (Tract 5) into a Texas domestic trust (the "GBG Ranch Trust") which shall have two classes of beneficiaries:
 - a. "Surface Estate Beneficiaries"; and
 - b. "Wind Revenue Beneficiaries";
3. sell all of the personal property of the Debtor;
4. collect all intercompany accounts receivable;
5. collect all third party accounts receivable.

The Debtor has filed its Motion to Reject the Correction Wind Lease and Easement Agreement with Quita Wind Energy Co., L.L.C. [Docket No. 106] (the "Wind Rejection Motion"). Quita Wind Energy Co., LLC ("Quita Wind") filed its Response in opposition to the Wind Rejection Motion [Docket No. 141]. The Debtor and Quita Wind entered into the Wind Stipulation thereby settling the issues pending between the parties regarding the Corrected Quita Wind Lease and Easement Agreement ("Wind Lease") that will permit the Debtor to sell the Hill Fee Lands free and clear of the Wind Lease. The Motion to Approve Compromise [Docket No. 148] is set for determination by the Bankruptcy Court

on December 19, 2014. In accordance with the terms of the Wind Stipulation, the Debtor will sell the Hill Fee Lands free and clear of the Wind Lease. In consideration of the release of the Wind Lease on each tract sold⁶, and as reasonable and adequate rejection damages, a total of 30% of the value of each tract, as established by the April 9, 2014 Market Value Appraisal prepared by Southwest Appraisal Group, will be paid to the membership of Quita Wind (the "Wind Allocation"). Each Wind Allocation shall be distributed to the members of Quita Wind in an amount equal to their respective ownership in Quita Wind as of date of the sale unless the sale occurs after the termination of Quita Wind in which event the Wind Allocation shall be distributed to the members of Quita Wind in an amount equal to the former member's Wind Revenue interest under the GBG Ranch Trust. The Wind Allocation payments shall be made pursuant to instructions provided to the title company closing the subject sale. The Debtor believes that the net proceeds from the sale of the Hill Fee Lands will be sufficient to pay all of the taxes, administrative expenses, and allowed claims in this case.

B. GBG Ranch Trust

1. General

The GBG Ranch Trust shall be a Texas domestic Trust of maximum duration permitted under applicable Texas law. The trustee of the GBG Ranch Trust shall be an institutional trustee to be identified by the Debtor prior to confirmation and prior to the settlement of the GBG Ranch Trust. The designation of the institutional trustee and that institution's acceptance of the role as trustee shall be subject to the approval of the Bankruptcy Court. Upon the conveyance of the Oilton and Corazon Ranches and the Hill Ranch Tract 5 (mineral classified land) into the GBG Ranch Trust, the Wind Lease shall be terminated as to the real estate so transferred. In consideration of the termination and cancellation of the Wind Lease, the Wind Revenue Beneficiaries shall be entitled to receive payment of the revenue generated from the production of wind energy on the Corazon Ranch, the Oilton Ranch and Hill Tract 5, as applicable, in the proportion of the membership interest held in Quita Wind immediately prior to the termination and cancellation of the Wind Lease. In addition to the standard trust provisions, the GBG Ranch Trust shall further provide, on the condition that there is actual wind energy generation in paying quantities or the subject land is under contract for same, that upon the determination under the laws of the State of Texas that wind rights are severable from surface rights, that the Trustee shall, as soon thereafter as practical, sever the wind rights on the Oilton Ranch, the Corazon Ranch and the Hill Ranch Tract 5 and distribute those severed rights to the Wind Revenue Beneficiaries in proportion to their beneficial interest. In the event that wind rights are not determined to be severable from the surface estate during the life of the GBG Ranch Trust, then upon the earlier of the termination of the Trust or 30 years from the settlement date, the rights and privileges of the Wind Revenue

⁶ Which shall be limited to Hill Tracts 1, 2, 3, 4, 6, 7, 8 and 9

Beneficiaries shall terminate. Upon the earlier of the severance of the wind rights or the termination of the beneficial interest of the Wind Revenue Beneficiaries, the trustee shall be permitted to sell the estate assets. In the event that a contract for the development and exploitation of wind energy is not entered into for Hill Tract or the Corazon within 15 years of the settlement of the GBG Trust, the Trustee shall thereafter be authorized to sell the said tract, ranch or portion thereof in the sole discretion of the trustee of the GBG Ranch Trust.

2. The Wind Revenue Beneficiaries

In connection with the creation of the GBG Ranch Trust, the Debtor, as settlor, will cause the conveyance of the Corazon Ranch, Oilton Ranch and Tract 5 of the Hill Ranch into the GBG Ranch Trust. In advance of the conveyance and in accordance with the Wind Stipulation, the Debtor and Quita Wind will cancel the Wind Lease and Quita Wind will be terminated. In consideration for the cancellation of the Wind Lease, the members of Quita Wind will be designated as the Wind Revenue Beneficiaries holding a beneficial interest equal to their current ownership in Quita Wind in all revenue generated from wind energy production to consist of the royalty payable under any wind, revenue from wind energy generation, storage, transportation and all revenues associated with wind energy operations, excluding the Surface Revenue, *infra*. (collectively the "Wind Revenue") on the Corazon Ranch, the Oilton Ranch and Tract 5 of the Hill Ranch net of the costs of administration of the GBG Ranch Trust. In addition, the Wind Revenue Beneficiaries will receive the Wind Revenue in proportion to their ownership interest in Quita Wind immediately preceding the date of the transfer of the interest into the trust. It is intended that the Wind Revenue Beneficiaries shall receive their pro rata share of all Wind Revenue based upon their relative ownership interest in Quita Wind immediately preceding the funding of the GBG Ranch Trust. The grant of the beneficial interests to the Quita Wind membership as Wind Revenue Beneficiaries together with the allocation of 30% of the appraised value of each of the Hill Fee Tracts upon the closing of a sale of any such tract, is in full and final satisfaction of any and all claims, including rejection damage claims which may be asserted by Quita Wind or any individual member of Quita Wind.

3. The Surface Estate Beneficiaries

Notwithstanding anything to the contrary in any existing sublease agreement for the production of wind energy on the Oilton Ranch, and as consideration for the grant of the Wind Revenue Beneficiary status to the presently existing members of Quita Wind, all revenue generated from the habitation, destruction, consumption, production, or other use of the surface, damages payable for the placement of wind turbines, power lines, power stations, roads and any infrastructure for the production of wind energy, shall be payable to the Surface Estate Beneficiaries ("Surface Revenue") and not the Wind Revenue Beneficiaries. In addition to the Surface Revenue, the Surface Estate Beneficiaries shall also receive the net revenue, after payment of applicable

administrative costs and expenses, from caliche sales, water sales, grazing lease revenue, hunting lease revenue, all oil, gas and other subsurface minerals related revenue and surface damages, royalty revenue from all subsurface hydrocarbon revenue from the mineral classified land (Hill Tract 5 and Corazon South), and all other revenue of any kind generated from the Corazon Ranch and/or the Oilton Ranch oil and/or Tract 5 of the Hill Ranch not expressly reserved to the Wind Revenue Beneficiaries.

VI.
CLASSIFICATION AND TREATMENT OF CLAIMS
AND EQUITY INTERESTS

The following summary of claims is derived from the Debtor's schedules and a review of the claims filed in this proceeding. THE EXACT AMOUNT OF EACH CLAIM FOR PURPOSES OF THIS DISCLOSURE STATEMENT, THE PLAN, AND THE SUBSEQUENT DISCHARGE WILL BE AS STATED IN THE DISCLOSURE STATEMENT AND PLAN EXCEPT THAT A PROOF OF CLAIM FILED BY A CREDITOR IS PRIMA FACIE EVIDENCE OF THE AMOUNT OF THE CLAIM, UNLESS AN OBJECTION TO THE PROOF OF CLAIM IS FILED. THOSE CLAIMS WHICH ARE LISTED AS DISPUTED IN THIS DISCLOSURE STATEMENT WILL BE SETTLED BY AGREEMENT OF THE PARTIES OR BY THE COURT BEFORE DISTRIBUTION UNDER THE PLAN OCCURS.

EACH CREDITOR WILL BE PAID IN THE MANNER SET FORTH BELOW WHICH APPLIES TO THAT PARTICULAR CREDITOR.

A. General Provisions and Classifications

The categories of claims and equity interests listed below classify claims and equity interests for all purposes, including without limitation, voting, confirmation and distributions under the Plan and under sections 1122 and 1123(a)(1) of the Bankruptcy Code. A claim or equity interest shall be deemed classified in a particular Class only to the extent that the claim or equity interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that the remainder of such claim or equity interest qualifies within the description of such different Class. A claim or equity interest is in a particular Class only to the extent that such claim or equity interest is allowed in that Class and has not been paid or otherwise settled before the Effective Date.

B. Multiple Claims and Interests

To the extent that a creditor or an equity interest holder has more than one claim or interest in a single Class, such claims or interests shall be aggregated and treated as a single claim or as a single interest. To the extent that a creditor and/or equity interest

holder has claims and/or interests in different Classes, such claims and/or interests shall not be aggregated. Notwithstanding the foregoing, creditors who have filed duplicate claims for the same debt against the Debtor shall be entitled to the allowance of only one claim in the Debtor's bankruptcy cases.

C. Classification

As provided in 11 U.S.C. § 1123(a), Administrative Expense Claims shall not be classified for purposes of voting or receiving distributions under the Plan. The Allowed Claims against, and Allowed equity interests in, the Debtor are classified as set forth in this Article VI. A claim or equity interest is in a particular Class only to the extent that such claim or equity interest fits within the description of such Class, and is in such other and different Class or Classes to the extent that the remainder of such claim or equity interest fits within the description of such other Class or Classes. Any dispute with respect to classification of claims or equity interests or impairment shall be resolved by the Bankruptcy Court upon motion of the claimant or equity interest holder affected thereby, with notice to the Debtor. This Plan shall only provide distributions to Allowed Claims; nothing within this Plan shall provide for the Allowance of any Claim. The Allowed Claims and Equity Interests are classified as follows:

•**Administrative Claims**

•**Professional Claims**

•**Class 1: Priority Tax Claims**

•**Class 2: General Unsecured Allowed Third Party Claims**

•**Class 3: General Unsecured Claims of Affiliated Entities**

•**Class 4: Equity Interests**

D. Impaired Classes of Claims and Equity Interests

There are no Classes of Claims that are impaired under the Plan.

E. Impairment and Classification Controversies

If a controversy arises as to whether any Claim or Equity Interest or any class of Claims or class of Equity Interests is impaired under the Plan or is classified incorrectly, the Bankruptcy Court shall, upon notice and a hearing, determine such controversy at the Confirmation Hearing.

F. Disallowance of Claims Subject To Avoidance Actions

Though the Debtor anticipates that each and every Class of Claims are unimpaired, any otherwise Allowed Claim, subject to Avoidance Actions under Section 547 of the Bankruptcy Code as described in this Disclosure Statement shall be disallowed pursuant to § 502(d) of the Bankruptcy Code *until such time as* the avoidable transfers are returned to the Debtor's estate and such holder of a claim subject to an avoidable preference shall not be entitled to vote to accept or reject this Plan.

**VII.
PROVISIONS FOR TREATMENT OF CLAIMS AND
EQUITY INTERESTS UNDER THE PLAN**

The classes of Claims against and Equity Interests in the Debtor shall be treated under the Plan as follows:

A. Administrative Claims:

1. General: Subject to the bar date provisions herein, unless otherwise agreed to by the parties, each holder of an Allowed Administrative Claim shall receive Cash equal to the unpaid portion of such Allowed Administrative Claim on the later of (a) the Effective Date, (b) the Allowance Date, or (c) such date as is mutually agreed upon by the Debtor and the holder of such Claim.

2. Payment of Statutory Fees: All fees payable pursuant to 28 U.S.C. § 1930 shall be paid in Cash equal to the amount of such Administrative Claim when due.

B. Bar Date for Administrative Claims:

1. General Provisions: Except as otherwise provided in this Article VII, requests for payment of Administrative Claims must be included within a motion or application and filed no later than forty-five (45) days after the Effective Date or by such earlier deadline governing a particular Administrative Claim contained in an order of the Bankruptcy Court entered before the Effective Date. Holders of Administrative Claims (including, without limitation, professionals requesting compensation or reimbursement of expenses and the holders of any Claims for federal, state or local taxes) that are required to file a request for payment of such Claims and that do not file such requests by the applicable bar date specified in this section shall be forever barred from asserting such Claims against the Debtor or any of its respective property. Requests for payments of Administrative Claims included within a proof of claim are of no force and effect, and are disallowed in their entirety as of the Confirmation Date unless such Administrative Claim is subsequently filed in a timely fashion as provided herein.

2. Professionals: All Professional Persons requesting compensation or reimbursement of expenses pursuant to sections 327, 328, 330, 331, 503(b), and 1103 of the Bankruptcy Code for services rendered before the Effective Date (including, without limitation, any compensation requested by any professional or any other entity for making a substantial contribution in the Debtor's Bankruptcy Case) shall file and serve on the Debtor an application for final allowance of compensation and reimbursement of expenses no later than sixty (60) days after the Effective Date. Objections to applications of Professional Persons for compensation or reimbursement of expenses must be filed and served on the Debtor and the Professional Persons to whose application the objections are addressed no later than seventy-five (75) days after the Effective Date. Any fees of Professional Persons and reimbursements or expenses incurred by the Debtor subsequent to the Effective Date may be paid without application to the Bankruptcy Court.

3. Tax Claims: All requests for payment of Administrative Claims and other Claims by a governmental unit for taxes (and for interest and/or penalties related to such taxes) for any tax year or period, which accrued or was assessed within the period from and including the Petition Date through and including the Effective Date ("**Post-Petition Tax Claims**") and for which no bar date has otherwise been previously established, must be filed on or before the later of (i) forty-five (45) days following the Effective Date; and (ii) ninety (90) days following the filing with the applicable governmental unit of the tax return for such taxes for such tax year or period. Any holder of any Post-Petition Tax Claim that is required to file a request for payment of such taxes and does not file such a Claim by the applicable bar date shall be forever barred from asserting any such Post-Petition Tax Claim against the Reorganized Debtor or its property, whether any such Post-Petition Tax Claim is deemed to arise prior to, on, or subsequent to the Effective Date. To the extent that the holder of a Post-Petition Tax Claim holds a Lien to secure its Claim under applicable state law, the holder of such Claim shall retain its Lien. Post-Petition Tax Claims will be paid by the Reorganized Debtor as set forth in the Plan.

4. Ordinary Course Liabilities: The Reorganized Debtor shall pay each liability incurred in the Ordinary Course of Business pursuant to the payment terms and conditions of the particular transaction giving rise to the Ordinary Course of Business Claim. Holders of any Ordinary Course of Business Claim will not be required to file or serve any request for payment of the Claim in the Ordinary of Course of Business.

5. Impairment & Voting: Administrative claims are not a true class and are neither impaired nor unimpaired. Acceptance of the Plan from such Claimants will not be solicited.

C. Classification of Claims

Class 1: Priority and/or secured claims of Taxing Authorities:

A. United Independent School District (UISD)

The UISD claim is a priority and/or secured claim for ad valorem taxes in the amount of \$18,548.01.

B. Webb County Independent School District (WCISD)

The WCISD claim is a priority and/or secured claim for ad valorem taxes in the amount of \$4,185.93.

C. Webb County

The Webb County claim is a priority and/or secured claim for ad valorem taxes in the amount of \$8,680.86.

Treatment: The claims for ad valorem taxes will be paid in full on the Effective Date.

Funding: The Reorganized Debtor will pay the class 1 claims from cash on hand on the Effective Date.

Impairment and Voting: Class 1 is unimpaired. Acceptance of this Plan from the holders of Class 1 claims will not be solicited.

Additional Terms: The state tax liens survive the plan confirmation, a bankruptcy discharge, and dismissal of the case. The liens continue to be enforceable against the property of the Debtor to the same extent, priority, and validity such liens were entitled to as of the Petition Date. Notwithstanding anything else to the contrary in the Plan or the Confirmation Order, these provisions will govern the treatment of the claims of the Ad Valorem Taxing Entities: (1) nothing provided in the Plan or the Confirmation Order shall affect or impair any setoff rights of Ad Valorem Taxing Entities; (2) nothing provided in the Plan or the Confirmation Order shall affect or impair any rights of the Ad Valorem Taxing Entities to pursue any non-debtor third parties for tax debts or claims; (3) nothing provided in the Plan or the Confirmation Order shall be construed to preclude the payment of interest on the Ad Valorem Taxing Entities's administrative expense tax claims; (4) to the extent that interest is payable with respect to any administrative expense, priority or secured tax claim of Ad Valorem Taxing Entities, the interest rate shall be 12% per annum; and (5) the Ad Valorem Taxing Entities shall retain its liens until paid in full. The provisions of the Plan and Confirmation Order supplement these terms where not inconsistent herewith.

A failure by the Debtor or Reorganized Debtor to make a payment to a priority or secured tax creditor pursuant to the terms of the Plan shall be an Event of Default. If the Debtor or Reorganized Debtor fail to cure an Event of Default as to payments to the Ad Valorem Taxing Entities within ten (10) days after service of a written notice of default

from Ad Valorem Taxing Entities, then Ad Valorem Taxing Entities may (a) enforce the entire amount of its claim, (b) exercise any and all rights and remedies under applicable non-bankruptcy law, and (c) seek such relief as may be appropriate in this court.

Class 2: Allowed General Unsecured Claims of Third Parties

This Class shall consist of all Allowed General Unsecured Claims other than the claims of entities related to the Debtor.

Total of Claims: The estimated total of the Class 2 claims is \$52,835.45.

Treatment: Each holder of an Allowed General Unsecured Claim shall be paid in full on the Effective Date.

Funding: The Reorganized Debtor will pay the class 2 claims from cash on hand on the Effective Date.

Impairment and Voting: Class 2 is unimpaired. Acceptance of this Plan from the holders of Class 2 claims will not be solicited.

Class 3: General Unsecured Claims of Affiliated Entities

This Class shall consist of all General Unsecured Claims of Affiliated Entities related to the Debtor. These claims are contingent, disputed and unliquidated.

Total of Claims: The undisputed claims of affiliated entities totals \$801,070.19⁷. The balance of the Class 3 claims are contingent, disputed and unliquidated. Therefore the total of Class 3 claims is unknown.

Treatment: The Class 3 claims will be subject to the Provisions Regarding Distributions Under the Plan and the Treatment of Disputed, Contingent, and Unliquidated Claims provided for in Article IX, Section B of this Disclosure Statement. Each holder of an Allowed General Unsecured Claim shall be paid in full within thirty (30) business days following the day on which such Claim becomes and Allowed Claim pursuant to a Final Order.

⁷ These claims consist of the debt GBG Minerals in the amount of \$240,000.00 and the debt to BFM in the amount of \$561,070.19 but is subject to an offset against the \$1,270,000.00 claim of the Debtor against BFM.

Funding: The Reorganized Debtor will pay all allowed class 3 claims from cash on hand on the later of the Effective Date or the entry of a final non-appealable order allowing the claim.

Impairment and Voting: Class 3 is unimpaired. Acceptance of this Plan from the holders of Class 3 claims will not be solicited.

Class 4: Prepetition Equity Interests

This Class shall consist of all Prepetition Equity Interests.

Treatment: Prepetition Equity Interests in the Debtor will be deemed Allowed Equity Interests.

Funding: After payment of all allowed claims superior to the Class 4 interests, conveyance of the Oilton Ranch, Corazon Ranch and Tract 5 of the Hill Ranch to the GBG Ranch Trust, liquidation of the remaining Hill Fee Lands, liquidation of the other assets of the Estate, and after payment of all allowed administrative expenses (including attorneys' fees and U.S. Trustee's fees), the remaining cash on hand shall be distributed to the prepetition equity interest holder in the Debtor in proportion to their ownership interest immediately preceding the Petition Date.

Impairment and Voting: Class 4 is unimpaired. Acceptance of this Plan from the holders of Class 4 claims will not be solicited.

VIII.

ACCEPTANCE OR REJECTION OF THE PLAN; EFFECT OF REJECTION BY ONE OR MORE CLASSES OF IMPAIRED CLAIMS

A. Classes Entitled to Vote

No votes will be solicited from any creditors because all creditor classes are unimpaired under the Plan.

B. Presumed Acceptance/Rejection of Plan

All classes of creditors are unimpaired under the Plan. As unimpaired Classes, all classes are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.

IX.
TREATMENT OF EXECUTORY CONTRACTS AND LEASES

A. Rejection of Executory Contracts and Unexpired Leases

Generally

Pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, all executory contracts and unexpired leases that exist between the Debtor and any person or entity, to the extent not previously rejected by order of the Bankruptcy Court, shall be deemed rejected by the Debtor as of the Effective Date except for any executory contract or unexpired lease that (a) has been assumed or rejected pursuant to an order of the Bankruptcy Court entered prior to the Effective Date, (b) has been renegotiated and either assumed or rejected on renegotiated terms pursuant to an order of the Bankruptcy Court entered prior to the Effective Date, (c) is the subject of a motion to assume that is pending before the Bankruptcy Court on the Effective Date, (d) is the subject of a motion to approve renegotiated terms and assumption or rejection on renegotiated terms that is pending before the Bankruptcy Court on the Effective Date, (e) was entered into after the Petition Date either in the ordinary course of business by the Debtor or pursuant to an order of the Bankruptcy Court; or (f) is specifically assumed or treated otherwise in the Plan or the Confirmation Order. Entry of the Confirmation Order shall constitute the approval, pursuant to sections 365(a) and 1123(b) (2) of the Bankruptcy Code, of the rejection of the executory contracts and unexpired leases, or, as the case may be, the assumption of executory contracts as set forth in the Plan.

Wind Lease

As discussed in V.A. above, the Ranches were, as of the Petition Date, each encumbered Wind Lease. In accordance with the Wind Stipulation, the Wind Lease is to be released as to the Hill Fee Tracts and terminated as to the Corazon Ranch, the Oilton Ranch and Tract 5 of the Hill Ranch contemporaneously with the conveyance of those properties to the GBG Ranch Trust. In consideration for the termination, the current members of Quita Wind shall receive a beneficial interest in the Wind Revenue as more particularly described in V.B.ii. The grant of the beneficial interests to the Quita Wind membership as Wind Revenue Beneficiaries is in full and final satisfaction of any and all claims, including rejection damage claims which may be asserted by Quita Wind or any individual member of Quita Wind.

Rule 11 Agreements

The Debtor is a party to the following executory contracts for which a Motion to Reject has been filed:

- a. Rule 11 Agreement dated January 15, 2014 (the "January Rule 11"); and
- b. Rule 11 Agreement dated July 29, 2013 (the "July Rule 11").

The January Rule Agreement was entered in connection with the Removed Litigation prior to the commencement of the bankruptcy proceeding. The January Rule 11 Agreement purports to restrict and subject to the discretion of the state court mediator the right of the Debtor to determine the terms of sale of the Corazon. Debtor believes that the January Rule 11 represents an impermissible usurpation of the jurisdiction of this Court to determine pursuant to 11 U.S.C. §363 the propriety and terms of a real estate sale by vesting the ultimate authority over such transactions in the state court mediator. The Debtor has filed its Second Motion to Reject Executory Contracts: Rule 11 Agreements [Docket No. 60].

The July Rule 11, like the January 15 Rule 11, invades the core jurisdiction of this Court and interferes with the duties and obligations of a debtor-in-possession. The July Rule 11 restricts the Debtor's right and obligation to pay ordinary and reasonable post-petition expenses of operation including the payment of professional fees. Further, it subjects the determination of the propriety of the ordinary post-petition expenses and professional fees to the determination of the state court mediator and the adverse litigants and purports to give the state court mediator and the adverse litigations authority over the post-petition distributions by the Debtor. Debtor believes this threatens the post-petition operations of the Debtor, compliance by the Debtor with mandates of the Office of the US Trustee and is an impermissible usurpation of the bankruptcy court jurisdiction to determine and award professional fees. The Debtor has filed its Second Motion to Reject Executory Contracts: Rule 11 Agreements [Docket No. 60].

Master Lease

The Debtor and C&H entered into a master lease covering the Ranches which authorized C&H to sublease the Ranches for grazing and hunting. The Master Lease was executed between the Debtor and C&H on August 2, 2006 and renewed by agreement from year to year. C&H was, as of the Petition Date, and remains in payment default under the Master Lease. As of the Petition date, C&H was indebted to the Debtor in the amount of \$494,386.60 in unpaid grazing and hunting fees. Since the petition date, the Debtor has notified C&H of the payment default under the Master Lease and demanded payment of the past due payments. The Master Lease will be rejected and terminated for non-payment. The Debtor is aware that C&H is unable to pay the full amount of the past due sum owing, but believes that the debt owing by C&H may be substantially satisfied through cash on hand and the conveyance of the personal property owned by C&H to the Debtor for liquidation in full satisfaction of the obligations of C&H to the Debtor.

The Master Lease will be cancelled as to each tract sold on the Hill effective not

later than the closing date of each such sale. The rights and privileges of leasing the surface estate of the Oilton, the Corazon and Tract 5 of the Hill for grazing and hunting will be owned by the GBG Ranch Trust together with all of the income generated therefrom.

B. Bar Date for Filing Proofs of Claim for Rejection Damages

The Debtor does not Claims arising out of the rejection of an executory contract or unexpired lease pursuant to the Plan, save and except the Wind Lease, shall be filed with the Bankruptcy Court no later than thirty (30) days after the date of entry of the Confirmation Order. Any Claims not filed within such time will be forever barred from assertion against the Debtor, its estate, its property, the Reorganized Debtor or the Reorganized Debtor property. Any damages for the rejection of the Wind Lease are contemplated in the Plan and are fully satisfied under the terms and conditions of the grant of the Wind Revenue Interest. Unless otherwise ordered by the Bankruptcy Court, all timely filed Claims arising from the rejection of executory contracts and unexpired leases shall be treated as Unsecured Claims under the Plan.

X.

PROVISIONS REGARDING DISTRIBUTIONS UNDER THE PLAN AND TREATMENT OF DISPUTED, CONTINGENT AND UNLIQUIDATED CLAIMS

A. Method of Distributions Under the Plan

In General. All distributions under the Plan shall be made as set forth in the Plan by the Debtor to the holders, as of the Confirmation Date, of each Allowed Claim at the address of such holder as listed on the Schedules, unless the Debtor has been notified in writing of a change of address before the Confirmation Date, including, without limitation, by the filing of a proof of claim by such holder that provides an address for such holder different from the address reflected on the Schedules for such holder. The Debtor shall not recognize any transfer of a Claim occurring after the Confirmation Date, and shall be entitled instead to recognize and deal for all purposes herein with only those holders listed on the Schedules or on the register of proofs of claim maintained by the Clerk of the Bankruptcy Court as of the close of business on the Confirmation Date.

1. Distributions. Any payment of made by the Debtor pursuant to the Plan shall be made by check drawn on a domestic bank.

2. Timing of Distributions. Any payment or distribution required to be made under the Plan on a day other than a Business Day shall be made on the next succeeding Business Day. Any payment or distribution required to be made under the Plan on any specific day shall be deemed timely if made no later than twenty (20) business days after such date.

3. Minimum Distributions. No payment of Cash less than \$25.00 shall be made by the Debtor to any holder of a Claim unless a request therefor is made in writing to the Debtor or such payment constitutes the final distribution to the holder of a Claim under the Plan.

4. Unclaimed Distributions. Any distributions pursuant to the Plan, including cash, interest, or other amounts earned thereon, that are unclaimed for a period of one (1) year after distribution thereof shall be distributed to the equity interest holders of the Debtor pro rata. Failure to claim, cash, or negotiate any distribution within one (1) year of such distribution shall relieve the Debtor of the obligation to make any further distributions to the holder of the Claim to whom the distribution was made.

B. Disputed Claims

1. Distributions Upon Allowance of Disputed Claims Entitled to Payment in Full in One Payment. The holder of a Claim entitled to payment in full under the Plan on one specific payment date, which Claim is a Disputed Claim on such payment date, but which Claim subsequently becomes an Allowed Claim, shall receive payment of its Allowed Claim within thirty (30) Business Days following the date on which such Claim becomes a Allowed Claim pursuant to a Final Order.

2. Distributions Upon Allowance of Disputed Claims Entitled to Payment in Full in Installment Payments. The holder of a Claim entitled to payment in installments, which Claim is a Disputed Claim on the initial or any later date the installment would otherwise be made, but which Claim subsequently becomes an Allowed Claim, shall receive the amount of any missed installments on the first date payments to other holders of Claims in the same Class are scheduled to be made that arises after the date on which such Claim becomes an Allowed Claim by Final Order. If such Claim does not become an Allowed Claim until after all the other Claims in the Class have received their total distributions as authorized under the Plan, then the holder thereof shall receive payment of its Allowed Claim within ten(10) Business Days following the date on which such Claim becomes an Allowed Claim pursuant to a Final Order.

C. Objections to and Resolution of Disputed Administrative Claims and Disputed Claims

After the Confirmation Date, the Debtor shall have the exclusive right to make and file objections to Administrative Claims, other than applications for allowance of compensation and reimbursement of expenses under sections 330 and 503 of the Bankruptcy Code, and objections to Claims. All objections shall be litigated to Final Order; provided, however, that the Debtor shall have the authority to compromise, settle, otherwise resolve or withdraw all objections, other than applications for allowance of compensation and reimbursement of expenses under Sections 330 and 503 of the

Bankruptcy Code, without approval of the Bankruptcy Court. Unless otherwise ordered by the Bankruptcy Court, the Debtor shall file and serve all objections to Administrative Claims (other than to applications for allowances of compensation and reimbursement of expenses) and objections to Claims upon the holder of the Administrative Claim or Claim as to which the objection is made no later than (a) one hundred eighty (180) days after the later of the Effective Date or the date on which a proof of claim or request for payment is filed with the Bankruptcy Court or (b) such other date as maybe approved by the Bankruptcy Court.

D. Cancellation and Surrender of Existing Securities and Agreements

Upon the creation and settlement of the GBG Ranch Trust, each partnership interest in the Debtor shall be deemed terminated and of no further force or effect. The ownership interest of each equity interest owner in the Debtor shall be exchanged for a Surface Estate Beneficiary interest.

**XI.
IMPLEMENTATION OF THE PLAN**

A. Conditions Precedent to Confirmation

This Plan shall not be confirmed unless and until the Bankruptcy Court has entered the Confirmation Order in a form and substance satisfactory to the Debtor in its sole discretion.

B. Conditions Precedent to Effective Date

This Plan shall not become effective and operative unless and until the Effective Date occurs. The Effective Date shall occur after the following conditions have been satisfied; provided, however, that the Debtors in their sole discretion may waive any or all of the following conditions, whereupon the Effective Date shall occur without further action by any Person:

(a) the Confirmation Order shall have been entered by the Bankruptcy Court and shall not be subject to a stay; and

(b) the Bankruptcy Court shall have determined that the Debtor is duly authorized to take actions contemplated in the Plan; and

(c) all other agreements contemplated by, or entered into pursuant to the Plan and all documents required to be filed with the Plan, shall have been duly and validly executed and delivered by the parties thereto and all conditions to their effectiveness shall have been satisfied or waived.

C. Notice of the Effective Date

On or before ten (10) Business Days after occurrence of the Effective Date, the Debtor shall mail or cause to be mailed to all holders of Claims and equity interests a notice (the “**Notice of the Effective Date**”) that informs such holders of (a) entry of the Confirmation Order; (b) the occurrence of the Effective Date; (c) the deadline established under this Plan for the filing of Administrative Claims; and (d) such other matters as the Debtors deem to be appropriate.

**XII.
CONFIRMATION PROCEDURE**

The Bankruptcy Court will confirm the Plan only if it finds that all of the requirements of Section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of a plan are that the Plan: (i) is accepted by all impaired Classes of Claims and interests or, if rejected or deemed rejected by an impaired Class, “does not discriminate unfairly” and is “fair and equitable” as to each rejecting Class; (ii) is feasible; and (iii) is in the “best interest” of Creditors and holders of Equity Interests impaired under the Plan.

A. Solicitation of Votes

No Claims are impaired under the Plan. Therefore, no votes under the Plan will be solicited from any holders of any Claims.

B. Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court to hold a hearing on confirmation of the Plan. The Confirmation Hearing has been scheduled for at __:___.m. prevailing central time. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjournment made at the Confirmation Hearing. At the Confirmation Hearing, the Bankruptcy Court will (i) consider final approval of the Disclosure Statement (ii) determine whether the Plan has been accepted by the requisite majorities of each Voting Class; (iii) hear and determine all objections to the Plan and to confirmation of the Plan (iv) determine whether the Plan meets the requirements of the Bankruptcy Code and has been proposed in good faith; and (v) confirm or refuse to confirm the Plan.

C. Fair and Equitable Test/ Cramdown

The Bankruptcy Code establishes different “fair and equitable” tests for Secured and Unsecured Creditors as follows:

1. Secured Creditors. Either (i) each Secured Creditor in a non-accepting Impaired Class retains the liens securing its Secured Claim and receives on account of its Secured Claim deferred Cash payments having a present value equal to the amount of its Allowed Secured Claim, (ii) each Secured Creditor in a non-accepting impaired Class realizes the indubitable equivalent of its Allowed Secured Claim, or (iii) the property securing the Claim is sold free and clear of liens with such liens to attach to the proceeds of sale and the treatment of such liens on proceeds as provided in clauses (i) and (ii) of this subparagraph.

2. Unsecured Creditors. Either (i) each Unsecured Creditor in a non- accepting impaired Class receives or retains under the Plan property having a present value equal to the amount of its Allowed Claim, or (ii) the holders of Claims and Equity Interests that are junior to the Claims of the dissenting Class will not receive or retain any property under the Plan.

THE DEBTOR BELIEVES THAT THE PLAN DOES NOT DISCRIMINATE UNFAIRLY WITH RESPECT TO ANY CLASS, AND THAT IT IS FAIR AND EQUITABLE WITH RESPECT TO EACH CLASS. FURTHER, BECAUSE NO CLASS OF CLAIMS OR INTERESTS ENTITLED TO VOTE ARE IMPAIRED, ALL CLASSES OF CLAIMS AND INTERESTS ARE DEEMED TO HAVE ACCEPTED THE PLAN.

D. Feasibility

The Bankruptcy Code requires that in order to confirm the Plan the Bankruptcy Court must find that confirmation of the Plan is not likely to be followed by liquidation or the need for further financial reorganization of the Debtor (the "Feasibility Test"), except as otherwise provided for under the Plan. In addition, the Bankruptcy Court must determine that the values of the distributions to be made under the Plan to each Class will equal or exceed the values which would be allocated to such Class in liquidation under Chapter 7 of the Bankruptcy Code (the "Best Interest Test"). The Best Interest Test with respect to each impaired Class requires that each holder of a Claim or Equity Interest in such Class either (i) accept the Plan, or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code.

The Debtor believes that the Plan meets the requirements of the Feasibility Test and of the Best Interest Test by providing for the cash proceeds from the sale of real estate to pay all of the allowed claims in full, determine allowed claims and pay a substantial distribution to all equity interest holders, in accordance with the priority scheme set forth in the Bankruptcy Code.

E. Objections to Confirmation and/or Final Approval of Disclosure Statement

The Court has given preliminary approval of this Disclosure Statement. Final approval will be combined with the confirmation hearing. Objections to the adequacy of the Disclosure Statement will be sustained only if the defect or omission in the Disclosure Statement is of such a nature that the correction of such defect or omission might, in the judgment of the Court, cause a creditor to change its vote on the Plan. Objections to final approval of the Disclosure Statement and /or to plan confirmation must be in writing and specify in detail the name and address of the objector, all grounds for the objection, and the amount of the claim or the equity interest in the Debtor held by the objector. **ANY SUCH OBJECTION MUST BE FILED WITH THE BANKRUPTCY COURT AND SERVED UPON THE FOLLOWING SO THAT IT IS RECEIVED BY THEM ON OR BEFORE 4:00 P.M. PREVAILING CENTRAL TIME ON THE ____ DAY OF _____, 2015:**

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**XIII.
CAUSES OF ACTION**

The primary assets available for payment of administrative, priority and unsecured claims under the Plan are the proceeds from the sale of the Hill Fee Lands, collection of intercompany and third party receivables, and sale of personal property assets. Additional funds may be available for distribution if there are recoveries from the Adversary. Because the Debtor believes that all of the *bona fide* claims against the estate can and will be paid out of the assets identified immediately above, the expenditure of additional sums to recover monies from related parties will have to be carefully evaluated. This Article XIII of the Disclosure Statement provides a summary of potential claims and

potential recoveries under the various Causes of Action.

Preferences

Section 547 of the Bankruptcy Code allows a Debtor-in- Possession to recover certain payments known as “voidable preferences.” A “voidable preference” is a payment made within 90 days prior to bankruptcy on an antecedent debt while the Debtor is insolvent which allows a creditor to recovery more than it would have if the payment had not been made and the Debtor’s assets were liquidated under Chapter 7. Payments made to insiders of the Debtor may be preferences if made within one year prior to bankruptcy. Certain payments are protected from recovery as preferences. These include payments made in the ordinary course of business and upon ordinary business terms, payments representing a substantially contemporaneous exchange and payments on consumer debts for less than \$600.00. The Debtor made the payments to creditors during the 90 days for non-insiders and 365 days for insiders prior to bankruptcy as set forth in its Statement of Financial Affairs 3.b and 3.c.

After the Confirmation Date, the Reorganized Debtor will make decisions regarding pursuit of litigation to pursue such payments under 11 U.S.C. 547. However, because the Plan provides for payment in full of unsecured creditors on the Effective Date, it is unlikely that the Debtor will pursue preference claims.

Fraudulent Conveyances/Insider Transfers

Section 548 of the Bankruptcy Code allows Debtor-in- Possession to recover certain payments known as “fraudulent conveyances.” A fraudulent conveyance is a transfer made within one year of bankruptcy while the Debtor was insolvent which either was made with fraudulent intent or was made without receiving reasonably equivalent value. After the Confirmation Date, the Reorganized Debtor will make decisions regarding pursuit of these transfers under 11 U.S.C. § 548 and other applicable law.

Section 549 of the Bankruptcy Code allows the bankruptcy estate to recover transfers which were made without court approval. The Debtor is unaware of any unauthorized transfers.

Pending Litigation Matters

The removed state court lawsuits brought with them claims asserted by the Debtor against third parties as well as litigation claims by third parties against the Debtor. The Debtor and the adverse litigants in the state court litigation have asserted various claims and counterclaims against each other. To the extent that the claims and counterclaims asserted in the state court litigation are core claims the Debtor would have the claims litigated in the bankruptcy court. The Debtor’s primary claims for affirmative relief against

the adverse litigants in state court include the following:

a. Counterclaim against Anam, Ltd for the unpaid principal balance owed to the Debtor under two discreet promissory notes, secured by Deeds of Trust, and representing the purchase price for two tracts referred to as the Trevino and Cook ranches, each located in Webb county, Texas. The Debtor scheduled the Anam Claim with a balance of \$4,071,350.00 plus accruing interest, which represents the balance of the notes reflected on the 2013 U.S. Income Tax Return for the Debtor.

b. Though guarantees were not executed, the Debtor seeks to hold Guillermo Benavides Z. and Guillermo R. Benavides jointly and severally liable on the Anam, Ltd indebtedness.

c. Counterclaim against Benavides Family Minerals, LTD for a \$1,270,000.00 unauthorized transfer from the Debtor accomplished at the direction of Guillermo Benavides Z. and Guillermo R. Benavides.

d. Claim for rental income against GBG Cattle & Hunting Co., LLC for unpaid lease payments in the amount of \$494,386.60 as of the Petition Date⁸.

e. Claim against Guillermo Benavides Z. in the approximate amount of \$135,000.00 representing the unauthorized use of the Debtor's funds to satisfy a personal obligation.

The claims and counterclaims asserted in the state court proceedings by the adverse litigants, are for unknown amounts because the pleadings in the state court lawsuits do not state the amount of the damages sought by the various claimants. The Debtor believes that the claims, counterclaims and third party claims involving the Debtor are core proceedings and should be adjudicated and liquidated by this Court.

Disclaimer and Reservation of Rights

The Debtor has attempted to disclose all material causes of action, including avoidance and other actions under chapter 5 of the Bankruptcy Code that it may hold against third parties. However, the Debtor has performed a thorough investigation and analysis of potential claims against third parties, insiders and affiliates. While there are claims that exist between the Debtor, insiders and affiliates, as noted above, because the Debtor believes that all of the bona fide claims against the estate can and will be paid out of the assets of the estate, the expenditure of additional professional fees to recover monies from related parties will have to be further evaluated in light of the Examiner's

⁸ The annual lease payments by C&H are due on November 1. The lease due to GBG Ranch by C&H for 2014 – 2015 is estimated at \$175,000.00

Claims Report.

Because all of the above described causes of action may have defenses, partial or total, to recovery by the Debtor, the ultimate resolution of such claims may result in zero distributable assets being received by the Debtor and only increase the cost of administration at the expense of equity. It is the contemplation of the Plan that such investigation and analysis will occur post-confirmation by the Debtor prior to the settlement of the GBG Ranch Trust.

The Debtor may hold other potential claims or causes of actions against third parties that the Debtor have not disclosed herein. You should not rely on the omission of the disclosure of a claim to assume that the Debtor or the Reorganized Debtor holds no claim against any third party, including any creditor that may be reading this Disclosure Statement and/or casting a ballot.

Unless expressly released by the Plan, any and all such claims against third parties are specifically reserved and transferred to the Debtor. The Debtor's failure to identify a claim herein is specifically not a waiver of any claim or cause of action. The Debtor will not ask the Court to rule or make findings with respect to the existence of any cause of action or the value of the entirety of the Debtor's estate at the confirmation hearing; accordingly, except claims which are expressly released by the Plan, the Debtor's failure to identify a claim herein shall not give rise to any defense of judicial estoppel with respect to claims which could be asserted against third parties, including creditors of the Debtor which may be reading this Disclosure Statement and/or casting a ballot. When reviewing the Plan, you should consider and take into account the possibility that the Debtor may hold a claim against you that will be transferred to the Reorganized Debtor and, if the Reorganized Debtor deems advisable, fully pursued post confirmation.

XIV. **FINANCIAL INFORMATION**

Attached hereto are the following financial data relating to the Debtor:

1. Hill Survey – **Exhibit A**
2. Oilton Survey – **Exhibit B**
3. Corazon Survey – **Exhibit C**
4. Monthly Operating Reports - **Exhibit D.**
5. Historical Cash Flow From Debtor's Business Operations July 8, 2014 through November 30, 2014 - **Exhibit E.**
6. GBG Ranch Trust – **Exhibit F**
7. The Plan – **Exhibit G**

XV.

ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

1. Liquidation:

The Plan is a liquidating Plan which contemplates a resolution of all disputes between the adverse Pre-petition Equity Interest and the Debtor by a liquidation of all assets to convert the assets to cash. If the Plan is not confirmed and consummated, the alternatives include: (i) preparation and presentation of an alternative plan of liquidation; or (ii) liquidation of the Debtor under Chapter 7 of the Bankruptcy Code.

2. Alternative Plans of Liquidation

The Debtor believes that failure to confirm the Plan will inevitably result in additional administrative expenses being incurred which will delay distributions to Unsecured Creditors and will reduce the distributions to equity. The Debtor believes that the Plan, as described herein, fairly adjusts the rights of various Classes of Creditors consistent with the distribution scheme embodied in the Bankruptcy Code and enables Creditors to realize the most possible under the circumstances.

3. Liquidation Under Chapter 7

One of the requirements to confirm a Chapter 11 plan is that creditors receive at least as much as they would under a Chapter 7 liquidation. In a Chapter 7 liquidation, a Trustee would be appointed to liquidate the Debtor's property and pay the claims of creditors. Once the property was liquidated, the claims would be paid in the following order:

- a. First, expenses of the Chapter 7 Trustee would be paid;
- b. Second, expenses incurred during the Chapter 11 case and allowed by the court-including the Chapter 11 Administrative claims would be paid;
- c. Third, priority creditors would be paid; and
- d. Any remaining funds would be divided pro-rata among the unsecured creditors; and
- e. Finally, any remaining funds would be distributed to the equity interest holders.

The Debtor believes that a liquidation under Chapter 7 would result in a reduced recovery of funds by the Debtor's estate because of the additional administrative

expenses involved in the appointment of a Chapter 7 trustee for the Debtor and attorneys and other professionals to assist such a Chapter 7 Trustee. A chapter 7 liquidation would diminish or eliminate the return to the Wind Revenue Beneficiaries and would likely result in the fire sale of the Ranches. Further, a Chapter 7 Trustee would likely lack the requisite knowledge of the specific characteristics of the land to economically maintain the Ranches and thereby preserve their value and the price at which they could be sold.

A Chapter 7 Trustee would also lack the knowledge to efficiently administer the Ranches and preserve their value. The Ranches are comprised of more than 20,000 acres on three non-contiguous ranches. It is a full time job to monitor the ranches, make repairs on them and respond to emergencies. The Ranches call for full time scrutiny to repair and maintain fences, roads, windmills, stock tanks and structures. The minerals have been severed from the ranches and someone has to be responsible for resolving disputes or emergencies that arise from the mineral estates interaction with the surface estate. The ranches are also leased for hunting and grazing. Someone has to take the responsibility for monitoring these operations for safety and use according to state law. At this time these tasks are managed by Manuel A. Benavides who performs these services without salary. A trustee would have to hire a full time ranch manager to monitor and take care of the Ranches. This would add an additional cost to the Bankruptcy estate.

An intimate knowledge of the use and specific characteristics of the land on the Ranches allows the Debtor to profitably and economically preserve the value of the Ranches. By way of example the Debtor is negotiating with the mineral estate owner for the placement of a gas pipeline across the Hill Ranch. Without a knowledge of the use and characteristic of each separate part of the Hill Ranch the mineral estate owner could place the pipeline in a location that would adversely affect the use and value of the surface estate. Debtor is working with potential purchaser to identify the easement for the pipeline that is satisfactory to both the prospective purchaser and Laredo Energy. Debtor's knowledge of the Ranches has allowed it to do this. Neither a Chapter 7 Trustee nor a ranch manager hired by a Chapter 7 trustee would have this knowledge.

The appointment of a Chapter 7 Trustee subjects the equity interest holders to the risk that their distribution may be smaller than what they would receive under an orderly Chapter 11 liquidation by the Debtor. A Chapter 7 Trustee might not have the same motivation to hold the Ranches long enough, or negotiate hard enough for the highest and best price for the sale of the ranches or their parts. Even at fire sale prices a Chapter 7 Trustee would make a huge fee on the sale of the Ranches.

Debtor acknowledges that the equity in the Ranches is so large that all of the Debtor's creditors will be paid in full whether the Ranches are liquidated under a chapter 7 Trustee or by the Debtor. The equity interest holders, however, stand a far better chance to receive a larger distribution if the Ranches are treated in accordance with the terms of

the proposed plan. The dividend to the equity interest holders is far better under the Debtor's Chapter 11 Plan than the estimated distribution than what the Equity Interest Holders would receive in a Chapter 7 Liquidation. As noted above, the Wind Revenue Beneficiaries would likely receive no distribution or future revenue stream upon the event of a Chapter 7 liquidation. The Debtor's Chapter 11 Plan, therefore, satisfies 11 U.S.C. § 1129(a)(7).

XVI.
FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

1. Tax Effects

a. Tax effects for the Debtor. Generally speaking, under the Internal Revenue Code of 1986 (the "Tax Code"), the filing of the Chapter 11 bankruptcy petition by Debtor results in the treatment of the estate as a separate taxable entity except to the extent that the Debtor elected treatment under subchapter S. The estate must file tax returns and either the estate or the pass-through tax payers must pay taxes on its taxable income generated during the period of administration. Any tax liability payable by the estate would be an administrative claim. Accordingly, if the estate were to have a significant income tax liability, the funds available for distribution to unsecured creditors would be reduced.

As of the date of this Disclosure Statement, no significant taxable events are believed to have occurred since the filing of this case in terms of disposition of estate property. The Tax Code [section 1398(h)(8)] allows an estate to deduct administrative expenses during a bankruptcy case. Under section 1398(f)(2) of the Tax Code, transfers from a bankruptcy estate to a Debtor upon the termination of the estate will not be treated as a disposition giving rise to recognition of gain or loss. In such event, a Debtor succeeds to the tax attributes of the estate.

Capital gains will be realized upon the sale of the Fee Hill Lands on the difference between the basis and the sales price of the Fee Hill Lands sold. The tax consequences of the conveyance of the Corazon Ranch, the Oilton Ranch and Tract 5 of the Hill Ranch to the GBG Ranch Trust is currently under consideration.

b. Tax Consequences to Creditors. ALL CREDITORS AND EQUITY INTEREST HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FEDERAL INCOME TAX CONSEQUENCES CONTEMPLATED UNDER OR IN CONNECTION WITH THE PLAN, INCLUDING STATE AND LOCAL TAX CONSEQUENCES.

XVII.
CONCLUSION AND RECOMMENDATION

THE DEBTOR BELIEVES THAT CONFIRMATION OF THE PLAN IS PREFERABLE TO ANY OF THE ALTERNATIVES DESCRIBED ABOVE AND THAT THE PLAN IS DESIGNED TO PROVIDE GREATER RECOVERIES THAN THOSE AVAILABLE IN ANY OTHER FORM OF LIQUIDATION. ANY OTHER ALTERNATIVE WOULD CAUSE SIGNIFICANT DELAY AND UNCERTAINTY, AS WELL AS ADDITIONAL ADMINISTRATIVE COSTS, THUS, THE DEBTOR RECOMMENDS THE CONFIRMATION OF THE PLAN.

Dated: December 8, 2014.

Respectfully Submitted,

G.B.G. Ranch, Ltd.
Acting by its General Partner
Guillermo Benavides Garza Investment Company

By: /s/Manuel A. Benavides
Manuel A. Benavides
Its: President

By: /s/Carl M. Barto
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CERTIFICATE OF SERVICE

I hereby certify that on the 8th day of December, 2014 a true and correct copy of the foregoing has been served pursuant to the ECMF filing and notice procedures or in the manner indicated to the following parties:

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